

Spector Development LLC

4th amendment to loan agreement

Resolution Request

Spector Development LLC – fourth amendment

RR22-0932: Amends the agreement with Spector Development, LLC to correct the legal description, allow 3 residential units to be converted from rental to for-sale, modify affordability requirements of residential rental and for-sale income-qualified units, adjust the loan terms, allow an assumption of the loan, forgive \$240,000 of the loan amount, forgive default interest, and change the subordination limit for a mixed-use development located at 910 Santa Fe Drive in Council District 3 (HOST-(GE3A040), 202161652-04)).

Loan Summary

The loan with Spector Development LLC closed in July 2003 to finance soft costs and lead-based paint abatement associated with the renovation of 910 Santa Fe. The agreement created five affordable for-sale units. The total loan amount was \$475,000 itemized into \$415,000 in HOME and \$60,000 in City funds.

An amendment in 2006 increased the total loan amount to \$660,000 to finance additional renovation costs. The total loan amount is itemized into \$600,000 in HOME and \$60,000 in City funds.

An amendment in 2012 converted three of the affordable for-sale units into affordable rental units. The total amount was split with \$240,000 assigned to the two affordable for-sale units and \$420,000 assigned to the three affordable rental units.

HOST and this loan

Reasons for supporting the amendment

- Recognizes the new ownership entity
- Updates the loan collateral to reflect the condo declaration
- HOST has worked with HUD to receive approval to remove the HOME program requirements

Other Considerations

- The City is in second position behind a loan with Alpine Bank of \$459,000
- 910 Santa Fe was always intended to be a for-sale project
- The City will record an amended deed of trust
- The City will record an amended covenant
- Converting the affordable rentals into for-sale units maximizes repayment to the City

Loan History

Payment and Maturity

- The loan has been in payment default since February 2014
- The loan matured on September 1, 2021

Rental Covenant Compliance

- The three affordable rental units have been out of compliance with the rental covenant since the rental and occupancy covenant was recorded in 2013.

For Sale Covenant Compliance

- The two affordable for-sale units have been in-compliance with their covenants since they were sold to income verified buyers in 2006 and 2007

Amendment Request

Amendment #4 – this request

- Approve quitclaim of the property to Tugboat LLC and its assumption of loan
- Forgive \$240,000 in HOME assigned to the two affordable for-sale units that are in compliance
- The remaining loan balance adjusted to \$420,000 with monthly payments of \$350
- The loan maturity date is moved to September 1, 2051
- Forgive default interest and conditionally waive late fees and accrued interest
- Record an amended deed of trust to reflect the new borrower, owner, loan amount, and condominium legal descriptions
- Record an amended rental covenant that requires 80% AMI affordability and extends the maturity to September 1, 2051

Amendment Request – (continued)

Amendment #4 – this request

- Require a paydown of our loan from refinance proceeds of the first loan
- Change the subordination limit to \$1,900,000
- Allow one of the affordable rental units to be converted to a market-rate for-sale unit with a paydown to the City's loan
- Allow two of the affordable rental units to be converted to affordable for-sale units at 100% AMI with 99-year covenant restrictions and a paydown to the City's loan