

ATTACHMENT 1



THOMAS SAFRAN & ASSOCIATES

March 11, 2021

David Welch
City of Riverside
Community & Economic Development Department
Via Email: DWelch@riversideca.gov

CC: Vanessa Kirks (City of Riverside)
Michelle Davis (Riverside Housing Authority)
Harkiran Chauhan (TSA)

Re: Goldware Senior Apartments – Updated Proposal to Refinance

To Whom It May Concern:

I am the Senior Vice President of Finance & Development for Thomas Safran & Associates (“TSA”), the Developer and owner of Goldware Senior Housing (the “Project”). We are proposing to refinance.

Goldware Senior Housing, LP is a 162-unit senior affordable housing community located at 6730 Streeter Ave. in Riverside, CA. Of the 162 units, all but 24 market-rate units are rent restricted.

Project Name and Address	Tenant Type	Type of Public Assistance	Total Units	Total Affordable Units	Date of Potential Conversion
Goldware Senior Apts 6730 Streeter	Senior	HOME/LIHTC	162	137	2050

**from Housing Element Plan*

Originally constructed in 2002, the Project’s first mortgage financing is set to mature in June 2021.

At project inception, The City of Riverside (the “City”) provided a \$1MM HOME Funds Loan (the “City HOME Loan”), which remains outstanding. The HOME LOAN has accrued approx. \$600,000 in interest to date.

The City HOME Loan is due and payable in June 2021, concurrent with the maturity date of the first mortgage.

We have applied to refinance the first mortgage with a HUD-insured first mortgage under the HUD 223(f) program.

We are writing to propose the following to the City (“The Goldware Proposal”):

- 1) Re-designate 9 of the 24 market rate units as Home-High restricted units and keep the maturity date of the City Regulatory Agreement until 2055 (no change in Term).

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<u>Current Affordability Mix</u>		<u># units</u>	<u>Current Affordability Mix</u>		<u># units</u>
1br	Very Low Income (50%)	67	1br	Very Low Income (50%)	67
1br	Qualified Low Income (85%)	57	1br	Qualified Low Income (85%)	57
2br	Very Low Income (50%)	1		Very Low Income (50%)	1
2br	Qualified Low Income (85%)	1		Qualified Low Income (85%)	1
1br	Home-Funds-Low	2	1br	Home-Funds-Low	2
2br	Home-Funds-Low	9	2br	Home-Funds-Low	9
1br	Home-Funds-High	0	1br	Home-Funds-High	9
1br	Market	18	1br	Market	9
2br	Market	6	2br	Market	6
3br	Staff	1	3br	Staff	1
Total Units		162	Total Units		162

- 2) Upon closing of the HUD 223(f) insured loan, ½ of the outstanding City Loan principal and interest (approx. \$810,000) would be repaid with the balance remaining outstanding.

(City is trading partial repayment for additional affordable units and for reinvestment in the property)

- 3) Amend the City Loan to:

- a. Extend the maturity date of the remaining loan balance by 36 years. (Why 36 years? HUD 223(f) 35-year loan term plus 1 year)
- b. Modify the simple interest rate from 3% simple interest to 1% simple interest (more in line with the current interest rate environment)
- c. Subordinate the to-be-amended City Loan documents and City Regulatory Agreement Regulatory agreement (w/ the above-mentioned additional HOME-High units) to the HUD 223(f) loan as required under the HUD Program Guidelines. See attached HUD Form 92420M.



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Enclosed for your review are the following Exhibits.

- Exhibit A: Estimated 12/31/2020 Capitalization
- Exhibit B: HUD 223(f) Refinance Sources & Uses
- Exhibit C: 10-Year Cash Flow Projections
- Exhibit D: HUD 92420M – Form of Loan Subordination
- Exhibit E: HUD Form of Rider to Restrictive Covenants

Additional Consideration:

- Concurrent with the refinance the project will redeem/buyout its original tax credit investor's (Union Bank) 99% partnership interests for an amount equal to its remaining positive tax capital account (approx. \$1,950,000). This payment is itemized as "Union Bank LP Buyout" as a "Use" in the Sources & Uses.
- TSA, as sponsor will not realize any cash-out refinance proceeds but will instead utilize this unique interest rate environment to set aside millions of dollars for property improvements, add affordability for the City and repay 50% of the outstanding City HOME Loan.

As you evaluate The Goldware Proposal we ask that you take the following Benefits to the City into consideration.

Benefits to the City:

- Approx. \$810,000 of City HOME Loan repaid.
- Additional ten (10) Moderate Units to add to the City's RHNA and Housing Element with no impact on existing tenant rents.
- Support a refinance transaction that will result in substantial funds set aside for capital improvement and to long-term replacement reserves. (See Sources & Uses)
- Utilize the desirable HUD 223(f) loan program to put the Project on solid financial footing for the next 35 years.

Sincerely,

Anthony Yannatta

Anthony Yannatta



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EXHIBIT A – Estimated Capitalization as of 12/31/2020

- First Mortgage \$2,150,975*
- City HOME Loan Principal: \$1,000,000
- City Home Loan Accrued Interest: \$615,000
- Equity Investor Tax Capital Account: \$1,950,000

*

- Held by Pacific Life
- Maturity Date: Term of 18 years ending June 1, 2021
- Interest Rate: 6.62%
- Current Annual Debt Service: \$253,000



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EXHIBIT B – Refinance Sources & Uses

<u>Sources:</u>		<u>Uses:</u>	
HUD 223(f) Loan	\$7,290,015	1st Mortgage Payoff	\$2,100,000
Current Reserves	\$168,000	Prepayment of MIP	\$25,515
Recast City Note	\$807,500		
		City of Riverside Principal	\$1,000,000
		City of Riverside Accrued Interest	\$615,000
		Transaction Fees	\$325,000
		HUD Initial Reserve Deposit	\$1,000,000
		Owner Elective Repairs Set Aside	\$1,250,000
		Union Bank Buyout	\$1,950,000
Sources	\$8,265,515	Uses	\$8,265,515
Distribution to Borrower		\$0	