



Stanislaus Regional Housing Authority

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MONO | STANISLAUS | TUOLUMNE COUNTIES

Date: January 11, 2024
To: Board of Commissioners
From: Jim Kruse, Executive Director
Subject: **ACTION ITEM #1** - A RESOLUTION OF THE STANISLAUS REGIONAL HOUSING AUTHORITY (“AUTHORITY”) APPROVING THE 1612 APARTMENTS AFFORDABLE HOUSING PROJECT AND AUTHORIZING ITS EXECUTIVE DIRECTOR OR DESIGNEE TO EXECUTE AND TAKE ALL NEEDED ACTIONS IN CONSULTATION WITH AUTHORITY’S GENERAL COUNSEL RELATIVE TO ENTERING INTO AN AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, DEVELOPMENT AGREEMENT, GUARANTY AGREEMENT, RIGHT OF FIRST REFUSAL AND PURCHASE OPTION AGREEMENT, POST-CLOSING AGREEMENT, LEASES, LOAN DOCUMENTS AND ANY OTHER AGREEMENTS FOR THE PURPOSE OF REHABILITATING, MAINTAINING AND OPERATING THE 1612 APARTMENTS AFFORDABLE HOUSING PROJECT

Resolution No. 23-24-03

Recommendation:

Staff recommends approval of Resolution 23-24-03. The Resolution approves the 1612 Apartment affordable housing project and authorizes the Executive Director (or designee) to execute and take all needed action in consultation with The Authority’s General Counsel to rehabilitate, maintain and operate the 1612 Apartment affordable housing project.

Background

The Stanislaus Regional Housing Authority (The Authority) purchased the 1612 Sisk Road property in June of 2020 for the purpose of rehabilitating the existing hotel structure into the new Housing Authority Administrative offices and to convert 144 of the existing hotel rooms into affordable residential apartments.

The Administration portion of the project was authorized by HUD, under the Cares-Act, to be funded with operating reserves funds and the remaining funding provided by an F&M bank loan for the 1612 Apartments portion of the property. The F&M Bank loan will be due and payable in Spring of 2024.

The large project was split into two (2) Phases, Phase 1 included the rehabilitation of the Administration portion of the building and began in early 2021. The project completion was impacted by the COVID-19 Pandemic, the following economic slowdown and the construction industry’s continued material and labor shortages. Phase 1 was recently completed and employees moved in to the new offices November of 2023.

Phase 2 includes the rehabilitation and conversion of 144 hotel units into studio apartment units. Phase 2 was also negatively impacted by the Covid Pandemic and the resulting



economic conditions that followed. The economic impact from the pandemic caused significant increase in construction costs. The original rehabilitation cost estimate more than tripled from roughly \$5,000,000 in 2019 to over \$16,000,000 in 2023. The F&M bank loan was no longer a practical option to fund the rehabilitation of the 144 units. Staff reviewed several financing options and determined that Tax Credit financing would be the most viable option to provide the funding needed to complete phase 2 of the project.

The Authority partnered with RPH Development and Kingdom Development Inc., a financial consultant for tax credit financing, to facilitate the process. The first step was to apply for California Housing Finance Agency Mixed Income Program Funding (CalHFA MIP). The project was awarded the CalHFA MIP funds in May 2023. Following the CalHFA MIP award, the project submitted an application for State and Federal Tax Credit Allocations and was awarded the requested funding. The 1612 Apartments Partnership solicited lending and investor proposals for the project and after careful consideration selected Citibank for the project construction loan and CREA, LLC tax credit syndicator as the affordable housing investor. The final step is to review and complete the loan closing documents and due diligence documents which is the item presented for the Board of Commissioners consideration tonight. The attached Resolution provides the authorization to complete the Tax Credit transaction.

Project information:

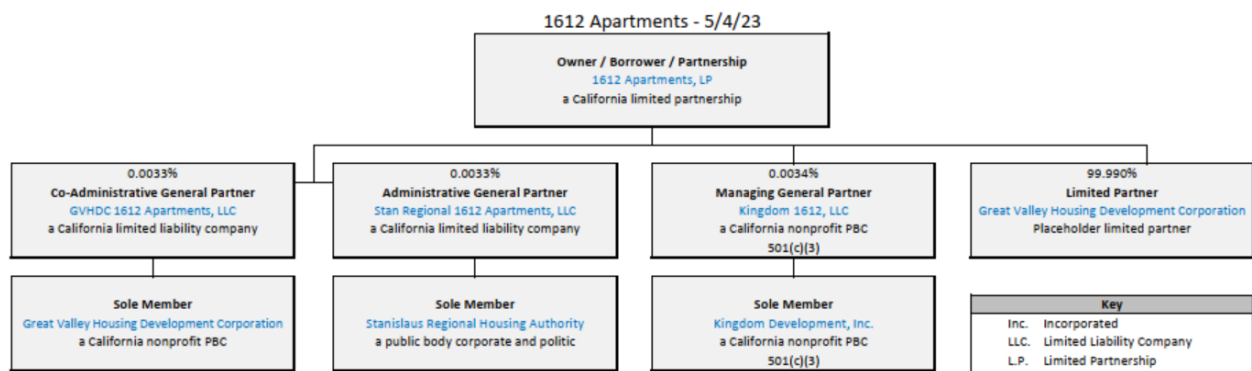
Proposed affordable AMI levels:

