



AGENDA

REGULAR MEETING OF THE HEMET HOUSING AUTHORITY

June 24, 2014

7:00 p.m.

City of Hemet Council Chambers
450 E. Latham Avenue

www.cityofhemet.org

Please silence all cell phones

**Notice: Members of the Public attending shall comply with the adopted Rules of Decorum in Resolution No. 4545. A copy of the Rules of Decorum are available from the Secretary.*

Call to Order

Roll Call

ROLL CALL: Board Members Smith, Wright and Youssef, Vice Chairperson Milne and Chairperson Krupa

REGULAR SESSION

7:00 p.m.

City of Hemet City Council Chambers
450 E. Latham Avenue

Call to Order

Roll Call

ROLL CALL: Board Members Smith, Wright and Youssef, Vice Chairperson Milne and Chairperson Krupa

City Council Business

Notice to the Public

The Consent Calendar contains items which are typically routine in nature and will be enacted by one motion by the Board unless an item is removed for discussion by a member of the public, staff, or Board. If you wish to discuss a Consent Calendar item please come to the microphone and state the number of the item you wish to discuss. Then wait near the lecture. When the Chairperson calls your turn give your last name, and address, then begin speaking. You will have three minutes at that time to address the Board.

Consent Calendar

1. **Approval of Minutes** – March 11, 2014

2. **Recommendation by Community Investment** – Modifications of Terms for a Disposition, Development and Loan Agreement and Related Documents for the Greystone Apartments Project
 - a. Adopt a resolution authorizing the Executive Director to prepare and execute all documents necessary to revise the Disposition, Development and Loan Agreements and related documents for the Greystone Apartments Phases 1 and 2, to reflect a change in loan repayment terms and a modification to the residential unit sizes. **Resolution Bill No. 14-041**
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Communications from the Public

Anyone who wishes to address the Housing Authority regarding items not on the agenda may do so at this time. As a courtesy, please complete a Request to Speak Form found at the Secretary's desk. Submit your completed form to the Secretary prior to the beginning of the meeting. Presentations are limited to three minutes in consideration of others who are here for agenda items. Please come forward to the lectern when the Chairperson calls upon you. When you are recognized, you may proceed with our comments.

****Notice: Members of the Public attending shall comply with the adopted Rules of Decorum in Resolution No. 4545. A copy of the Rules of Decorum are available from the Secretary.***

State law prohibits the Housing Authority from taking action or discussing any item not appearing on the agenda except for brief responses to statements made or questions posed by the public. In addition, they may, on their own initiative or in response to questions posed by the public, ask a question for clarification, provide a reference to staff or other resources for factual information, or request staff to report back to them at a subsequent meeting. Furthermore, a member of the Housing Authority or the Board itself may take action to direct staff to place a matter of business on a future agenda.

Future Agenda Items

If Members of Board have items for consideration at a future Housing Authority meeting, please state the agenda item to provide direction to the Executive Director.

Adjournment

Staff reports and other disclosable public records related to open session agenda items are available at the Secretary's Office or at the public counter located at 445 E. Florida Avenue during normal business hours.



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MINUTES

REGULAR MEETING OF THE HEMET HOUSING AUTHORITY MARCH 11, 2014

REGULAR SESSION

7:00 p.m.

**City of Hemet City Council Chambers
450 E. Latham Avenue**

Call to Order

Chairperson Krupa called the meeting to order at 8:01 p.m.

Roll Call

PRESENT: Board Members Wright and Youssef, Vice Chairperson Milne and Chairperson Krupa

ABSENT: Board Member Smith

Board Member Youssef moved and Vice Chairperson Milne seconded a motion to excuse Board Member Smith. Motion carried 4-0.

City Council Business Consent Calendar

1. **Approval of Minutes** – December 10, 2013
2. **Recommendation by Secretary** – Adopting and Promulgating the Housing Authority's Conflict of Interest Code
 - a. Adopt a resolution adopting and promulgating the Conflict of Interest Code and Designated Officials and Employees of the Housing Authority required to file a Statement of Economic Interest. This resolution will rescind Resolution No. 0013. **Resolution No. 0018**

Vice Chairperson Milne moved and Council Member Wright seconded a motion to approve the Consent Calendar as presented. Motion carried 4-0.

Communications from the Public

There were no communications from the public presented at this time.

Future Agenda Items

There were no future agenda items requested at this time.

Adjournment

Adjourned at 8:02 p.m.



Staff Report

TO: Honorable Chair and Members of the Hemet Housing Authority

FROM: John Jansons, Community Investment Director

THROUGH: Wally Hill, Executive Director *Wally Hill*

DATE: June 24, 2014

SUBJECT: Resolution No. 14-041 Authorizing the Modification of Terms for a Disposition, Development and Loan Agreement and Related Documents for the Greystone Apartments Project, and Authorizing Preparation and Execution of Amended Documents

RECOMMENDATION:

That the Authority approve Resolution No.14-041 authorizing the Executive Director to prepare and execute all documents necessary to revise the Disposition, Development and Loan Agreement and related documents for the Greystone Apartments Phases 1 and 2, to reflect a change in loan repayment terms and a modification to the residential unit sizes.

