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OAKLAND
2012 AUG 30 AM 11:38

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Hismen Hin-Nu Loan Term Changes

DATE: August 20, 2012

City Administrator
Approval

Date

8/30/12

COUNCIL DISTRICT: #5

RECOMMENDATION

To facilitate the refinancing of private loans for Hismen Hin-nu Terrace, staff recommends that City Council (as Successor Housing Agency) approve the attached resolution to amend Redevelopment Agency Resolution No. 89-19 C.M.S. to: 1) extend the maturity date of the property's \$1,517,000 Agency loan from June 7, 2019 to June 7, 2043, 2) convert the loan into a residual receipts loan, and 3) reduce the interest rate from 6% to 3%.

OUTCOME

East Bay Asian Local Development Corporation (EBALDC) is currently undertaking a 501(c)3 bond refinancing of a number of its properties where the 15 year tax credit compliance period has ended. Bonding allows the properties to refinance existing loans with lower interest ones. By paying less annually in interest, the cash flow of properties will be improved. The proposed sponsor bank has a 25 year term, although it is possible that EBALDC might pursue a 30 year loan product. Hismen Hin-nu's \$1,517,000 Agency loan currently expires on June 7, 2019, and the bank will not provide financing because our loan will come due years earlier than the bank's loan. Staff is amenable to extending the loan term another 24 years so that the Agency loan will be due on June 7, 2043 (after a 30 year private loan would mature in Fall 2042) to facilitate the refinance. The affordability restrictions will be extended for the same length of time.

Reducing the interest rate from 6% to 3% will reduce the interest owed in the future on this loan. The 3% interest rate is the Department of Housing and Community Development's (DHCD) current standard for loans. Given the deferred nature of the current loan, no payments are being made on the loan payments. By refinancing the property and changing to a residual receipts loan, with annual payments due as cash flow permits, this actually improves the likelihood for receiving interest payments on an on-going basis.

Item: _____

BACKGROUND/LEGISLATIVE HISTORY

Hismen Hin-nu Terrace, located at 2509 International Boulevard, is a 92 unit family affordable rental development with ground floor commercial space. The property was constructed in 1995 by East 14th Street Housing Associates, an affiliate of EBALDC.

The Redevelopment Agency provided \$1,517,000 in funding towards the construction of the property in 1989 pursuant to Redevelopment Agency Resolution No. 89-19 C.M.S., dated April 11, 1989. The \$1,517,000 loan documents were executed on June 7, 1989, with a thirty year term and 6% simple interest loan, with principal and interest payments deferred until the end of the 30 year term or until the property was sold.

In 1993, Agency Resolutions No. 93-25 C.M.S. dated April 27, 1993 and No. 93-30 C.M.S. dated June 8, 1993 provided for a construction loan guarantee and subordination of the Agency's Deed of Trust to other lenders. The property did not utilize the construction loan guarantee and has been operational and serving low income families since 1995. The property's tax credit compliance period expired in 2010, which allows EBALDC to transition the property from limited partnership to non-profit ownership, and pursue the 501(c)3-bond refinance.

The City Council adopted Resolution No. 83680 C.M.S. on January 10, 2012, electing to retain and assume the housing assets and functions of the Redevelopment Agency pursuant to Health & Safety Code Section 34176 upon Redevelopment Agency dissolution, which occurred on February 1, 2012. This loan is a housing asset retained and assumed by the City, and the amendment to the loan will be entered into by the City.

ANALYSIS

As mentioned above, EBALDC is currently pursuing a 501(c)3 bond refinance of a number of their properties where the initial 15 year tax credit compliance period has expired, which allows them to convert ownership of the properties from limited partnerships to non-profit ownership structures. The terms of these loan products are either 25 or 30 years, depending on the lenders involved. Hismen Hin-nu cannot participate in the refinance unless the Agency loan is extended from its current maturity date of June 2019 to a date that is after the maturity date of the private bond-refinanced loans, which could be as late as Fall 2042.

