



## Legislation Text

File #: ID#21-9988, Version: 1

### **SUBJECT/RECOMMENDATION:**

Approve the Term Sheet to modify the terms of an existing loan between the City of Clearwater and Greenwood Apartments, LLC, and to facilitate a change in ownership, debt repayment restructure, and substantial rehabilitation of Palmetto Park Apartments, and authorize the appropriate officials to execute instruments required to affect closing of the transfer of the property. (consent)

### **SUMMARY:**

Palmetto Park Apartments (Property) is a 179-unit rental housing complex originally built in the 1950's. The property is located at 1001 North Martin Luther King, Jr. Avenue, Clearwater. As part of a planned tax-exempt bond and low-income housing tax credit financed acquisition and rehabilitation of the Property, the Seller (Greenwood Apartments, LLC) and the Buyer (Palmetto Preservation, LTD.) propose the following:

1. Subordination and assumption of financing to Palmetto Preservation, LTD (Buyer or Borrower).
2. Amendment and restatement of debt on the existing City Loan (including principal and interest) as well as existing loan from Pinellas County Housing Finance Authority (HFA Loan).
3. Modification of terms including
  - a. Interest rate at or above the applicable Long Term Applicable Federal Rate as of the closing date).
  - b. Maturity date and Affordability Period of 45 years from date of closing.
  - c. Percentage of units (89%) required be made available to households at or below 60% of Area Median Income.
4. Additional terms and conditions unrelated to the terms and conditions of the City Loan.

Acceptance of the aforementioned will enable the Borrower to monetize tax credit equity of nearly \$12 million which will substantially be used for certain required capital improvements.

City staff enlisted the services of Public Resources Advisory Group (PRAG), a financial consultant, to determine whether the proposed subordination terms are an appropriate use of public funds. PRAG determined the proposed terms of subordination and assumption of the City Loan are reasonable given the scope of rehabilitation and the extension of affordability requirements.

The transaction is scheduled to close in December 2021.

### **Background**

On December 31, 2001, the City of Clearwater approved a \$700,000 loan to Greenwood Apartments, LLC c/o Banc of America Community Development Corporation (BACDC) to purchase and renovate Palmetto Park Apartments (formerly known as Greenwood Apartments). The original loan included an 18-year term and annual payments were subject to adequate cash flow. The City injected an additional \$300,000 on March 20, 2003, to bring its total loan amount for the acquisition/renovation project to \$1,000,000.

High vacancy and low rental rates resulted in cash flow insufficient to pay the loan. In 2012, BACDC sold its interest in Palmetto Park Apartments to Greenwood Apartments, LLC. With this transaction, BACDC paid off the then-existing \$3.4 million first mortgage and Greenwood Apartments, LLC restructured the subordinate debt. The City was expected to begin receiving annual payments following the transaction, but unanticipated capital improvements needed to maintain the apartment complex reduced cash flow resulting in infrequent annual loan payments to the City.

Pinellas County and the Pinellas County Housing Finance Authority (HFA) have also provided loans with terms similar to the City's loan and both approved the sale and restructure of debt in 2012. The current balances (projected for December 31, 2021) are \$900,000, \$285,168.99, and \$1,297,483.63, respectively.

**APPROPRIATION CODE AND AMOUNT:**

N/A

**USE OF RESERVE FUNDS:**

N/A