



Stanislaus Regional Housing Authority

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DATE: May 14, 2020

TO: Board of Commissioners

FROM: Barbara S. Kauss, Executive Director

Subject: **ACTION ITEM # 4,5,6, and 8** – These are a collection of resolutions for consideration and approval relating to the acquisition and closing of escrow for the property located at 1612 Sisk Road in Modesto, California.

Resolution No. 19-20-18 is for the purpose of declaring the Authority's intent to reimburse certain costs and expenditures from the proceeds of the indebtedness that have been advanced by the Housing Authority for the purpose of the acquiring the subject property through a tax-exempt bank loan.

RECOMMENDATION

Following review and discussion, staff recommends approval of the proposed inducement resolution.

BACKGROUND

Resolution No 19-20-18. This Resolution permits the authority to reimburse certain expenditures incurred before the issuance of debt (private placement loan) under U.S. Treasury rules. Certain items of cost incurred prior to the tax-exempt loan being issued in this transaction are reimbursable. This means that these costs and expenditures can be reimbursed from the proceeds of the loan amount issued by the bank. There is no requirement that the Authority must include these costs and expenditures in the loan amount, it just gives the Authority the right, under Treasury rules, to be reimbursed from the bank loan.

Resolution 19-20-19. This resolution is authorizing the Housing Authority to take action to condominiumize the subject property into multiple condominium parcels to facilitate the recording of a HUD Declaration of Trust/Restrictive Covenant on the Public Housing Asset portion of the property (42%) for the public housing office without having those restrictions on the rest of the property. It also authorizes the Executive Director to negotiate the terms and conditions of the Declaration of Trust/Restrictive Covenant and execute said final document on behalf of the Housing Authority

Resolution No 19-20-20. This resolution is authorizing a Section 30 application and request for approval by HUD to treat this transaction as a Section 30 of the U. S. Housing Act of 1937 PHA Mortgaged Transaction. With this approval HUD will be able to place a Declaration of



Trust/Restrictive Covenant on the public housing portion of the property (42%) only. It will also allow F & M Bank to securitize the entire property in the first position with its loan to the Housing Authority.

~~Resolution No 19-20-21.~~ (removed by CEO/Executive Director)

Resolution 19-20-22. This resolution approves the F & M Bank loan for the acquisition and rehabilitation of the non-public housing portion of the property and authorizes the Executive Director to sign all necessary documents and take all necessary actions to acquire the property and close the escrow. It also authorized the Executive Director and Board Secretary to sign all necessary document and take all necessary action to complete the rehabilitation of the 150 units of work force housing using the bank loan proceeds. The current projected income and expense proforma indicates that the property's net operations income, after stabilization, will cover the debt service on the loan and offer additional cash flow to the Authority.

FISCAL IMPACT

Resolution 19-20-22: New Bank loan not to exceed \$13,275,000.00

ATTACHMENTS

1. Resolutions



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RESOLUTION NO. 19-20-19

A RESOLUTION OF THE HOUSING AUTHORITY OF THE COUNTY OF STANISLAUS AUTHORIZING THE AUTHORITY TO PREPARE AND CAUSE TO BE RECORDED A CERTIFICATE OF COMPLIANCE PERMITTING THE 1612 SISK ROAD MODESTO CALIFORNIA REAL PROPERTY TO BE FURTHER SUBDIVIDED INTO CONDOMINIUMS AS NECESSARY TO FACILITATE THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT APPROVAL FOR THE AUTHORITY'S FINANCING OF THE PUBLIC HOUSING PORTION OF THE REAL PROPERTY AND THE ACQUISITION OF THE NON PUBLIC HOUSING PORTION OF THE REAL PROPERTY AND IMPROVEMENTS AND AUTHORIZING RELATED ACTIONS

WHEREAS, the Housing Authority of the County of Stanislaus (the "Authority"), pursuant to Articles 1 through 5 of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, is authorized to issue revenue obligations to finance the acquisition, construction and/or rehabilitation and development of multifamily projects for persons and families of low and very low income residing within the jurisdiction of the Authority; and

WHEREAS, the Authority has determined to proceed with financing the acquisition and rehabilitation of a hotel property located at 1612 Sisk Road, Modesto, California (Subject Property) and convert a portion of such property into a public housing program owned asset (the "Project"); and

WHEREAS, the Authority expects to pay for the acquisition of the public housing asset portion of the Subject Property from its own Public Housing Program Operating Fund Reserve and will need to authorize the execution and approval for recording of a declaration of trust or other encumbrance on the Public Housing Program portion of the property which is approximately forty-two percent (42%) of the Subject Property; and

WHEREAS, the Authority needs to apply for and receive approval from the United States Department of Housing and Urban Development (HUD) to allow the Authority to acquire the Project as a Section 30 of the United States Housing Act of 1937 PHA Mortgaged Transaction to allow the Project to be securitized, in total including the Public Housing Program portion, by the lending institution providing acquisition financing; and

WHEREAS, the Authority will take the appropriate legal actions to condominiumize the project into two or more separate condominiums in order to properly divide the Project to facilitate HUD approval for the Authority's financing of the Public Housing Program's portion of the Subject Property with Public Housing Program Operating Fund Reserves; and

WHEREAS, The Authority is ready willing and able to approve the acquisition of the Subject Property and approve the use of its Public Housing Program Operating Fund Reserves to purchase the Public Housing portion (42%)(Project) and approve a loan from F & M Bank of Central California to finance the balance of the purchase price for the Subject Property; and



NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the County of Stanislaus as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority hereby authorizes preparation of all necessary documents and other condominium related items and cause to be recorded a Certificate of Compliance that permits the 1612 Sisk Road Subject Property to be further subdivided into condominiums as necessary to facilitate the United States Department of Housing and Urban Development approval of the financing of the Project located at 1612 Sisk Road Modesto, California under Section 30 of the United State Housing Act of 1937, subject to HUD's final approval under Section 30 as a PHA Mortgaged Transaction.

Section 3. The Authority hereby approves the condominiumization of the Subject Property into two or more separate condominiums in order to facilitate the recording of a declaration of trust/restrictive covenants in favor of HUD on the forty-two percent (42%) Public Housing Program separate condominium portion (Project) and the recording of a Certificate of Compliance and allowing F & M Bank to securitize the entire Subject Property in the first position to secure the Bank's funding of the acquisition and rehabilitation of the 150 workforce housing units and further authorizes the Executive Director to take appropriate actions to negotiate and approve of a final Declaration of Trust/Restrictive Covenant in favor of HUD for the Project. Executive Director is hereby further authorized to take all necessary action and execute all necessary documents related to the Certificate of Compliance and the Declaration of Trust/Restrictive Covenant.

Section 5. The Authority authorizes the Executive Director and/or Authorized Designees to take all necessary action, execute all needed documents and other items to finalize and complete the purchase, acquisition, and condominiumization of the Subject Property.

Section 6. This Resolution shall take effect immediately upon its adoption.

Section 7. This Resolution shall take effect immediately upon its passage.

DULY AND REGULARLY ADOPTED by the Board of Commissioners of the Housing Authority of the County of Stanislaus this 14th day of May, 2020.

On motion of Commissioner _____, seconded by Commissioner _____ and on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: _____
Chairperson

Attest: _____
Secretary