The benefits to the property's cash flow of moving to the 501(c)3 product are substantial. The property's existing private loan carries an interest rate of 8.97%, original principal of \$1,210,000 and monthly payments of \$9,709.83. The current proposed refinance carries an interest rate of 4.20%. On an estimated principal amount of \$1,200,000, the new monthly loan payment is projected to be \$6,009.08, a savings of \$3,700.75 per month, or nearly \$45,000 annually.

The current Agency loan carries a 6% interest rate, but all payments are deferred until June 2019, which would likely be refinanced at that point in exchange for further affordability. Conversion of the loan to 3% simple interest, residual receipts loan to conform with the current DHCD loan product increases likelihood of receiving payment in this loan, especially as cash flow improves with the refinance. DHCD's current residual receipts loans require that half of the residual receipts be repaid to the City, while half the receipts would return to the property as an incentive to efficient management, and to help the properties sponsor programs (such as social services and EBALDC's pilot portfolio reserve program) that are otherwise difficult to fund.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

Legal staff was consulted to ensure legality of resolutions, and Budget and Residential Lending staff were consulted to confirm existing loan principal and interest balances.

COST SUMMARY/IMPLICATIONS

The recommended actions do not provide any additional funding for this property, but rather modify the terms of the existing Agency loan of \$1,517,000 from 1989.

As of June 30, 2012, the principal balance of Hismen Hin-nu Terrace's Agency loan was \$1,517,000, and accrued interest totaled \$1,182,168.29 (see *Attachment A*). By extending the loan maturity date from June 2019 until June 2043, the City will be deferring repayment of the principal amount of \$1,517,000 for another 24 years. However, it is fairly likely that when the loan matures in 2019, we would likely receive a request to extend/refinance the loan in exchange for additional years of affordability. In addition, by changing the terms of the Agency loan from a 6% simple interest, deferred payment loan to a 3% simple interest, residual receipts loan, the amount of interest due will be reduced from \$91,020 to \$45,510 annually. This will be a prospective change—past interest accruals will be unchanged by these actions.

FISCAL/POLICY ALIGNMENT

Changing the loan to a residual receipts loan according to current standard terms for City affordable housing loans will provide for the City receiving half of any residual receipts

throughout the extended loan term. Any loan repayments made will be used to further current affordable housing activities. It is not expected that repayments from Hismen Hin-nu would be extremely large, but given current affordable housing funding constraints in the wake of the demise of the Redevelopment set-aside for low and moderate-income housing, and reduction in federal funding allocations, any sources of funding that may become available for new affordable housing activities are welcome and much needed.

SUSTAINABLE OPPORTUNITIES

Economic: This action will improve the financial strength of Hismen Hin-nu Terrace, as well as increase the likelihood of residual receipts loan payments to the City, which can be utilized for other affordable housing activities. Providing families with affordable housing frees up household disposable income to be spent on other goods and services in Oakland, and the extension of the affordability term will guarantee that this benefit is provided through June 2043.

Environmental: Hismen Hin-nu Terrace is located along the transit-rich International Boulevard corridor. Its proximity to mass transit enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

Social Equity: Affordable housing is a means of achieving greater social equity. Hismen Hin-nu provides affordable rental housing for low and very low-income residents, and an attractive building along the International Boulevard corridor. Social services, such as financial literacy training, are a component of EBALDC's programs for residents, and further build social equity.

CEQA

The recommended actions contained herein do not constitute a project under CEQA.

For questions regarding this report, please contact Norma Thompson, Housing Development Manager, at 510-238-7137.

Respectfully submitted,



FRED BLACKWELL
Assistant City Administrator

Reviewed by:
Loyd Ware, Acting Director for
Michele Byrd, Director,
Department of Housing and Community Development

Norma Thompson
Manager, Housing Development

Prepared by: Christia Katz Mulvey
Housing Development Coordinator,
Housing Development

Attachment A – *Loan Confirmation Schedule*

Attachment A: Loan Confirmation Schedule

City of Oakland Redevelopment Agency
 Community and Economic Development Agency

Loan No: East 14th Street Assoc
 Bonowner Name: EBALDC
 Address: 310 8th Street, Suite 200

City, State, ZIP: Oakland CA 94607

Total funds drawn: 1,517,000.00

Interest: 6.00%

If int
 Method=c

Interest
 Method s

s=simple

c=compound # of times
 compounded

Outstanding Bal 1,517,000.00

Total Int to Date 1,882,168.29 30-Jun-12

Amt.Due 3,399,168.29 30-Jun-12 C/N INV NO.

