



# City of San Antonio

## Agenda Memorandum

**File Number:**19-4384

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**Agenda Item Number:** 5.

**Agenda Date:** 6/10/2019

**In Control:** Comprehensive Plan Committee

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**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Verónica R. Soto, AICP, Director

**COUNCIL DISTRICTS IMPACTED:** City-Wide

### SUBJECT:

Babcock North II Apartments Subordination and Loan Modification

### SUMMARY:

Consideration of a recommendation to approve the subordination and loan modification of the HOME loans for Babcock North II Apartments located at 11800 Spring Shadow in Council District 8.

### BACKGROUND INFORMATION:

The City of San Antonio (the City) receives an annual entitlement of HOME Investment Partnerships Program funding through the U.S. Department of Housing and Urban Development (HUD). The HOME Program objective is to provide decent affordable housing to lower-income households.

On June 4, 2002 the City executed two HOME loans in the amount of \$370,000.00 collectively with Alamo Community Group (ACG) to acquire and rehabilitate the Babcock North II Apartments, a 72-unit rental housing development, located at 11800 Spring Shadow, in Council District 8.

The loan terms are as follows:

	Loan A	Loan B
<b>Original Loan Amount:</b>	\$220,000.00	\$150,000.00
<b>Current Loan Balance:</b>	\$220,000.00	\$113,130.38
<b>Interest Rate:</b>	1%	1%
<b>Loan Origination:</b>	January 4, 2002	January 4, 2002

<b>Maturity Date:</b>	June 1, 2043	June 1, 2041
<b>Loan Terms:</b>	Interest only payments due and payable in quarterly installments of \$577.50 until August 1, 2023. Beginning on September 1, 2023, quarterly payments of \$3,189.46 until the principle amount of \$220,000.00.	Principal and interest due and payable in quarterly installments of \$1,168.75. Payments began on June 1, 2008.

This development received 9% Low Income Housing Tax Credits in 2012 and is in year 16 of the required affordability period. The existing Land Use Restriction Agreement will remain in place for the next 15 years with the following restrictions regarding unit mix and restricted rents:

- 16 units restricted to households at or below 50% of area median income
- 45 units restricted to households at or below 60% of area median income
- 11 units are market rate

The development has 26 HOME-assisted units and the affordability covenant will continue until January 4, 2042.

#### **ISSUE:**

Alamo Community Group has received a HUD Commitment for a new loan under the federal Section 223(f) Program. This loan will be utilized to refinance and rehabilitate the existing 72-unit Babcock North II Apartments. The City received a request from Alamo Community Group to subordinate the two HOME loans to a new first lienholder and extend the maturity dates to be co-terminus.

To assess financial viability, the City engaged National Development Corporation (NDC) to conduct an underwriting review. NDC reviewed the proposed refinancing details and concluded that ACG has the ability to repay the \$220,000.00 loan sooner and the City should renegotiate the loan terms to a surplus cash loan which will result in full repayment in eight years. The program income generated from these payments will be utilized to further the HOME program objectives. Any future award of this funding will be considered by the City Council.

#### **ALTERNATIVES:**

An alternative to subordination and loan modification of the HOME loans for Babcock North II Apartments would adversely affect refinancing of this project.

#### **FISCAL IMPACT:**

This ordinance is approving subordination and loan modification of the HOME loans for Babcock North II Apartments. This will result in loan repayment within eight years. There is no impact to the City's General Fund.

#### **RECOMMENDATION:**

Staff recommends approval of subordination and loan modification of the HOME loans for Babcock North II Apartments.