



Stanislaus Regional Housing Authority

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Date: June 27, 2024
To: Board of Commissioners
From: Jim Kruse, Executive Director
Subject: ACTION ITEM #9 – Resolution 23-24-23 approving Stanislaus Regional Housing Authority to establish with Valley First Credit Union a Commercial Real Estate Equity Line of Credit for acquisition, development and improvement activities.

Prepared by: Kim Ryan, Deputy Executive Director

Resolution No. 23-24-23

BACKGROUND:

The Stanislaus Regional Housing Authority has a need for acquisition, rehabilitation and development funding to meet its mission of development additional affordable housing units. Staff recommends establishing an ongoing Line of Credit that will achieve the following:

- 1) The ability to respond to time sensitive acquisition, rehabilitation and development opportunities
- 2) Reduce financing costs by eliminating new loan processing fees such as bank fees, additional appraisal fees and legal fees.
- 3) Provides additional funding for continued acquisition, rehabilitation, and development activities.

A line of credit can save time and provide flexibility when a property is available for purchase or for the development and construction of housing projects such as Edwards Estates II.

Staff reviewed several options for the Line of Credit and is recommending a Credit Proposal, from Valley First Credit Union, for a \$1,500,000 Commercial Real Estate Equity line of credit. The line of credit is a proposed 1-year multiple-advance revolving line of credit with interest-only monthly payments and interest and principal due at maturity. Further loan details provided on the attached term sheet.

RECOMMENDATION

Following review and discussion, staff recommends the Board of Commissioners approve and authorize the Executive Director to execute loan documents with Valley First Credit Union equity line of credit for acquisition, development and improvement activities.



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FISCAL IMPACT

Potential loan funding in the amount of \$1,500,000 for a period of 1 year, once portions are repaid funding will continue to be available up to the \$1,500,000 Credit limit.

Interest and Loan payments will be repaid through project funding sources or disposition of the properties.

ATTACHMENTS:

Resolution No. 23-24-23

Valley First Credit Union Term Sheet



RESOLUTION NO. 23-24-23

RESOLUTION APPROVING STANISLAUS REGIONAL HOUSING AUTHORITY TO ESTABLISH WITH VALLEY FIRST CREDIT UNION A COMMERCIAL REAL ESTATE LINE OF CREDIT FOR ACQUISITION, DEVELOPMENT AND IMPROVEMENT ACTIVITIES.

WHEREAS, the Stanislaus Regional Housing Authority (Authority) has determined that a need exists and desires to establish a Commercial Equity Line of Credit for acquisition, development and improvement activities; and

WHEREAS, the Authority has determined that a Commercial Equity Line of Credit will require the Authority to enter into a financing agreement between the Authority and Valley First Credit Union; and

WHEREAS, the Executive Director will review and approve any funding documents for compliance with Housing Authority polices and funding approvals; and

WHEREAS, the Executive Director will have legal review and approval of any funding documents; and

WHEREAS, the Executive Director is authorized to take all necessary action to execute funding related agreements; and

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Stanislaus Regional Housing Authority, that:

1. The Executive Director is authorized to establish a Commercial Equity Line of Credit financing in the amount up to \$1,500,000, for acquisition, development and improvement activities.
2. The Executive Director is authorized, after legal review, to sign all necessary documents and take all necessary actions to execute loan documents and any other funding related documents.
3. This Resolution shall take effect immediately.

