



Meeting Date: 12/13/11

| ACTION | TYPE OF ITEM |
|--------------------------------------------------|--------------------------------------------|
| <input type="checkbox"/> Approved Recommendation | <input type="checkbox"/> Info/Consent |
| <input type="checkbox"/> Ord. No(s). _____ | <input checked="" type="checkbox"/> Report |
| <input type="checkbox"/> Res. No(s). _____ | <input type="checkbox"/> Public Hearing |
| <input type="checkbox"/> Other _____ | <input type="checkbox"/> Other |

Prepared By: Larry S. White Agenda Item No. **0-4**
 Reviewed By: [Signature] City Manager [Signature] City Attorney [Signature] Finance RTM for CS Other (Specify) _____

DATE: December 13, 2011
TO: Oxnard Housing Authority Board of Commissioners
FROM: William Wilkins, Housing Director [Signature]
SUBJECT: Issuance of Housing Authority Multifamily Mortgage Revenue Note for Las Villas de Paseo Nuevo, located at 5637 to 5727 Cypress Road.

RECOMMENDATION

That the Oxnard Housing Authority Board of Commissioners adopt a resolution authorizing the issuance of a revenue note in a principal amount of up to \$15,000,000 to finance the acquisition and construction of Las Villas de Paseo Nuevo, authorizing each of the Chairman, the Vice Chairman and the Executive Director to execute a Note, a Funding Loan Agreement, a Borrower Loan Agreement and the Regulatory Agreement and Declaration of Restrictive Covenants in connection therewith, and authorizing the execution of other related documents and actions.

DISCUSSION

Las Villas de Paseo Nuevo is a seventy two unit affordable housing project located in the Cypress neighborhood. The project is being developed by a public private/partnership consisting of the Oxnard Housing Authority, the City's non-profit Las Cortes and McCarthy Companies, which entities will serve as the general partners of Paseo Nuevo Partners, L.P. ("Partnership").

The partnership has requested that the Housing Authority borrow funds and loan the funds to the Partnership to finance costs of the construction of the project. It is proposed that the Housing Authority enter into a loan agreement with Citibank, N.A. (referred to as a "Funding Loan Agreement") and issue a multifamily mortgage revenue note (the "Note") to Citibank, N.A. evidencing a loan from Citibank, N.A. to the Housing Authority of up to \$15,000,000. The Housing Authority will, at the same time, enter into a loan agreement with the Partnership (referred to as a "Borrower Loan Agreement") pursuant to which the Housing Authority will loan the funds it borrowed from

Citibank, N.A. to the Partnership. The sole source of repayment of the loan from Citibank, N.A. to the Housing Authority will be payments by the Partnership on the loan to it from the Housing Authority, and the Housing Authority will assign its rights under the Borrower Loan Agreement to Citibank, N.A. as security for the repayment of the loan evidenced by the Note pursuant to an Assignment of Deed of Trust and Loan Documents (the "Assignment"). This financing structure (commonly called a "conduit financing") will allow the interest paid on the Note to be exempt from federal income taxation, even though the Housing Authority will not be obligated to use any of its own funds to repay the Note evidencing the loan to it by Citibank, N.A.

In order to comply with State and federal tax law applicable to the financing, the Partnership will enter into a Regulatory Agreement and Declaration of Restrictive Covenants with the Housing Authority that will restrict the occupancy of thirty percent of the units in the project to persons and families with adjusted incomes that are not in excess of sixty percent of median gross income, and ten percent of the units in the project to persons and families with adjusted incomes that are not in excess of fifty percent of median gross income. There will be other restrictions on the project required under documents related to certain loans by the City to the Partnership for the project and federal tax credits that have been granted to the Partnership for the project.

In connection with the proposed issuance of the Note, on June 21, 2011, the City Council adopted Resolution No. 14,067 approving the borrowing by the Housing Authority evidenced by the Note to provide financing for the project, and on September 28, 2011, the California Debt Limit Allocation Committee adopted its Resolution No. 11-116 allocating \$15,000,000 of tax-exempt bond authority to the Housing Authority in connection with the financing of the project.

The Funding Loan Agreement between the Housing Authority and Citibank, N.A., which specifies the term of the loan evidenced by the Note, explicitly provides that the loan by Citibank, N.A. to the Housing Authority is payable solely from the payments by the Partnership under the Borrower Loan Agreement, or otherwise realized from the collateral provided by the Partnership securing its obligations thereunder, and from amounts held by Citibank, N.A. under the Funding Loan Agreement. The Funding Loan Agreement also explicitly provides that the City of Oxnard has no liability for payment of the Note or otherwise under any document related thereto. The Funding Loan Agreement does provide for a waiver of a jury trial, should any unexpected litigation ever be filed by reason of a breach of the Funding Loan Agreement.

The Borrower Loan Agreement contains provisions similar to that of the Funding Loan Agreement limiting the liability of the Housing Authority. The Borrower Loan Agreement and the Regulatory Agreement both require that the Partnership reimburse the Housing Authority for any cost or expense it may incur in connection with the financing. That reimbursement will include third party costs incurred by the Housing Authority to monitor the Partnership's compliance with the restrictions imposed by the Regulatory Agreement on the project.

It is recommended that the Housing Authority adopt the resolution authorizing the issuance of the Note, and approving the documents described above and related actions, all as described more particularly in the Resolution attached hereto, so that the financing may be completed and the construction of the project may proceed.

FINANCIAL IMPACT

There will be no direct financial impact on the Housing Authority as a result of the issuance of the Note. The loan to the Housing Authority evidenced by the Note will be payable solely from revenues of the project, and not from any other funds of the Housing Authority. The Partnership will agree in the Borrower Loan Agreement and the Regulatory Agreement to reimburse the Housing Authority for any out of pocket expenses it may incur in connection with the financing.

Attachment #1 – Housing Authority Resolution

Attachment #2 – Funding Loan Agreement

Attachment #3 – Borrower Loan Agreement

Attachment #4 – Regulatory Agreement and Declaration of Restrictive Covenants

Attachment #5 – Assignment of Deed of Trust and Loan Documents

Note: Attachment #2, 3 and #4 have been provided to City Council under separate cover. Copies for review are available at the Help Desk in the Library after 6:00 p.m. on Thursday prior to the Council meeting and in the City Clerk's Office after 8:00 a.m. on Monday prior to the Council meeting.