BACKGROUND:

In September 2013 the City and the Housing Authority adopted resolutions authorizing the execution of a Disposition, Development and Loan Agreement addressing the conveyance of real property owned by the Housing Authority on Mobley Lane to Riverside Housing Development Corporation (RHDC) or an affiliated entity, for the rehabilitation of Phases 1 and 2 of the Greystone Apartments. Phase 1 of the project was funded utilizing NSP I and NSP III funding which needed to be utilized prior to a HUD deadline of April 30, 2014. The Authority and the City of Hemet committed a total of \$1,471,000 to the project. Of that amount, \$1,219,000 was committed as a long-term (55 years) investment repayable from project residual receipts, while \$252,000 was committed as a short-term (3 years) bridge loan until the developer was able to apply for and receive an allocation of state or federal tax credits that would provide the permanent financing necessary for Phase 2. The \$252,000 short-term loan was to be repaid out of Phase 2's tax credit financing. Phase 1 was successfully completed within the NSP deadline, and RHDC is currently preparing a tax credit application to submit to the State for Phase 2 financing.

DISCUSSION / ANALYSIS:

The tax credit allocation program as structured by the California Tax Credit Allocation Committee (TCAC) provides priority to projects that include large (3-bedroom) units; however the financing program has minimum unit size requirements: two bedroom units must be at least

750 square feet in size, and three bedroom units must be at least 1000 square feet. The existing units on Mobley Lane do not meet those requirements. RHDC requested a waiver for the size requirements, but the State denied the waiver request. To qualify for the large-unit preference, RHDC has proposed reconfiguring the units sizes to meet the TCAC requirements. To do so, RHDC has had to redesign the interior space of the buildings and now proposes to convert many of the units from three bedrooms down to two bedrooms. The three bedroom units are now designed to be 1015 square feet and the two bedroom units are approximately 734 square feet. TCAC has agreed to waive the 750 square foot minimum size for the two bedroom units.

As a result of the change in project configuration there is a projected increase in construction costs in the amount of approximately \$750,000. To meet the unit size requirements it will be necessary to move some load bearing structural walls in the buildings. The project's original financing plan anticipated a substantial renovation of the existing units, but did not include any costs to move load bearing walls. These changes will need to be made to both phases in order to receive the tax credit financing for the whole project. So, even though the renovation of Phase 1 is already complete, modification will be required to meet the TCAC requirements for the overall project.

In addition, the projected project operating revenue has decreased since under the revised plan, there will be fewer 3-bedroom units, and the allowable rent will be less. Previously, in addition to the manager's unit, the project would have included 32 three bedroom units and 8 two bedroom units, but now it will have only 12 three bedroom units and 28 two bedroom units. The maximum allowable rent is significantly less for 2 bedroom units than for 3 bedroom units. To offset the projected shortfall in operating revenue, the developer proposes to "pre-fund" required reserves. This would eliminate the annual expense of funding reserve contributions and would enable the projected operating budget to be in balance. TCAC permits annual reserve contributions to be eliminated if they have been funded in advance by a capital contribution.

To comply with TCAC requirements, the developer has requested approval to modify the bedroom size/count for the project. In addition, as a result of the increased construction costs and decreased projected rent revenue, the developer has determined that it would no longer be feasible to repay the \$252,000 loan as originally scheduled, and has requested a revision to the repayment schedule for the \$252,000 loan to enable it to be repaid out of project residual receipts on the same basis as the \$1,219,000 loan.

COORDINATION AND REVIEW:

This recommendation was prepared and coordinated with the City Attorney's Office, the City Manager and Department of Community Investment.

FISCAL IMPACT:

Proceeding as recommended will delay repayment of the \$252,000 loan, but will otherwise have no impact on the Housing Authority or City general funds. Failure to proceed with the recommended action may result in the project not being eligible for tax credit financing and may prevent the completion of Phase 2.

ALTERNATIVE(S):

None proposed.

CONCLUSION:

Staff recommends that the Authority approve Resolution No. 14-041 authorizing the Executive Director to prepare and execute all documents necessary to revise the Disposition, Development and Loan Agreement and related documents for the Greystone Apartments Phases 1 and 2, to reflect a change in loan repayment terms and a modification to the residential unit sizes.

ATTACHMENT(S):

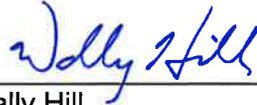
1. Draft Resolution No. 14-041

Recommended by:



John Jansons
Community Investment Director

Approved By:



Wally Hill
City Manager/Executive Director



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**HEMET HOUSING AUTHORITY
Hemet, California
RESOLUTION BILL NO. 14-041**

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**A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY
OF HEMET, CALIFORNIA, AUTHORIZING THE
MODIFICATION OF TERMS FOR A DISPOSITION,
DEVELOPMENT AND LOAN AGREEMENT AND RELATED
DOCUMENTS FOR THE MOBLEY LANE PROJECT, AND
AUTHORIZING PREPARATION AND EXECUTION OF
AMENDED DOCUMENTS**

