



Housing & Career Services Department

CITY COUNCIL

Key Business Terms of Loan Agreement w/ CNS La Villa Lake - Senior Affordable Rental Project at 1070 N. Lake Ave.

James Wong

Senior Project Manager

October 28, 2019





Staff Recommendation

Housing & Career Services Department

- Find that the proposed action does not have a significant effect on the environment and is exempt from CEQA under Class 1 “Existing Facilities”
- Approve a budget amendment appropriating \$580,000 from the Inclusionary Housing Trust Fund to the Housing Department’s FY 2020 Operating Budget
- Approve key business terms of the Affordable Housing Loan Agreement w/ Owner for the rehabilitation and preservation of 114 affordable senior rental units at 1070 N. Lake Ave



La Villa Lake – 1070 N. Lake

Housing & Career Services Department





Background

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- 114-unit apartment complex constructed in 1970 as senior housing, with reduced parking requirement
- Subsidized by HUD and rented to low-income seniors
- In 2014 original owner opted out of the HUD funding and low-income housing requirements, and sold complex to current owner CNS La Villa Lake, LLC (“Owner”)
- To mitigate displacement as units were being converted to market rate, HUD provided City with Section 8 rent vouchers to assist tenants with replacement rental housing
- Presently, 42 of the 114 units rented to low income seniors under Section 8



Background

Housing & Career Services Department

- However, the limited parking (71 spaces as originally entitled) has created issues as non-senior households with more vehicles move into the market rate units
- To address this issue, Owner engaged Affordable Housing Access, a non-profit housing developer (“Developer”)
- Developer founded in 1999 and has developed nearly 19,000 affordable rental units, primarily in California
- The solution: Restore and preserve La Villa Lake as a low-income senior housing project



Background

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- Owner to perform renovations, accessibility improvements and assume existing conventional mortgage at total cost of \$685K with City loan assistance and Owner equity
- All 114 units City-deed restricted as low-income senior rental housing (80% AMI) for 55 years
- In 2024 (after tax credit 10-year ownership rule is met), La Villa Lake would be restructured as a tax credit project
- Unit restrictions under tax credits: 10% units Very Low income (50% AMI), 90% units Low income (60% AMI)



Key Terms of Agreement

Housing & Career Services Department

- Estimated total project cost \$685,320
- Funded w/ \$105,320 Owner equity and City Loan not to exceed \$580,000
- City Loan: secured by a second deed of trust, bear 3% compounded interest, 55-year term
- Scheduled annual debt service payment on City Loan approx. \$21,546.



Key Terms of Agreement

Housing & Career Services Department

- Under a restructured tax credit project, City Loan debt service would be paid from residual receipts
- City regulatory agreement restricting units to Low income seniors @ 80% AMI for a 55-year term, subject to more income-restrictive tax credit regulatory agreement
- Units not currently leased to low-income seniors will be converted to low-income senior rentals as they turn over; current tenants in such units will not be displaced through early termination of leases.



Key Terms of Agreement

Housing & Career Services Department

- Scope of rehabilitation to include accessibility/reasonable accommodation measures, parking enhancements, Mentor Ave. landscaping, site security, roof repairs and common area renovations
- Compliance with all applicable City policies and regulations including Local Hiring in construction and Local Priorities and Preference in selection of tenants
- Schedule of Performance:
 - Dec 2019: New LP formed
 - Feb 2020: Commence renovations
 - July 2020: Complete renovations
 - 2024: Tax credit restructuring



Northwest Commission

Recommendation – 10/8/19

Housing & Career Services Department

- Recommended Council approval of staff recommendation w/ modification: The 114 units should be restricted at a mix of incomes from 50% AMI to 80% AMI

Staff comments:

- Presently, La Villa Lake is a market rate project not subject to any affordable housing regulatory restrictions
- The proposed transaction is a very cost-effective way for the City to preserve affordable housing: \$5,087 per unit
- Should the project be restructured with tax credits, 10% of the units would be restricted at Very Low income (50% AMI) and 90% units at Low income (60% AMI)



End of Presentation

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