



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date: 4/2/2024

District C

Item Creation Date: 2/27/2024

HCD24-26 Avenue on 34th First Amendment

Agenda Item#: 23.

**Summary:**

**NOT A REAL CAPTION**

ORDINANCE authorizing a First Amendment to the Loan Agreement and Other Loan Documents between the City of Houston, **AVENUE COMMUNITY DEVELOPMENT CORPORATION**, and **AVENUE ON 34<sup>TH</sup> LP**, pursuant to Ordinance No. 2020-773 - **DISTRICT C - KAMIN**

**Background:**

The Housing and Community Development Department (HCD) recommends Council approval of an Ordinance authorizing a First Amendment to the Loan Agreement and Other Loan Documents between the City of Houston and Avenue Community Development Corporation (Borrower), joined by Avenue on 34<sup>th</sup> LP (Owner), for the construction of Avenue on 34<sup>th</sup> Apartments (Project), a 70-unit multifamily affordable rental housing community, per Ordinance No. 2020-773. This Amendment accommodates the Owner's plan to sell the land on which the Project is located to HCHFC Avenue on 34<sup>th</sup> Landowner, LLC (Landlord). Owner will retain ownership of the buildings and equipment on the land through a Ground Lease Agreement with the Landlord. No additional funding is being requested from the City.

Owner applied for and was awarded \$3,799,037.00 in American Rescue Plan Act (ARPA) funds from the Harris County Community Services Department (CSD). As part of CSD's grant funding structure, CSD will issue the grant award of \$3,799,037.00 in ARPA funds to Landlord for the sole purpose of purchasing the land on which the Project is situated from Owner. Owner will apply the funds obtained from the land sale toward (i) closing costs, (ii) the payment of its construction bridge loan with its senior lender, Amegy Bank, and (iii) the payment of operating deficits due to loan conversion delays. Landlord and Owner will then enter a Ground Lease Agreement (Ground Lease), subject to affordability requirements, ARPA requirements and annual lease payments. Under the Ground Lease, the Owner will retain control of the structures and assets located on the land after the land sale.

The Owner's intention to sell the land on which the Project is situated and enter a Ground Lease has prompted the need for this City Loan modification. Owner approached the City to expand the coverage of the City Loan to ensure the continuity of protection for the City Loan. Therefore, the Amendment will incorporate Owner's rights under the Ground Lease and its ownership of the buildings and equipment on the land as collateral.

The City consents to this adjustment, affirming its commitment to safeguarding the Owner's interest in the Project after the land sale. Thus, the Amendment expands the collateral securing the City Loan to encompass the Owner's interests as a tenant under the Ground Lease and their stake in the property's improvements and equipment.

DocuSigned by:

A handwritten signature in black ink that reads "Michael Nichols".

Michael C. Nichols, Interim Director

**Prior Council Action:**

09/09/2020 (O) 2020-773

**Contact Information:**

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**ATTACHMENTS:**

Description	Type
9/9/20 (O) 2020-773	Backup Material