



Legislation Text

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**REQUEST FOR
CORONA HOUSING AUTHORITY ACTION**

DATE: 09/01/2021

TO: Honorable Chairperson and Board Members

FROM: Community Services Department

SUBJECT:

Assignment, Assumption, and Consent Agreements and Subordination Agreement relating to River Run Senior Apartments between Avanath River Run, LP and the City of Corona Housing Authority.

EXECUTIVE SUMMARY:

River Run Senior Apartments is a 360-unit affordable housing apartment complex owned and operated by Steadfast River Run, LP. The property is in the process of selling to Avanath River Run, LP. Steadfast received financial assistance from the former City of Corona Redevelopment Agency to develop the property and is under affordable housing terms and obligations for 55-years. In accordance with certain terms, the Corona Housing Authority is required to review and approve the transfer of ownership.

RECOMMENDED ACTION:

That the Board Members approve the transfer of ownership and authorize the Executive Director to execute the following agreements and all associated documents in furtherance of this action.

- a. Assignment, Assumption, and Consent Agreement relating to River Run Senior Apartments Amended and Restated Affordable Housing Agreement.
- b. Assignment and Assumption of Regulatory Agreement and Declaration of Restrictive Covenants relating to River Run Senior Apartments Project.
- c. Subordination Agreement Governmental Entity for Regulatory Agreement.

BACKGROUND & HISTORY:

On February 1, 2003, the former Redevelopment Agency of the City of Corona (Agency) and Steadfast River Run, L.P. (Owner) entered into an Amended and Restated Affordable Housing

Agreement (AHA) for the development of a 360-unit senior affordable housing project known as River Run Senior Apartments.

In accordance with the AHA terms, the Owner agreed to acquire, construct, operate, and maintain the project affordability for 55 years at very low- and low-income levels. Very low income is capped at 50% of the area median income (AMI) and low-income is capped at 60% AMI. In accordance with 2021 income levels, a 1-to-2-person household capped at 50% AMI is \$27,650 - \$31,600 and 60% AMI is \$33,180 - \$37,920. Accordingly, rent is also capped based on income limits. Monthly rent at 50% AMI is \$740 for a one-bedroom and \$888 for a two-bedroom, and at 60% AMI is \$888 for a one-bedroom and \$1,066 for a two bedroom.

The property has 306 one-bedroom units, 54 two-bedroom units, elevators, laundry facilities, outdoor common areas, barbeque area, dog park, pool, covered and surface parking, and a community room. To assist the project, the Agency provided financial assistance in the form of a loan and grant. The loan was in the amount of \$3,142,510 and grant in the amount of \$2,277,500. Additionally, the City of Corona (City) agreed to defer payment of the development impact fees for a certain period. In total, the project cost approximately \$36.1 million.

The initial phase located on the east side of the property was completed in November 2004, and the final phase on the west side was completed in 2005. Since its completion, the property has been operated and managed in accordance with the terms and obligation of the AHA and Regulatory Agreement.

ANALYSIS:

Earlier this year the Owner contacted staff to advise of its desire to sell the property to Avanath River Run, LP (Transferee). In accordance with Section 1.1.4 (c) (1-5) of the AHA, any transfer of the Owner's interest in the Project, in whole or in part, shall be subject to the approval of the Agency, which shall not be unreasonably withheld or delayed. The Agency shall consent to any such transfer by Owner, without any adjustment to the financial terms and conditions, if, prior to transfer, each of the following requirements is satisfied:

1. The Owner submits to the Agency all information reasonably requested for the Agency to make its determination required hereunder.
2. There is no event of default continuing under the AHA or related agreements.
3. The Transferee satisfies the qualifications standards with respect to creditworthiness, reputation, and experience with similar financing on multifamily properties.
4. Transferee executes an assumption agreement that is acceptable to the Agency and requires the transferee to perform all obligations of the Owner set forth in the AHA and related agreement; and,
5. The Owner or transferee pays the amount of the Agency's out-of-pocket costs (including attorney's fees) incurred in reviewing the transfer request.

About the Transferee

Avanath (Transferee) is an investment firm that acquires, owns, renovates, and operates affordable

housing apartment communities across the United States. They currently own 88 properties; 17 properties are located in California. Avanath has a holistic approach to investments. In addition to investing in the physical asset (when needed), they invest in community-based services and activities that enhance the lives of residents. Due to Avanath's commitment to preserving affordable housing, they attract "social impact investors" that include U.S. and international based pension funds, endowments, and foundations. Avanath is a vertically integrated real estate investment company; therefore, it self-manages every property within its portfolio with a staff that specializes in management, marketing, and leasing of affordable and conventional multifamily housing communities.

To satisfy #1-3 of the requirements noted above, also listed in Section 1.1.4 (c) (1-5) of the AHA, staff conducted the following due diligence activities: a) Property Condition Assessment report reviewed by the Building Official, Fire Marshal, and Housing Manager; b) Onsite property inspection conducted by the Housing Manager; c) Review of city records for building, code, and fire violations conducted by the Housing Manager; d) Tenant Income Certification reviewed by the Housing Manager; and e) Transferee's financial records and reference checks conducted by Keyser Marston Financial Consultant, a private firm specializing in affordable housing financing.

To satisfy item #4 above, three (3) legal documents, listed above in the Recommended Action, have been executed by Avanath and are pending Board approval.

And, to satisfy item #5, Avanath submitted a deposit in the amount of \$10,000.

In accordance with the AHA, the financial terms and conditions can be assumed by the transferee. However, Owner is prepared to pay the CHA the outstanding debt estimated at \$7.8 million.

Staff is satisfied that all transfer requirements have been met by the Owner and Transferee. Therefore, in accordance with the AHA, the CHA must consent to the transfer. To complete this action, it must go through the two-step approval process that includes Planning and Housing Commission review and CHA Board Member consideration.

At its regularly scheduled meeting of August 23, 2021, this item was presented to the Planning and Housing Commission and now awaits final approval by the CHA Board Members.

FINANCIAL IMPACT:

Approval of this action will result in an increase to the Housing Fund 291 in an approximate amount of \$7.8 million.

ENVIRONMENTAL ANALYSIS:

No Project (§15061(b)(3)) - a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects with have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

PREPARED BY: CYNTHIA LARA, ADMINISTRATIVE SERVICES MANAGER II

REVIEWED BY: ANNE TURNER, COMMUNITY SERVICES DIRECTOR

Attachments:

Exhibit 1 - Location Map

Exhibit 2 - Assignment of Amended and Restated Affordable Housing Agreement

Exhibit 3 - Assignment of Regulatory Agreement

Exhibit 4 - Subordination Agreement