Date	CK#/CR#	Amount	Balance	Int/day	#days	Curr.Int	Int.to date
June 6, 1989	8347	1,000,000.00	1,000,000.00	164.38		0.00	0.00
June 14, 1989	6012	(49,900.00)	950,100.00	156.18	8	1,315.07	1,315.07
November 15, 1989	9030	17,447.06	967,547.06	159.05	154	24,051.85	25,366.92
December 31, 1989	acc		967,547.06	159.05	46	7,316.25	32,683.16
January 11, 1990	8249	633.89	968,180.95	159.15	11	1,749.54	34,432.70
March 7, 1990	9464	13,577.69	981,758.64	161.38	55	8,753.42	43,186.12
June 30, 1990	acc		981,758.64	161.38	115	18,559.27	61,745.39
June 30, 1991	acc		981,758.64	161.38	365	58,905.52	120,650.91
June 19, 1992	900	58,100.00	1,039,858.64	170.94	355	57,291.67	177,942.58
June 30, 1992	1054	68,363.00	1,108,221.64	182.17	11	1,880.29	179,822.87
June 30, 1992	acc		1,108,221.64	182.17	0	0.00	179,822.87
July 10, 1992	1049	68,363.00	1,176,584.64	193.41	10	1,821.73	181,644.60
September 18, 1992	1276	148,372.64	1,324,957.28	217.80	70	13,538.78	195,183.38
December 18, 1992	1483	85,844.35	1,410,801.63	231.91	91	19,819.91	215,003.29
January 8, 1993	1520	106,198.37	1,517,000.00	249.37	21	4,870.16	219,873.46
June 30, 1993	acc		1,517,000.00	249.37	173	43,140.99	263,014.44
December 31, 1993			1,517,000.00	249.37	184	45,884.05	308,898.50
June 30, 1994			1,517,000.00	249.37	181	45,135.95	354,034.44
December 31, 1994			1,517,000.00	249.37	184	45,884.05	399,918.50
June 30, 1995			1,517,000.00	249.37	181	45,135.95	445,054.44
December 31, 1995			1,517,000.00	249.37	184	45,884.05	490,938.50
June 30, 1996			1,517,000.00	249.37	182	45,385.32	536,323.81
December 31, 1996			1,517,000.00	249.37	184	45,884.05	582,207.87
June 30, 1997			1,517,000.00	249.37	181	45,135.95	627,343.81
August 20, 1997			1,517,000.00	249.37	51	12,717.86	640,061.68
August 20, 1997	cr 8y10028 .		1,517,000.00	249.37	0	(43,869.00)	596,192.68
December 31, 1997			1,517,000.00	249.37	133	33,166.19	629,358.87
June 4, 1998			1,517,000.00	249.37	155	38,652.33	668,011.20
June 4, 1998	cr 8y06005		1,517,000.00	249.37	0	(18,404.00)	649,607.20
December 31, 1998			1,517,000.00	249.37	210	52,367.67	701,974.87
June 24, 1999			1,517,000.00	249.37	175	43,639.73	745,614.59

