



STAFF REPORT
5/24/2023

TO: Honorable Mayor and City Council Members
FROM: William Pattison, Interim Finance Director
SUBJECT: Tripoli – Subordination Agreement

STAFF RECOMMENDATION:

Staff recommends that the City authorize the City Manager to execute a Subordination Agreement between the City, the California Department of Housing and Community Development (the “Banner”) and Tripoli CIC, LP (“Borrower”) for the subordination of the City Loan (as defined below) to the Banner Loan (as defined below) (the “Subordination Agreement”), subject to changes recommended by the City Attorney.

BACKGROUND:

The City anticipates closing on a loan in the amount not to exceed of \$13,570,000 (the “City Loan”) to Borrower for the development of an 108-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”). Borrower’s financing for the Project also includes a commitment for a construction loan of funds from Banner Bank (“Banner Loan”), which financing is scheduled to close this month.

As a condition to closing the Banner Loan, Banner requires that the City subordinate the lien of the City Loan to the lien of the Banner Loan in accordance with Banner regulations by execution of the Subordination Agreement. The Banner Loan was not specifically described as a lien that would be senior to the City Loan in the City Loan Documents, therefore this approval is requested to establish the City’s authority to execute the Subordination Agreement.

DISCUSSION/ANALYSIS:

The subordination of the lien of the City Loan to the lien of the Banner Loan pursuant to the Subordination Agreement was contemplated at the time that the City made the City Loan, and is required by the rules and regulations of Banner.

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 Banner Loan.

FISCAL IMPACT:

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

Attachments: Subordination Agreement