



## Stanislaus Regional Housing Authority

ALPINE | AMADOR | CALAVERAS | INYO | MARIPOSA  
MONO | STANISLAUS | TUOLUMNE COUNTIES

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



## Stanislaus Regional Housing Authority

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### RESOLUTION NO. 19-20-20

#### **A RESOLUTION OF THE HOUSING AUTHORITY OF THE COUNTY OF STANISLAUS AUTHORIZING THE APPLICATION FOR HUD APPROVAL UNDER SECTION 30 OF THE UNITED STATE HOUSING ACT OF 1937 TO AUTHORIZE THE PLACEMENT OF A DECLARATION OF TRUST OR OTHER ENCUMBRANCE ON THE PUBLIC HOUSING PORTION OF THE 1612 SISK ROAD PROPERTY, ACQUISITION OF THE PROPERTY WITH CONDOMINIUMIZATION, APPROVAL OF USE OF PUBLIC HOUSING OPERATING RESERVE FUNDS AND A BANK LOAN 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 to own and operate a portion of such property as a public housing project (the "Project"); and

WHEREAS, the Authority expects to pay for the acquisition of the public housing portion of the Subject Property from its own Public Housing Program Operating Reserve funds and will need to authorize the execution and approval for recording of a declaration of trust/restrictive covenant or other encumbrance on the Project of the Subject Property which is approximately forty-two percent (42%); 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, by the lending institution providing acquisition financing; and

WHEREAS, the Authority will take the appropriate legal actions to condominiumize the Subject Property into two or more separate condominiums in order to properly divide the Subject Property to facilitate HUD approval for the Authority's financing of the Project 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 Operating Fund Reserves to purchase the Project (42% of the Subject Property) and approve a loan from F & M Bank of Central California to finance the balance of the purchase price; 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 is hereby authorized to apply for HUD approval under Section 30 of the United States Housing Act of 1937 for the acquisition of the Project at 1612 Sisk Road Modesto, California, (42% of Subject Property) as a Public Housing Program owned asset (Project), 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 covenant in favor of HUD on the forty-two percent (42%) Public Housing Program separate condominium portion (Project) of the Subject Property and to allow F & M Bank to securitize, in first position, the entire Subject Property as security for the Bank's acquisition and rehabilitation loan to the Authority. The Authority also approves of the Bank's securitization of the Subject Property in the first position.

Section 4. The Authority approves the use of its Public Housing Operating Fund Reserves to acquire the forty-two percent 42% Public Housing Program condominium portion (Project) of the Subject Property and further approves a loan from F & M Bank of Central California for the purpose of financing the acquisition of the non-public housing condominium portions of the Subject Property and for the rehabilitation of 150 units of workforce housing in an amount not to exceed thirteen million two hundred seventy five thousand dollars (\$13,275,000.00).

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.

**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