

STAFF REPORT

City of Lancaster

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MVB

Date: January 28, 2014

To: Mayor Parris and Council Members

From: Elizabeth Brubaker, Director of Housing and Revitalization

Subject: **Subordination Agreement and Amended and Restated Administration Agreement in connection with the defeasance of the City's Multifamily Housing Revenue Refunding Bonds (Willows Apartments Project) Series 2002 and taking certain other actions in connection therewith**

Recommendation:

Adopt **Resolution No. 14-03**, approving a Subordination Agreement and an Amended and Restated Administration Agreement in connection with the defeasance of the City's Multifamily Housing Revenue Refunding Bonds (Willows Apartments Project) Series 2002 and taking certain other actions in connection therewith.

Fiscal Impact:

The City's Bonds will be paid off as a part of this transaction. Neither the City nor the Lancaster Housing Authority is a party to the private conventional financing being obtained in connection with the Willows Apartments Project, is obligated to repay the loan or is pledging or otherwise committing any of the City's or Authority's revenue or other assets to secure repayment of the private conventional loan.

Background:

The City has previously issued its \$9,650,000 Multifamily Housing Revenue Refunding Bonds (Willows Apartment Project) Series 2002 (the "Bonds"). The project was owned and operated by Riva Park Development, a general partnership (the "Borrower"). A Regulatory Agreement and Declaration of Covenants was recorded simultaneously for the property to remain affordable for fifty-five (55) years, a condition of issuing the Bonds.

The Borrower now desires to transfer the project to Riva Park Development, LLC, a California limited liability company and to then payoff the Bonds with the proceeds of a private conventional loan.

The redemption of the Bonds, the private conventional financing and change in ownership does not eliminate the requirements of the Regulatory Agreement which was entered into in 2002 and must remain in effect until August 1, 2040. Therefore an Amended and Restated Regulatory Agreement and Declaration of Covenants (the "Regulatory Agreement") must be entered into between the Lancaster Housing Authority and Riva Park Development, LLC.

Upon dissolution of the Lancaster Redevelopment Agency, the Agency's interests under the Regulatory Agreement were transferred to the Lancaster Housing Authority. The new Lender has requested that the City and the former Lancaster Redevelopment Agency, which is now the Lancaster Housing Authority, agree to subordinate the Regulatory Agreement to the new conventional loan. The subordination will keep the Regulatory Agreement in the same position relative to the loan as it was in with respect to the Bonds.

Therefore, the Housing Authority is being asked to approve a Subordination Agreement and to consent to the transfer of the project to Riva Park Development, LLC.

The City also entered into an Amended and Restated Administration Agreement with Urban Futures, Inc. to assure compliance with the Regulatory Agreement. Urban Futures has asked that this agreement be assigned to its Urban Futures Bond Administration. The Amended and Restated Administration Agreement accomplishes this. It will remain in effect as long as the Regulatory Agreement remains in effect.

Finally, Section 11 of the Regulatory Agreement requires the City's and Housing Authority's consent to the transfer of the project to a new entity. The Resolution provides for the consent to the transfer to the new limited liability company.

Attachment:

Resolution No. 14-03