- 40 units at 30% AMI
- 7 units at 50% AMI
- 16 units at 60% AMI
- 39 Units at 70% AMI
- 41 units at 80% AMI
- 143 Total units**
- One manager’s unit at 0% AMI

Stan Regional Housing Authority has committed and will make available to the project 42-Housing Choice Vouchers and 5-VASH Vouchers.

Partnership Structure:

Stan Regional 1612 Apartments, LLC will serve as the Project’s Administrative General Partner (AGP), and Kingdom 1612 LLC will serve as the Project’s Managing General Partner (MGP) on the transaction. CREA, LLC will enter the partnership at close as a limited partner. Stanislaus Regional Housing will have the right of first refusal on the property after the 15-year tax credit compliance period.



Project Team Members

- | | |
|---------------------------|---------------------------------------|
| 1. Developer | Stanislaus Regional Housing Authority |
| 2. Guarantor | Stanislaus Regional Housing Authority |
| 3. Borrower Legal Counsel | Law Office of Thomas E. Lewis |
| 4. Financial Consultant | Kingdom Development, Inc. |
| 5. Bond Issuer | CalHFA |
| 6. Bond Counsel | Orrick, Herrington & Sutcliffe |
| 7. General Contractor | Jade-Ex, LLC |
| 8. Architect | HMR Architects |
| 9. Property Manager | Buckingham Property Management |
| 10. CREA, LLC | Tax credit investor |
| 11. Citibank | Construction Lender |

Project Sources and Uses:

Permanent Sources					Permanent Uses		
Source	Amount	Rate	Amm.	/ Unit	Uses	Amount	Per Unit
Perm Bond Proceeds	\$9,778,865	6.62%	40	\$67,909	Land Costs	\$14,364,982	\$99,757
Tax Credit Proceeds	18,444,198	NA	NA	128,085	Permits, Fees, & Studies	991,950	6,889
Seller Carryback Note	5,462,921	5.03%	55	37,937	Direct Construction Costs	16,260,861	112,923
Stanislaus Regional HA	2,000,000	5.03%	55	13,889	Offsites	-	0
MIP	3,931,976	3.00%	17	27,305	Contingency	1,876,086	13,028
Impact Fee Waivers	-	0.00%	0	0	Developer Fee	4,974,862	34,548
HA Improvement Note	-	0.00%	0	0	Indirect Construction Costs	830,999	5,771
City of Modesto PLHA	1,400,000	5.03%	55	9,722	Rent-Up Costs	120,000	833
Interest Income	-	NA	NA	0	Reserves	437,761	3,040
Operating Income	-	NA	NA	0	Financing Costs	3,775,698	26,220
Deferred Developer Fee	2,615,237	6.00%	NA	18,161			
	\$43,633,197			\$303,008		\$43,633,197	\$303,008

Attachments:

Resolution 23-24-03

STANISLAUS REGIONAL HOUSING AUTHORITY

RESOLUTION NO. 23-24-03

A RESOLUTION OF THE STANISLAUS REGIONAL HOUSING AUTHORITY (“AUTHORITY”) APPROVING THE 1612 APARTMENTS AFFORDABLE HOUSING PROJECT AND AUTHORIZING ITS EXECUTIVE DIRECTOR OR DESIGNEE TO EXECUTE AND TAKE ALL NEEDED ACTIONS IN CONSULTATION WITH AUTHORITY’S GENERAL COUNSEL RELATIVE TO ENTERING INTO AN AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, DEVELOPMENT AGREEMENT, GUARANTY AGREEMENT, RIGHT OF FIRST REFUSAL AND PURCHASE OPTION AGREEMENT, POST-CLOSING AGREEMENT, LEASES, LOAN DOCUMENTS AND ANY OTHER AGREEMENTS FOR THE PURPOSE OF REHABILITATING, MAINTAINING AND OPERATING THE 1612 APARTMENTS AFFORDABLE HOUSING PROJECT.

