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RESOLUTION 87-46

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency staff has reviewed a loan application from Villa Juniper Ltd., under the Rental Housing Mortgage Loan Program for Villa Juniper and has recommended to the Lending /Insurance Committee of the Board of Directors such loan be approved; and

WHEREAS, the Lending/Insurance Committee has reviewed that loan application and concurs in the recommendation of the staff; and

WHEREAS, the Board of Directors has approved an initial loan commitment Resolution 87-23 on May 14, 1987 for such project; and

WHEREAS, based upon the recommendation of staff and the Lending/Insurance Committee, the Board of Directors has determined that a final loan commitment be made for such project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Housing Finance Agency:

- (1) The Executive Director, or in the Executive Director's absence, the Director of Programs of the California Housing Finance Agency is hereby authorized to transmit a final commitment letter, subject to the recommended terms and conditions set forth therein and in the attached report of CHFA staff dated August 4, 1987 in relation to a multifamily housing development described as follows:

PROJECT NUMBER	DEV. NAME/ LOCALITY	# UNITS	MORTGAGE AMOUNT
87-02-S	Villa Juniper Fontana	60	\$2,000,000 200,000 (2nd Mortgage)

- (2) The final commitment letter shall specifically state that the commitment is subject to the Agency's ability to sell its bonds in an amount sufficient to fund the commitment.

- (3) The Executive Director, or in the Executive Director's absence, the Director of Programs of the California Housing Finance Agency has the authority to modify the mortgage amount so stated in this

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resolution by an amount not to exceed seven percent (7%) without further Board approval. All other changes, including changes in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval.

I hereby certify that this is a true and correct copy of Resolution 87-46 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on September 17, 1987 at Sacramento, California.

ATTEST:  _____
Secretary

State of California

M E M O R A N D U M

To : Insurance/Lending Committee

Date : August 4, 1987

From : A. M. Smith
CALIFORNIA HOUSING FINANCE AGENCY

Subject : Villa Juniper
CHFA 87 02 S

ACTION REQUESTED

The purpose of this memorandum is to recommend an Final Loan Commitment under the Agency's Rental Housing Mortgage Loan Program in the amount of \$2,000,000 and a Final Commitment under the Agency's Trust Deed Program in the amount of \$200,000 to assist in the development of a 60 unit rental apartment complex in the City of Fontana, San Bernardino County. The developer has satisfied the terms of the Initial Commitment which includes securing a commitment for construction financing from First Interstate Mortgage Company.

MARKET STUDY-MAI APPRAISAL

The firm of Wood & Associates completed an independent market study, and has issued an MAI appraisal dated July 7, 1987, signed by David D. Wood, MAI. The economic value determined by this appraisal is \$2,578,000, which represents a 77.6% loan to value. This appraisal is summarized on page 5 of the Application for Mortgage Financing (CHFA 3).

FINANCIAL REQUIREMENTS

Program guidelines require a minimum cash equity investment of 10% of replacement cost. For this loan, the sponsor's cash equity contribution is \$371,966, which represents 12.26% of the total projected development cost.

In addition to the cash investment, the developer will post a bond security escrow of \$70,000, which is 3-1/2% of the mortgage amount. When the permanent loan is funded by CHFA, the developer is required to provide CHFA with escrows:

Projected Operating Expense Escrow	\$103,822
Rent-Up Escrow	\$ 78,060

SECONDARY FINANCING

The second loan program proceeds were allocated to the Agency under SB1763 for the purpose of making deferred payment second trust deed funds available to multi-family rental housing developments. Under second trust deed program guidelines, rents on 20% of the units in a development cannot exceed 17.5% of area median; the remaining (80%) of the project units must have rents which do not exceed 24% of the area median income. The initial rents for Villa Juniper will meet the requirement for 24% of median; and exceed the 17.5% requirement as the second trust deed funds will peg the rents at 14% of area median income. Should the City of Fontana provide financial assistance to the development, it is currently anticipated the funds will be directed towards a further reduction in the low income (24% of area median income) rents.

The second loan program funds will be provided at 3%, deferred to a preferred 10% return on equity to the sponsor, one half of any distribution in excess of 10% will be applied first to the payment of accrued interest and second to principal reduction. Under the terms of the Regulatory Agreement, the Agency reserves for itself the right to approve distribution to the sponsor. Additionally, the trust deed documents will contain specific provisions that should a default occur on the first trust deed, the interest rate on the second will accelerate to a rate equivalent to the first trust deed and for an immediate acceleration of the due date.