



Cover Memorandum/Staff Report

File #: 18-1012 CRA

Agenda Date: 2/22/2022

Item #: 71.

TO: CRA Board of Commissioners
FROM: Kim N. Phan, Legal Advisor
THROUGH: Renée A. Jadusingh, Executive Director
DATE: January 22, 2022

ALLONGE TO MULTIFAMILY PROMISSORY NOTE FOR VILLAGE SQUARE ELDERLY, LTD.

Recommended Action:

Approve the Allonge to Multifamily Promissory Note for Village Square Elderly, Ltd.

Background:

On July 17, 2014, the CRA entered into a funding agreement with Village Square Elderly, Ltd. for \$2.7 million, with a 20-year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse. The terms of the loan are outlined in the Promissory Note executed by Village Square Elderly, Ltd ("Promissory Note").

The Management Letter included in the CRA's Independent Auditor's Report prepared by Caler, Donten, Levine, Cohen, Porter & Veil, P.A. for fiscal year ended September 30, 2020 made the following recommendation to improve the CRA's financial management:

2020-004 Village Square Elderly, Ltd. Note Receivable

The repayment terms in the promissory note with Village Square Elderly, Ltd. state that payments shall equal the "remaining cash flow from the property after payment of the required payments on the first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year". We noted that no calculation of the amount due had been prepared for 2020 but that the minimum payment of \$25,000 was received by the CRA. The promissory note does not provide a definition of the term "remaining cash flow from the property" or indicate how that amount should be calculated and therefore the amount due for 2020 is unclear. We recommend that the CRA obtain a legal opinion to provide clarification regarding the components of the calculation to determine the amount due for 2020 and future years.

See Management Letter, p. 48.

An allonge to the Promissory Note has been prepared and executed by Village Square Elderly, Ltd. which clarifies how the amount of cash flow from the property will be used to repay the Promissory Note on an annual basis.

At this time, CRA Staff is requesting the CRA Board to approve the Allonge to the Multifamily Promissory Note for Village Square Elderly, Ltd.

Attachments: Exhibit A - Allonge to Multifamily Promissory Note for Village Square Elderly, Ltd.; Exhibit B - Caler, Donten, Levine, Cohen, Porter & Veil, P.A Management Letter; Exhibit C - July 17, 2014 Promissory Note

CRA Attorney Review:

The CRA Legal Advisor has reviewed the attached Allonge to Multifamily Promissory Note for Village Square Elderly, Ltd. as to form and finds it acceptable.

Funding Source/Financial Impact:

N/A