WHEREAS, the Stanislaus Regional Housing Authority (the “Authority”) is authorized by Chapter 1 (commencing with Section 34200) of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the “Act”) to prepare, carry out, acquire, lease, finance and operate housing projects for persons of low income and to enter into agreements for the purpose of developing and providing financing for the development of multifamily rental housing facilities located within the jurisdiction of the Authority; and

WHEREAS, the Authority hereby finds and declares that it is necessary, essential and a public purpose for the Authority to enter into a variety of agreements necessary to obtain the necessary funding to acquire and rehabilitate the 144 unit affordable residential rental housing project located at 1612 Sisk Road, Modesto, California (the “Project”); and

WHEREAS, Authority deems it necessary to form and serve as the sole member and manager of Stan Regional 1612 Apartments, LLC, a California limited liability company (LLC”), which will serve as Administrative General Partner of the Partnership along with GVHDC 1612 Apartments, LLC, a California limited liability, which will serve as the Co-Administrative General Partner and Kingdom 1612, LLC, a California limited liability company, which will serve as the Managing General Partner of 1612 Apartments, L.P., a California limited partnership (the “Partnership”); and

WHEREAS, the Project has received an allocation of Federal Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee (“CTCAC”) to construct the Project (“Federal Credits”); and

WHEREAS, the Project has received an allocation of State Low-Income Housing Tax Credits from CTCAC to construct the Project (“State Credits”); and

WHEREAS, Kingdom Development, Inc., a California nonprofit public benefit corporation, will sell the State Credits, and use the proceeds of the sale of the State Credits to provide a loan to the Partnership (“State Credit Loan”) and enter into a purchase and sale agreement and any other documents necessary to sell the State Credits (“State Credits PSA”); and

WHEREAS, in furtherance of the Project, the Authority, in its capacity as a sole member and manager of LLC, the Administrative General Partner of the Partnership, deems it necessary to (i) admit CREA 1612 Apartments, LLC, a Delaware limited liability company, as Limited Partner of the Partnership; (ii) admit CREA SLP, LLC, an Indiana limited liability company, as Special Limited Partner of the Partnership; (iii) consent to the withdrawal of Great Valley Housing Development Corporation, a California nonprofit public benefit corporation, as Limited Partner of the Partnership; and (iv) enter into an Amended and Restated Agreement of Limited Partnership and all exhibits thereto, including the Development Agreement, Guaranty Agreement, Right of First Refusal and Purchase Option Agreement, Post-Closing Agreement and other agreements (collectively, “Partnership Documents”); and

WHEREAS, the Partnership Documents have been placed on file with the Authority prior to this meeting and are available for public inspection and review; and

WHEREAS, in furtherance of the Project, the California Housing Finance Agency (“CalHFA”) shall issue and sell the California Housing Finance Agency Limited Obligation Multifamily Housing Revenue Construction/Permanent Note (1612 Apartments) 2024 Issue G-1 (Tax Exempt), in an aggregate principal amount not to exceed \$21,000,000 (the “Tax-Exempt Note”); and

WHEREAS, in furtherance of the Project, CalHFA shall issue and sell the California Housing Finance Agency Limited Obligation Multifamily Housing Revenue Construction Note (1612 Apartments) 2024 Issue G-2 (Taxable), in an aggregate principal amount not to exceed \$8,000,000 (the “Taxable Note”); and

WHEREAS, in furtherance of the Project, Citibank, N.A. (“Bank”) shall enter into a tax-exempt construction permanent loan and associated loan documents more particularly described below with the Partnership in a principal amount not to exceed \$21,000,000 to be funded from the Bond proceeds, which will convert to a permanent loan in the approximate principal amount of \$10,000,000 (collectively, the “Tax-Exempt Construction Permanent Loan”); and

WHEREAS, in connection with the Tax-Exempt Construction Permanent Loan, the Authority shall execute and deliver, in its capacity as a sole member and manager of LLC, the Administrative General Partner of the Partnership, such documents required by the Bank, including, without limitation, a Construction/Permanent Loan Agreement by and between Partnership and Bank (the “Tax-Exempt Loan Agreement”), and the documents described in the Tax-Exempt Loan Agreement as the “Bond Documents” and the “Loan Documents”, which shall include, without limitation, regulatory agreements, promissory notes, deeds of trust, subordination agreements, guaranties, indemnities, security agreements, collateral assignments, judicial reference agreements, certificates, authorizing documents, and, from time to time, amendments and/or modifications thereto (collectively, the “Tax-Exempt Construction Permanent Loan Documents”); and

WHEREAS, in furtherance of the Project, Citibank, N.A. (“Bank”) shall enter into a taxable construction loan and associated loan documents more particularly described below with the Partnership in a principal amount not to exceed \$8,000,000 (the “Taxable Construction Loan”); and

