



STAFF REPORT
7/26/2023

TO: Honorable Mayor and City Council Members
FROM: William B. Pattison, Finance Director
SUBJECT: Coachella Valley 1 Apartments– Subordination Agreement

STAFF RECOMMENDATION:

Staff recommends that the City authorize the City Manager to execute any Subordination Agreements necessary for the subordination of the City Loan (as defined below), subject to changes recommended by the City Attorney, and other documents required for the closing of the permanent financing.

BACKGROUND:

In 2022, the City entered into an Affordable Housing Loan Agreement and Agreement to Prepay Tax Obligations for CFD 2005-1. The City loan was in the amount of \$3,794,000 (the “City Loan”) for the development of an 56-unit affordable apartment complex in the City (the “Project”). The City Loan was evidenced by a promissory note and secured by a deed of trust that was recorded against the Project property (together, the “City Loan Documents”).

As a condition to closing on the permanent financing the City must subordinate the lien of the City Loan to the lender. The City is also receiving from the Owner of the Project an Affordable Housing Regulatory Agreement to evidence the City’s ongoing affordability requirements to restrict 49% of the units to affordable, just like Riverside County.

DISCUSSION/ANALYSIS:

The subordination of the lien of the City Loan to the lien of the permanent lender pursuant to the Subordination Agreement is required by the rules and regulations of such lender

The City Attorney will review the draft Subordination Agreement provided by Borrower that is attached hereto. The City Manager will execute once City Attorney has approved of the language and any suggested revisions.

The City has an interest in supporting the continued operation of the Project, and the request for subordination is a typical and noncontroversial request in connection with the permanent financing.

FISCAL IMPACT

None – The Subordination Agreement does not impact the economic benefits anticipated by the City.

ATTACHMENTS:

1. Subordination Agreement
2. Affordable Housing Regulatory Agreement