DULY AND REGULARLY ADOPTED by the Board of Commissioners of Stanislaus Regional Housing Authority this 27th Day of June 2024. On motion of Commissioner _____, seconded by Commissioner _____, and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Approved: _____
Chairperson

Attest: _____
Secretary



Date: 05/23/2024

RE: First lien mortgage on the existing, non-owner occupied, commercial real estate (land) located at:

- **33 lots, Belharbour Dr, Modesto, CA 95355 (Edwards Estates II)**
- **475 Foothill Ct, San Andreas, CA 95249**
- **476 Foothill Ct, Parcel 1, San Andreas, CA 95249**
- **476 Foothill Ct, Lot 2, San Andreas, CA 95249**
- **538 Foothill Ter, San Andreas, CA 95249**
- **552 Foothill Ter, San Andreas, CA 95249**
- **557 Foothill Ter, San Andreas, CA 95249**
- **566 Foothill Ter, San Andreas, CA 95249**
- **574 Foothill Ter, San Andreas, CA 95249**
- **Gold Strike Rd, San Andreas, CA 95249**
- **516 Foothill Ter, San Andreas, CA 95249**
- **530 Foothill Ter, San Andreas, CA 95249**
- **529 Foothill Ter, San Andreas, CA 95249**

Valley First Credit Union ("Credit Union") is pleased to express our interest in providing the following Commercial Real Estate Equity Line of Credit using the above-mentioned commercial real estate (land) as collateral. This letter is intended to constitute a commitment to lend on the part of the Credit Union after we have received the updated appraisals and we are not exceeding a 65% LTV.

Borrowers: Stanislaus Regional Housing Authority
Personal Guarantee: N/A Nonrecourse

Line of Credit - Commercial Real Estate Equity Line of Credit.

Loan Amount: The final Line of Credit amount will be based on an appraisal supporting the value and underwriting criteria for the Credit Union. The facility's maximum advance will be less than the agreed-upon sale amount or 65% of the Credit Union-approved appraisal on collateral property "As Is." The Line of Credit will need to be over a minimum of 1.20x DSCR for the borrowing entity or a minimum of 1.20x GDSCR.

Purpose: To provide Line of Credit financing for real estate located at:

- **33 lots, Belharbour Dr, Modesto, CA 95355 (Edwards Estates II)**
- **475 Foothill Ct, San Andreas, CA 95249**
- **476 Foothill Ct, Parcel 1, San Andreas, CA 95249**
- **476 Foothill Ct, Lot 2, San Andreas, CA 95249**
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Terms: 1-year term with a multiple-advance revolving promissory note with **eleven (11) monthly** interest-only payments and a final payment of all remaining principal and interest at maturity.

Rate: Wall Street Journal Prime (today 8.50%) plus zero, updated quarterly for the entire term of the Line of Credit.

Loan Fee: \$15,000 (1% of the \$1,500,000 Line of Credit amount)

Appraisal Fee: \$4,950 for appraisal updates and reassignments.

Document Fee: \$1,600

Misc. Fee: Title, Flood, etc. (calculated at closing)

Repayment: **Eleven (11) monthly** interest-only payments and a final payment of all remaining principal and interest at maturity.

Prepayment: The loan will have no prepayment penalty if paid off in cash, sold, or refinanced with Valley First Credit Union.

Collateral: First Deed of Trust and Assignment of Rents on real estate located at:

- 33 lots, Belharbour Dr, Modesto, CA 95355 (Edwards Estates II)
- 475 Foothill Ct, San Andreas, CA 95249
- 476 Foothill Ct, Parcel 1, San Andreas, CA 95249
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Due Diligence Requirements

- The Credit Union will not close on the Line of Credit until an appraisal is ordered, reviewed, and accepted by the Credit Union and all final Credit Union conditions are met.
- Acceptable title ensures Credit Union's first deed of trust position on subject collateral property.
- Acceptable Environmental Data Resources report and/or Phase I if required.

Valley First Credit Union desires to maintain a direct lending and depository relationship with the Borrower in conjunction with the credit facility extension described above. The proposed pricing and fees are based on the subject property's primary operating deposit accounts or other sizable, related deposit accounts maintained with the Credit Union.

We look forward to working with you in a mutually beneficial relationship and assisting you with your future success.

Sincerely,

A handwritten signature in black ink, appearing to read 'Raymond McCaslin', written over a horizontal line.

Raymond McCaslin
Vice President of Commercial
Banking Valley First Credit Union

Please sign and date below to accept the above term.

Jim Kruse

Kimberly Ryan

Date

Date