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WHEREAS, on April 9, 2013, the Hemet Housing Authority (the “**Authority**”) provided conceptual approval for the disposition, rehabilitation and financing of the property owned by the Authority located on Mobley Lane in the City of Hemet (the “**Property**”) pursuant to documents to be negotiated with the Riverside Housing Development Corporation, a California nonprofit public benefit corporation (“**RHDC**”);

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WHEREAS, Authority staff negotiated the terms and conditions under which RHDC or a related entity would acquire and rehabilitate the Property in two phases, collectively consisting of 41 units of housing affordable to low- and very low-income households (the “**Project**”);

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WHEREAS, the Project, the Property and the terms and conditions for disposition, rehabilitation, and financing of the Project are more particularly described in a Disposition, Development and Loan Agreement (the “**DDA**”) which was approved by the Authority’s governing board and executed by the Authority and RHDC;

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WHEREAS, pursuant to the DDA, RHDC has assigned its rights and obligations under the DDA to Mobley Lane Partners, LP, a California limited partnership in which RHDC serves as general partner (“**Developer**”);

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WHEREAS, Phase 1 of the Project consists of the acquisition and rehabilitation of 12 units of affordable housing located at 598, 599 and 575 Mobley Lane (“**Phase 1**”), and Phase 2 of the Project will consist of the acquisition and rehabilitation of 29 units of affordable housing on the remainder of the Property (“**Phase 2**”);

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WHEREAS, in connection with the DDA, the Authority and the City of Hemet agreed to provide financing for Phase 1 of the Project consisting of a construction/permanent loan in the amount of \$1,219,000 and a second short-term loan in the amount of \$252,000 (the “**Short-Term Note**”), each to be funded with Neighborhood Stabilization Program (“**NSP**”) funds (collectively, the “**Loans**”);

1 **WHEREAS**, the DDA provides that the proceeds of the Loans may be used for
2 rehabilitation of the Phase 1 residential units and for specified predevelopment costs for Phase 2;

3 **WHEREAS**, Developer, and as applicable, the Authority have executed two Secured
4 Promissory Notes which provide for repayment of the construction/permanent loan on a residual
5 receipts basis and repayment of the Short-Term Note upon completion of Phase 2 of the Project;
6 an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants
7 (“**Regulatory Agreement**”) which restricts rents for units in Phase 1 of the Project at affordable
8 levels for a period of 55 years; and a Deed of Trust, Assignment of Rents, Security Agreement
9 and Fixture Filing pursuant to which the Authority will be provided a security interest in the
10 Phase 1 Property to secure repayment of the Loans and compliance with the Regulatory
11 Agreement;

12 **WHEREAS**, the DDA provides that similar agreements will be executed in connection
13 with the disposition of the Phase 2 Property;

14 **WHEREAS**, Developer will seek additional financing for Phase 2 of the Project, and
15 will apply for an allocation of federal low-income housing tax credits to fund the rehabilitation
16 of the Phase 2 residential units and the construction or rehabilitation of garages and common
17 facilities for both Phase 1 and Phase 2; and

18 **WHEREAS**, in order to be competitive in its application for federal low-income housing
19 tax credits, Developer has requested certain modifications to the repayment schedule for the
20 Short-Term Note, and a modification to the bedroom count/unit size configuration for Phase 1
21 and Phase 2, without changing the total number of residential units in the Project.

22 **NOW, THEREFORE, BE IT RESOLVED** that the governing board of the Hemet
23 Housing Authority hereby:

- 24 1. Finds that the modifications requested by Developer are reasonable and necessary to
25 facilitate Developer’s application for low-income housing tax credit financing for the Project.
- 26 2. Approves a modification to the repayment terms for the Short-Term Note to provide that
27 it will be payable on a residual receipts basis from Project cash flow.
- 28 3. Approves modifications to the DDA, the Regulatory Agreement and related documents to
provide that Phase 1 may be modified to include 8 two-bedroom units and 4 three-bedroom units,
and that Phase 2 will consist of 21 two-bedroom units and 8 three-bedroom units.
4. Authorizes and directs staff to prepare amendments to, or amended and restated versions
of, the DDA, the Regulatory Agreement, the Short-Term Note and related documents to reflect
the modifications authorized by this Resolution, and authorizes the Executive Director to execute
and deliver such amendments or amended and restated documents provided that they are
consistent with this Resolution and approved by Authority Counsel.
5. Authorizes the Executive Director or his designee to execute and deliver such other
instruments and to take such other actions as necessary to carry out the intent of this Resolution.

1 **PASSED, APPROVED, AND ADOPTED** by the Board this 24th day of June, 2014

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Linda Krupa, Chairperson

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ATTEST:

APPROVED AS TO FORM:

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Sarah McComas, Secretary

Eric S. Vail, Agency Attorney

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State of California)
County of Riverside)
City of Hemet)

I, Sarah McComas, Secretary of the Housing Authority, do hereby certify that the foregoing Resolution is the actual Resolution adopted by the Housing Authority and was passed at a regular meeting of the Housing Authority on the 24th day of June, 2014 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Sarah McComas, Secretary