City of Oakland Redevelopment Agency							
Community and Economic Development Agency							
Loan No:	East 14th Street Assoc						
Borrower Name:	EBALDC						
Address:	310 8th Street, Suite 200						
City, State, ZIP:	Oakland CA 94607						
Total funds drawn:	1,517,000.00						
June 24, 1999		1,517,000.00	249.37	0	(17,825.00)	727,789.59	
June 30, 1999		1,517,000.00	249.37	6	1,496.22	729,285.81	
December 31, 1999		1,517,000.00	249.37	184	45,884.05	775,169.87	
May 10, 2000		1,517,000.00	249.37	131	32,667.45	807,837.32	
May 10, 2000	cr060003	1,517,000.00	249.37	0	(31,375.00)	776,462.32	
June 30, 2000		1,517,000.00	249.37	51	12,717.86	789,180.18	
June 30, 2001		1,517,000.00	249.37	365	91,020.00	880,200.18	
June 30, 2002		1,517,000.00	249.37	365	91,020.00	971,220.18	
June 30, 2003		1,517,000.00	249.37	365	91,020.00	1,062,240.18	
June 30, 2004		1,517,000.00	249.37	366	91,269.37	1,153,509.55	
June 30, 2005		1,517,000.00	249.37	365	91,020.00	1,244,529.55	
June 30, 2006		1,517,000.00	249.37	365	91,020.00	1,335,549.55	
June 30, 2007		1,517,000.00	249.37	365	91,020.00	1,426,569.55	
June 30, 2008		1,517,000.00	249.37	366	91,269.37	1,517,838.92	
June 30, 2009		1,517,000.00	249.37	365	91,020.00	1,608,858.92	
June 30, 2010		1,517,000.00	249.37	365	91,020.00	1,699,878.92	
June 30, 2011		1,517,000.00	249.37	365	91,020.00	1,790,898.92	
June 30, 2012		1,517,000.00	249.37	366	91,269.37	1,882,168.29	
Annual Interest @3% simple					45,510.00		

FILED
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OAKLAND

D. Miller
Deputy City Attorney

2012 AUG 30 AM 11:38

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AMENDING A \$1,517,000 LOAN TO EAST 14TH STREET HOUSING ASSOCIATES FOR THE HISMEN HIN-NU TERRACE AFFORDABLE HOUSING PROJECT TO 1) EXTEND THE MATURITY DATE FROM JUNE 7, 2019 TO JUNE 7, 2043, 2) CONVERT THE LOAN INTO A RESIDUAL RECEIPTS LOAN, AND 3) REDUCE THE INTEREST RATE FROM 6% TO 3%

WHEREAS, in 1989, the Redevelopment Agency of the City of Oakland loaned \$1,517,000 to an affiliate of the East Bay Asian Local Development Corporation (“EBALDC”), East 14th Street Housing Associates, LP, for the development of the 92 unit Hismen Hin-nu Terrace affordable housing project, per Redevelopment Agency Resolution No. 89-19 CMS; and

WHEREAS, there is presently an existing loan and repayment agreement between the Redevelopment Agency and the developer, and said loan will come due in full on June 7, 2019; and

WHEREAS, the Oakland City Council adopted Resolution No. 83680 C.M.S. on January 10, 2012, electing to retain and assume the housing assets and functions of the Redevelopment Agency pursuant to Health & Safety Code Section 34176 upon Redevelopment Agency dissolution; and

WHEREAS, the Redevelopment Agency dissolved on February 1, 2012; and

WHEREAS, this loan is a housing asset retained and assumed by the City; and

WHEREAS, the tax credit compliance period expired in 2010 and EBALDC is pursuing a refinance opportunity in order to ensure the long term financial health of Hismen Hin-nu Terrace and EBALDC; and

WHEREAS, the City recognizes that extending the loan maturity date and modifying loan terms will ensure the long term financial health of Hismen Hin-nu Terrace and EBALDC; and

WHEREAS, the City recognizes that reconfiguring the loan as a residual receipts loan will allow 50% of the cash flow to return to the City, with the remaining 50% to support the property; now, therefore be it

RESOLVED: That the City Council hereby authorizes an amendment to the \$1,517,000

loan to East 14th Street Housing Associates, LP, for the development of the Hismen Hin-nu Terrace affordable housing project to reduce the current 6% interest rate to 3% simple interest; and be it

FURTHER RESOLVED: That the City Council hereby authorizes a further amendment to the loan to extend the time for repayment until June 7, 2043, and convert the loan into a residual receipts loan; and be it

FURTHER RESOLVED: That the City Administrator or her designee is authorized to negotiate and enter into amendments to the loan documents and to take any other actions with respect to this loan consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California