WHEREAS, in connection with the Taxable Construction Loan, the Authority shall execute and deliver, in its capacity as a sole member and manager of LLC, the Administrative General Partner of the Partnership, such documents required by the Bank, including, without limitation, a Construction Loan Agreement by and between Partnership and Bank (the “Taxable Loan Agreement”), and the documents described in the Taxable Loan Agreement, which shall include, without limitation, regulatory agreements, promissory notes, deeds of trust, subordination agreements, guaranties, indemnities, security agreements, collateral assignments, judicial reference agreements, certificates, authorizing documents, and, from time to time, amendments and/or modifications thereto (collectively, the “Taxable Construction Loan Documents”); and

WHEREAS, in furtherance of the Project the Authority shall enter into a Purchase Sale Agreement (the “Purchase Agreement”) with the Partnership wherein the Authority agrees to transfer to the Partnership the Project for the approximate sum of \$14,354,982; and

WHEREAS, in furtherance of the Project, CalHFA shall enter into a CalHFA MIP Loan Agreement (CalHFA MIP Loan) and associated loan documents with the Partnership in the principal amount of approximately \$4,000,000 (“CalHFA MIP Loan”); and

WHEREAS, in furtherance of the Project, the City of Modesto (“City”) shall enter into a City PLHA Loan Agreement (City PLHA Loan) and associated loan documents with the Partnership in the principal amount of approximately \$1,400,000 (“City PLHA Loan”); and

WHEREAS, in furtherance of the Project, the Authority shall enter into an Affordable Housing Loan Agreement (Authority Gap Loan) and associated loan documents with the Partnership in the principal amount of approximately \$2,000,000 (“Authority Gap Loan”); and

WHEREAS, in furtherance of the Project, the Authority shall enter into an Affordable Housing Loan Agreement (Authority Seller Carryback Loan) and associated loan documents with the Partnership in the principal amount of approximately \$5,500,000 (“Authority Seller Carryback Loan”); and

WHEREAS, in furtherance of the Project, the Partnership shall enter into a Property Management Agreement whereby the Partnership shall appoint the Buckingham Property Management to act as agent to manage, operate, maintain, lease and rent the Project (“Property Management Agreement”); and

WHEREAS, in furtherance of the Project, the Partnership shall enter into a construction contract and related documents with Jade-Ex, LLC (“Construction Contract”); and

WHEREAS, the Partnership Documents, State Credits Loan, State Credits PSA, Tax-Exempt Construction Permanent Loan, Taxable Construction Loan, Purchase Agreement, CalHFA MIP Loan, City PLHA Loan, Authority Gap Loan, Authority Seller Carryback Loan, Property Management Agreement, and Construction Contract have been placed on file with the Authority prior to this meeting and are available for public inspection and review; and

WHEREAS, the Authority has determined that the approval of this Resolution and the acts authorized herein is covered by the General Rule Exemption set forth in Section 15061(b)(3) of Division 6 of Title 14 of the California Code of Regulations that exempts those projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. As such, the approval of this Resolution is exempt from preparing an environmental document pursuant to the California Environmental Quality Act; and

WHEREAS, the Authority hereby finds and declares that this Resolution is being adopted by the Authority pursuant to the powers granted under the Act.

NOW, THEREFORE, BE IT RESOLVED by the Stanislaus Regional Housing Authority as follows:

1. The Authority hereby finds and declares that the above recitals are true and correct.
2. The Authority hereby ratifies and authorizes the execution and delivery of any and all agreements and do any acts necessary or desirable to form Stan Regional 1612 Apartments, LLC, a California limited liability company, including executing an operating agreement and filing articles of organization.
3. The Authority hereby approves the Project and the transactions and documents contemplated herein.
4. The Authority hereby authorizes Authority's Executive Director or his designee to take all needed actions, including execution and delivery, in consultation with Authority's General Counsel relative to (i) the Partnership Documents, (ii) the State Credits Loan, (iii) the State Credits PSA, (iv) the Purchase Agreement, (v) the Tax-Exempt Construction Permanent Loan Documents, (vi) the Taxable Construction Loan Document, (vii) the CalHFA MIP Loan Documents; (viii) the City PLHA Loan Documents, (ix) the Authority Gap Loan Documents, (x) the Authority Seller Carryback Loan, (xi) the Property Management Agreement, (xii) the Construction Contract, and (xiii) any other agreements for the purpose of acquiring, rehabilitating, maintaining, operating and financing the Project.
5. That the Executive Director is directed to prepare and file a Notice of Exemption with the County Clerk.

Passed and adopted this 11 day of January, 2024, by the following vote:

AYES:

NAYS:

ABSENT:

ATTEST:

Carlos Estacio, Chairperson

James Kruse, Secretary/Executive Director