

HOUSING AUTHORITY AGENDA REPORT

Meeting Date: September 3, 2020

From: Clay Holstine, Executive Director and Michael Roush, Legal Counsel

Subject: Request of the Bridge Housing Corporation to Defer 2019 Loan Payment to December 2020

Community Goal/Result

Economic Development

Recommendation

Waive the technical default for the Bridge Housing Corporation's not making its 2019 loan payment in May 2020, approve Bridge's request to defer its loan payment to December 2020, and authorize the Executive Director to approve the loan payment for 2019 less than the amount required under the Loan and Regulatory Agreement in the discretion of the Executive Director.

Background

In 1998, the Redevelopment Agency of the City of Brisbane ("RDA") entered into a 30 year ground lease with the Bridge Housing Corporation concerning the RDA's property at 2 Visitation Avenue for the purpose of Bridge to construct on the property senior rental housing for low income and moderate income tenants. In addition, the RDA loaned Bridge funds from its low and moderate income housing fund in order for Bridge to construct the project. Under the terms of the Loan and Regulatory Agreement, Bridge makes annual repayments of the loan in May of each year, tied to a percentage of "Surplus Cash", as that term is defined in the Agreement, at the end of previous calendar year

The RDA was dissolved in 2011 and the Brisbane Housing Authority is now the owner of the property and the beneficiary of the loan.

Recently, the annual payments to the Housing Authority have not been significant. For example, Bridge made loan repayments in the amounts of \$9218, \$2341, and \$8413 for years 2016, 2017, and 2018 respectively. As stated above, the 2020 payment would reflect the Surplus Cash for 2019.) Bridge has made these loan repayments timely.

Bridge has requested deferment of its 2019 payment until December 2020. Bridge states that it has the "surplus cash" to make the payment but has requested the deferment to determine whether any of the tenants are unable to pay rent due to the COVID-19 pandemic and/or

whether it may need some or all of that Surplus Cash to meet property related expenses. See attached email dated July 10, 2020 from Bridge to City staff.

Because loan payments are due by June 1, there is a technical default under the Agreement but the Housing Authority itself at its discretion may waive in writing any of the conditions of the Agreement. In addition, the Authority itself (rather than Authority staff) may also approve or consent to requests concerning terms of the Loan and Regulatory Agreement.

Discussion

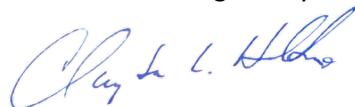
Bridge's request to defer its 2019 loan payment is reasonable. Bridge has made its annual payments without fail and its request to wait until December 2020 before making a payment is warranted because it will allow Bridge to determine whether some of the Surplus Cash should be used in order to avoid having to evict senior tenants who, due to illness or job or income losses, have been unable to pay rent. Bridge also points out that it has reduced its operating expenses where possible but may need to set aside some of Surplus Cash that would otherwise be used for the loan payment in order to cover property related expenses. Such reduced loan payment would occur only with the Authority's approval.

Staff recommends that the Authority waive the technical default of Bridge's not having made the June 2019 payment and that the Authority approve deferment of the loan payment until December 2020. Staff also recommends the Authority delegate to the Executive Director the authority to approve a loan payment for 2019 less than the amount otherwise required under the Loan and Regulatory Agreement if Bridge can demonstrate the Surplus Cash will be used to backfill rent that tenants have been unable to pay due to the COVID-19 pandemic and/or is needed to cover property related expenses.

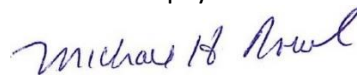
Fiscal Impact

There will be no significant fiscal impact if the 2019 Bridge loan repayment is deferred until December 2020 or if the payment for 2019 is less than what would have otherwise been required under the Loan and Regulatory Agreement. The principal amount of the loan will be repaid over time, or forgiven at the end of the 30 year term, and interest that has accrued but for which Surplus Cash is not available in a given year shall be deferred to the following year. (Section 2.2 (b) of the Loan and Regulatory Agreement).

Attachment: Bridge's July 10 email requesting deferment of the loan payment



Clay Holstine, Executive Director



Michael Roush, Legal Counsel

Attachment 1

From: Natasha Stewart [<mailto:nstewart@bridgehousing.com>]
Sent: Friday, July 10, 2020 6:44 PM
To: Ayres, Julia <jayres@ci.brisbane.ca.us>
Cc: Padilla, Ingrid <ipadilla@ci.brisbane.ca.us>; Shanon Lampkins <slampkins@bridgehousing.com>; Katherine Fleming <kfleming@bridgehousing.com>
Subject: 2019 Surplus Cash distributions - Request to delay distribution to City of Brisbane

Hi Julia,

We value our partnership with you at Visitacion Gardens. Based on 2019 operations, the property owes \$12,952 in surplus cash as a payment on the subordinate debt. Given these unprecedented times and hopefully out of an overabundance of caution, we would like to request a deferment of that distribution until December 2020. This deferment request will allow us to continue to serve a valuable role in the community and support our tenants/your residents, who are some of the more vulnerable populations to both unemployment swings as well as the impacts of illness.

During this time, no tenant shall be evicted due to inability to pay rent because of illness, job or income losses. BRIDGE has already taken action at the property by reducing expenses where possible, including conserving utilities, stopping non-essential trainings/conferences, cancelling non-essential community activities and/or delaying planned capital improvements unless required to maintain the quality and integrity of the asset. Our property budgets adhere to lean operations, so cutting expenses may not counterbalance the full loss of rents as unemployment rates are high and Covid19 is still a significant concern. Therefore, additional measures may be necessary.

Our proposal is that these surplus cash funds would not be used but set aside at the property level. If our residents cannot pay their rent and there is not enough operations cash at the property to continue to pay expenses, BRIDGE may request your approval to utilize a portion of the surplus cash distribution to cover expenses. Please note that none of your surplus cash distribution would be used without approval. If these funds are not necessary, the distribution would be made as scheduled in December 2020.

We look forward to hearing from you. Thank you for your consideration of this request. If you have any questions, please do not hesitate to contact me.

Natasha Stewart | Asset Manager

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