



**CITY COUNCIL STAFF REPORT**

**ITEM NO. 6.21**

**DATE:** May 11, 2026

**TO:** Honorable Mayor and City Council

**FROM:** Brent Smith, Community Development Director

**SUBJECT:** Resolution authorizing the execution of Assignment and Assumption and Amendment of loan documents and a Subordination and Intercreditor Agreement with Owls Landing, L.P., for the Owl's Landing Affordable Housing Project in the form substantially attached to the resolution.

**RECOMMENDED ACTION**

Staff recommends City Council adopt a Resolution authorizing the City Manager, or her designee, to:

1. Execute the Assignment and Assumption and Amendment of Loan Documents with Owls Landing, L.P. for the Owl's Landing Affordable Housing Project in substantial conformance with the agreement attached as Exhibit A.
2. Determine the Applicable Federal Rate of interest to be included in the Assignment and Assumption and Amendment of Loan Documents with Owls Landing, L.P. prior to execution.
3. Execute the Subordination and Intercreditor Agreement with Owls Landing, L.P. and Capital One, National Association, for the Owls Landing Affordable Housing Project in substantial conformance with the agreement attached as Exhibit B.

**DECISION TYPE**

Administrative

**SUMMARY**

Owls Landing was originally developed in 1998 with financial assistance from the City's former Redevelopment Agency, resulting in 72 affordable rental units for households earning up to 60% of Area Median Income. Eden Housing now proposes transferring the property to a new limited partnership, Owls Landing, L.P., which will acquire, rehabilitate, and continue operating the site as affordable housing. Planned rehabilitation work includes building repairs, roof replacement, accessibility upgrades, and various mechanical, plumbing, and site improvements.

To support the transfer, the owner requests assignment of the City's original loan to the new partnership along with amendments to the City's loan documents updating the loan balance to approximately \$7.1

million, adjusting the interest rate, clarifying unit restrictions, and modifying the residual receipts payment structure to align with standard public lender practice. The project will also obtain a new first mortgage to finance the rehabilitation, which will require the City loan to be subordinated through a Subordination and Intercreditor Agreement.

## **DISCUSSION**

On January 12, 1998, the City Council approved Resolution No. 98-8, allocating \$4,240,000 from the former Redevelopment Agency of the City to Eden Housing, Inc., through Livermore Housing Associates, L.P. (the "Owner"), for the acquisition and construction of the property located at 860 Herman Avenue, known as "Owls Landing Apartments". The project resulted in the development of 72 affordable 1-, 2-, and 3-bedroom rental units for lower-income households earning up to 60 percent of Area Median Income. The City's loan is documented through a Loan Agreement, Promissory Note, Deed of Trust, and Declaration of Restrictive Covenants, recorded on January 29, 1998 (the "Loan Documents") and attached here as Attachment 1. The original loan accrued simple interest at 3% per year and was to be repaid from 'residual receipts,' defined as the cash remaining after all project expenses, reserves, and debt obligations have been paid.

The Owner now proposes to transfer ownership of the project to a newly formed limited partnership, Owls Landing, L.P. (the "Developer"), following the award of Tax Credit Allocation Committee (TCAC) financing. The Developer intends to acquire, rehabilitate, and continue operating the property as affordable housing. The rehabilitation work will include replacing exterior windows, addressing dry rot, completing a full roof replacement, updating exterior paint and façade elements, and making ADA accessibility upgrades as needed. Additional improvements include replacing water heaters, upgrading washer supply lines and valves, installing bathroom fans in all units, upgrading HVAC systems, and completing various site enhancements.

To facilitate the transfer and ensure continued affordability, the Owner has requested that all rights and obligations under the Loan Documents be assigned to the Developer. In addition, the proposed Assignment and Assumption and Amendment (the "Amendment") would modify the Loan Documents as follows:

- Amend the Loan Agreement to reflect a new loan balance of approximately \$7,099,678, representing the original principal plus accrued interest through June 1, 2026. This balance would continue to accrue interest at the Applicable Federal Rate (AFR) upon transfer of the loan to the Developer. The applicable AFR will be finalized and incorporated into the Amendment just prior to the close of escrow on the property transfer, subject to approval by the City Manager. As of April 2026, the AFR is 4.62%.
- Clarify in the Declaration of Restrictive Covenants that the resident manager's unit is excluded from the affordable unit count.
- Amend the Promissory Note to adjust the residual receipts payment requirement from the City receiving 100 percent to sharing 50 percent, which is a standard industry practice among public lenders and has been approved for recent affordable housing loans issued by the City.

The refinancing will provide a new first mortgage for the project, which will also fund the planned rehabilitation work. The first mortgage lender, Capital One, National Association, requires the City's existing loan to be subordinated to the new first mortgage. The proposed Subordination and Intercreditor Agreement ensures that the first lender's mortgage will take priority over the City's loan in the unlikely

event of a default.

## **FISCAL AND ADMINISTRATIVE IMPACTS**

The proposed amendment to the City's promissory note will modify the residual receipts payment structure so that the City receives 50 percent of available residual receipts. Based on project financial projections, the City does not anticipate receiving any residual receipt payments during the first five years following the transaction. Beginning in year six, the City is expected to receive average annual payments of approximately \$21,000, which will be applied toward accrued interest on the loan. The payments will be deposited into Fund 201 – Housing Successor Agency.

## **COMMUNITY PILLAR**

1: A Safe Community the Thrives

## **GOAL**

7: Expand and preserve the supply of affordable housing opportunities.

## **ATTACHMENTS**

1. [Attachment 1 - Loan Documents](#)
2. [Resolution](#)
3. [Exhibit A - Assignment and Assumption and Amendment](#)
4. [Exhibit B - Subordination and Intercreditor Agreement](#)

Prepared by: Shelly Haynes  
Management Analyst II

Approved by:



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Marianna A. Burch  
City Manager

Fiscal Review by:



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Tina Olson  
Administrative Services Director