

CITY OF SAN ANTONIO
NEIGHBORHOOD ACTION DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM

TO: Mayor and City Council

FROM: David D. Garza, Neighborhood Action Director

SUBJECT: LOAN MODIFICATION TO RENTAL REHABILITATION AGREEMENT
IN CONNECTION WITH THE WILSHIRE WOODS APARTMENTS

DATE: December 15, 2005

SUMMARY AND RECOMMENDATIONS

This item is an ordinance authorizing the release of lien and execution of all amended related documents in connection with the Wilshire Woods Apartment Rental Rehabilitation Community Development Block Grant (CDBG) Project.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The City's Rental Rehabilitation Program is funded with Community Development Block Grant (CDBG) and HOME Investment Partnership Program funds received from the U.S. Department of Housing and Urban Development. The Program loans funds to private and non-profit property owners for the purpose of rehabilitating rental properties (both single-family and multi-family). The property owners are required to set aside up to 100% of the units for low-to-moderate income earning families.

In November 1993, the City provided a CDBG Rental Rehabilitation Loan for the Wilshire Woods Apartments ("The Property") located at 2530 Harry Wurzbach Road in City Council District 2. The complex currently consists of 322 units including 1, 2 and 3 bedrooms. The Property is owned by W. W. San Antonio Investments, L.P., ("WWSA") which is a partnership created for the exclusive purpose of purchasing, improving, developing, operating and leasing the Property. The Loan totaled \$1,000,000 with zero percent (0%) interest and had a final maturity date of October 1, 2007. In 1994, the City loaned an additional \$525,000 to WWSA to complete the rehabilitation; thereby modifying the amount of the loan for a new total of \$1,525,000.

In April 1997, WWSA refinanced its first mortgage and executed a HUD insured note in the amount of \$7,487,000 in favor of the Patrician Financial Company, L.P. HUD required the City

to execute an Amended and Restated Promissory Note in the principal amount of \$1,525,000 with 0% interest. The amended terms of the Note called for payments based on surplus cash in semi-annual payments starting September 1, 1998. No payments have been received to date since the Property has not had any surplus revenues reported in their Audited Financial Statements. The entire balance is due on June 1, 2022.

In July 2005, WWSA notified the City of a possible refinancing of the existing HUD insured loan. WWSA submitted two proposals for the City's consideration. The first proposal included a partial repayment as payment in full on the balance of the Note and release the City's lien on the Property. The second proposal required WWSA to purchase a Zero Coupon U.S. Government Treasury in the City's name with a maturity value of \$1,525,000 and a maturity date of May 15, 2022 as repayment in full on the Note.

The City has been negotiating with WWSA in order to maintain affordability of housing units. The proposed terms and conditions of the settlement include:

- ☐ WWSA will purchase a Zero Coupon U.S. Government Treasury with a maturity value of \$1,525,000 and a maturity date of May 15, 2022 as repayment in full on the Note;
- ☐ The City will release its lien on the Property;
- ☐ WWSA will execute a restrictive covenant to maintain affordability;
- ☐ The City may inspect the Property and all books and records; and
- ☐ In the event the Property is sold prior to the maturity date of the Amended Note, the City reserves the right to liquidate the escrow at its market value at the time of the sale at which time WWSA shall pay to the City the difference between the unpaid balance of the \$1,525,000 owed to the City and the amount received by the City as the liquidated escrow.

POLICY ANALYSIS

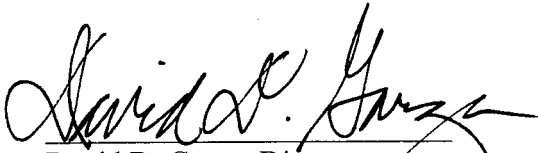
The Rental Rehabilitation Program provides an avenue to increase the number of affordable housing units throughout the City of San Antonio. All projects funded through the Program are required to execute legal documents to ensure payback. This ordinance will authorize the execution of the amendments to the legal documents.

FISCAL IMPACT

This item has no financial impact to the City's General Fund. The security deposit will have a maturity value of \$1,525,000 with a maturity date of June 15, 2022 and repay the the City's CDBG Rental Rehabilitation Loan.

COORDINATION

This item has been coordinated with the City Attorney's Office, Finance, and the Housing and Community Development Department.

A handwritten signature in cursive script, appearing to read "David D. Garza".

David D. Garza, Director
Neighborhood Action

A handwritten signature in cursive script, appearing to read "Jelynn LeBlanc Burley".

Jelynn LeBlanc Burley
Assistant City Manager

A handwritten signature in cursive script, appearing to read "Sheryl Sculley".

Sheryl Sculley
City Manager