

EXECUTIVE SUMMARY

DATE ISSUED: April 1, 2010 **REPORT NO:** HCR 10-008
ATTENTION: Chair and Members of the Housing Commission
For the Agenda of April 16, 2010
SUBJECT: Loan Amendment for Paseo Glenn Apartments

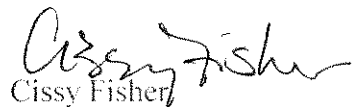
SUMMARY: A 2003 Loan Agreement with The Association for Community Housing Solutions (TACHS), amended in 2006, requires a \$3,895 minimum annual payment out of residual receipts for the 13-unit Paseo Glenn permanent supportive housing complex. Occupancy of Paseo Glenn's 12 studio units is restricted to homeless people with chronic mental illness and very low income (no more than 50 percent of Area Median Income); a 2-bedroom unit, income-restricted to 80 percent of AMI, houses a resident manager. Residents pay rent based on their actual income, which is typically no more than 30 percent of AMI. Shelter Plus Care funds make up the difference between rent revenue and operating costs.

The development financing also included substantial amortizing debt. As a result, no residual receipts have been generated to date.

STAFF RECOMMENDATION: Eliminate the requirement for a minimum annual payment and renew the 65-year term of the affordability requirements from the date the amended loan documents are executed. Any future residual receipts will be divided evenly between the Housing Commission and TACHS.

FISCAL CONSIDERATIONS: Approval will not result in additional expenditure of Housing Commission funds, and the Housing Commission will continue to receive 50 percent of any residual receipts.

Respectfully submitted,



Cissy Fisher
Vice President
Special Housing Initiatives

Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

REPORT**DATE ISSUED:** March 22, 2010**REPORT NO:** HCR 10-008**ATTENTION:** Chair and Members of the Housing Commission
For the Agenda of April 16, 2010**SUBJECT:** Loan Amendment for Paseo Glenn Apartments (Council District 2)

REQUESTED ACTION: Approve modification of a Loan Agreement with The Association for Community Housing Solutions (TACHS) for the Paseo Glenn permanent supportive housing development, removing the requirement for a minimum annual payment.

STAFF RECOMMENDATION: Approve amending the Housing Commission Loan Agreement with TACHS for Paseo Glenn Apartments to remove the existing requirement for a minimum annual payment and renew the 65-year loan term when the amendment is executed.

BACKGROUND:

In 2003 (HCR03-016), the Housing Commission approved and the Housing Authority ratified a \$591,881 loan to TACHS to pay off an acquisition bridge loan and for rehabilitation of Paseo Glenn, a property at 1851-1865 Titus Street, to serve as permanent supportive housing. The property was to consist of 14 units: 12 studios and one 1-bedroom unit for homeless individuals with chronic mental illness and one 2-bedroom unit for a resident manager. Income and rent were restricted at 50 percent of Area Median Income (AMI) -- currently \$28,900 and \$722 for a single person; but the income of target residents is typically at or below 30 percent of AMI and residents pay no more than 30 percent of income for rent (\$434). To make up the difference between actual rent revenue and the amount needed to operate the development, the development receives support from HUD's Shelter Plus Care program. (The total of actual rent revenue and subsidy may not exceed the 50 percent AMI rent restriction).

At present, the development consists of 12 studios restricted at 50 percent of AMI and one 2-bedroom manager's unit restricted at 80 percent AMI. During rehabilitation, it was determined that a basement space intended for the one-bedroom unit was unsuitable for that purpose and would be better used as a community space. In exchange for reducing the total number of units to 13, and, in 2006, for raising the income restriction on the resident manager's unit from 50 percent to 80 percent AMI, the term of affordability was raised from 55 to 65 years.

The loan agreement stipulates that residual receipts are to be evenly split between the Housing Commission and TACHS; and starting in the fourth year of operation (2008), a minimum annual payment of \$3,895, or any residual receipts up to that amount, would be required. Since 2003 when this project was put together, staff has determined that the objective of sustaining supportive housing is better served by a financial plan that calls for the sharing of residual receipts on a 50/50 basis without a minimal payment to the Housing Commission. With the "50/50" structure, a sponsor organization has a better opportunity of realizing some financial return, which can in turn be used to help maintain the organization and provide high quality services for residents.

Of seven exclusively supportive housing projects for which the Housing Commission has provided financing, four had no amortizing debt in their permanent financing. For two of the remaining three projects, amortizing debt comprised four percent and eleven percent, respectively, of permanent financing. By contrast, Paseo Glenn's amortizing debt comprised 36 per cent of permanent financing. Required payments on that debt exceed rental revenue received from the residents and constitute approximately 16 percent of total revenue.

Since completion of the development in 2004, Paseo Glenn has not produced any residual receipts. Removing the minimum payment requirement would still entitle the Housing Commission to 50 percent of any future residual receipts but would also assure TACHS of 50 percent of residual receipts as a cushion against potential losses.

In exchange for removing the required payment provision, it is recommended that the loan agreement's 65-year affordability requirement be renewed from the date the Housing Commission loan documents are executed.

FISCAL CONSIDERATIONS:

Approval of these actions would not result in additional expenditure of Housing Commission funds, and the Housing Commission would continue to receive 50 percent of any residual receipts.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The Housing Commission as lender and TACHS as borrower are the sole stakeholders. There would be no impact on Paseo Glenn residents or neighborhood residents or businesses as a result of the recommended action.

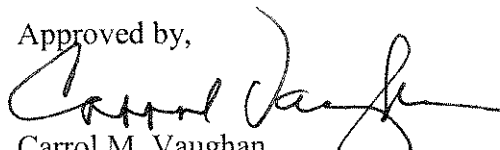
ENVIRONMENTAL REVIEW:

This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(2) of the State CEQA guidelines. The activity is also determined to be exempt from National Environmental Policy Act review pursuant to 24 CFR 58.34(a)(11).

Respectfully submitted,


Cissy Fisher
Vice President
Special Housing Initiatives

Approved by,


Carol M. Vaughan
Executive Vice President &
Chief Operating Officer