



**REPORT TO  
REDEVELOPMENT AGENCY  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)**

**Consent  
March 8, 2011**

**Honorable Chair and Members of the Board**

**Title: Approval of Affordable Rental Assistance Program, Rental Subsidy Agreement and Amendment to the Ground Lease for Quinn Cottages**

**Location/Council District:** 1500 North A Street, District 1: Ashby, River District Redevelopment Area

**Recommendation:** Adopt a **Redevelopment Agency Resolution:** a) approving an Affordable Rental Assistance Program; b) approving a two-year Rental Subsidy Agreement of up to Three Hundred Ninety Thousand (\$390,000) for Quinn Cottages (Project); c) approving the Amendment to the Ground Lease for the Project; d) authorizing the Executive Director or her designee to execute the Rental Subsidy Agreement, Amendment to the Ground Lease, and related documents with Quinn Cottages, L.P.; e) authorizing the Executive Director, or her designee, to amend the Agency budget to appropriate and expend up to Three Hundred Ninety Thousand Dollars (\$390,000) in Stockton Boulevard Low/Moderate Tax Increment (Low/Mod TI) for the Rental Subsidy Agreement, and f) making related findings.

**Contact:** Christine Weichert, Assistant Director, Development Finance, 440-1353; Jeree Glasser-Hedrick, Redevelopment Manager, 440-1302

**Presenters:** n/a

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** Quinn Cottages (Project) is a community of 60 one-bedroom cottage units that provides supportive housing for formerly homeless individuals and families. Located in the River District Redevelopment Area, the Project was the first of its kind in the Sacramento area, leading the way for other supportive housing projects in the City and County of Sacramento. In 1995 the Redevelopment Agency of the City of Sacramento approved a Ground Lease and \$1,404,000 in funding for the Project, making it possible to leverage tax credit equity necessary to fund development and construction. The Project has been operational since 1997. Mercy Housing (Developer) operates the housing project, and Cottage

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Housing Inc. (Service Provider) provides comprehensive resident services. Together with a limited partner, these two entities comprise Quinn Cottages, L.P. (Owner). Although the Project has demonstrated successes, the tenant population's ability to pay rents is significantly lower than initially projected and therefore insufficient to fund the operational expenses. For the last two years, the Developer has been facing an operating deficit as the reserves initially capitalized for ongoing operations have been exhausted. To allow the Project to continue to operate as a supportive housing project for an extremely low-income population, SHRA recommends approval of establishing the Affordable Rental Assistance Program and an interim two-year Rental Subsidy Agreement while Mercy Housing, in conjunction with Cottage Housing Inc., develops a strategy to ensure the Project's long term viability. Additional background is provided as Attachment 1, a Vicinity Map is provided as Attachment 2, and a Site Map is provided as Attachment 3.

The two-year rental subsidy will provide the time necessary for the Developer to return the project to financial feasibility. The Developer will apply for funding through the Multifamily Housing Program (MHP) and, if successful in receiving an award, will follow with an application for federal Low Income Housing Tax Credits (LIHTC). A Project Summary and Cash Flow Proforma are included as Attachment 4 and a Schedule of Maximum Rents is included as Attachment 5. The Developer has also requested an extension of the existing Ground Lease to allow the Project to be competitive for MHP funds.

**Policy Considerations:** The recommended action furthers the goals of the River District Redevelopment Project Area Implementation Plan, specifically in ensuring that existing housing stock is decent, safe, and sanitary. The recommended action also furthers the goals of the Stockton Boulevard Redevelopment Project Area Implementation Plan, specifically the preservation and rehabilitation of existing low and moderate income housing opportunities. The use of Stockton Boulevard Low/Mod TI for the purpose of preserving the community's supply of low-income housing available at an affordable cost to individuals and families that are extremely low income and very low income households by funding projects located outside of the Stockton Boulevard Project Area but within another project area will be of benefit to the Stockton Boulevard Project Area.

The recommended action conforms with and furthers the goals of the Ten-Year Plan to End Chronic Homelessness, specifically to build upon existing programs serving chronically homeless individuals through programs that provide ongoing supportive services. Finally, the recommended action ensures available housing for extremely low-income individuals that cannot obtain housing at affordable costs on the open market.

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**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed actions include an amendment to a lease, and various other actions associated with existing facilities, which will not include any change or expansion of use. The Affordable Rental Assistance Program would provide rental assistance for existing facilities only, and will also not include any changes in use or expansion of facilities. Therefore, the proposed actions are Categorically Exempt pursuant to CEQA Guidelines Section 15301.

**Sustainability Considerations:** The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled; and (2) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

**Other:** The proposed actions, including the Affordable Rental Assistance Program, consist of rental assistance and other supportive services associated with existing affordable housing developments. Therefore, the proposed actions are Categorically Excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35 (b)(1) and (b)(2).

**Committee/Commission Action:** *Sacramento Housing and Redevelopment Commission Action:* At its meeting on February 16, 2011, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Burruss, Chan, Fowler, Gore, Johnson, Morgan, Morton, Rosa, Stivers

NOES: None

ABSENT: Shah

**Rationale for Recommendation:** Quinn Cottages was one of the earliest projects in the region to address homelessness and utilize Low Income Housing Tax Credit equity. Although the Project has operated with programmatic success, the income expectations from the target population is significantly lower than initially projected and therefore rents received are insufficient to fund the operational expenses for this type of property. The Developer is committed to

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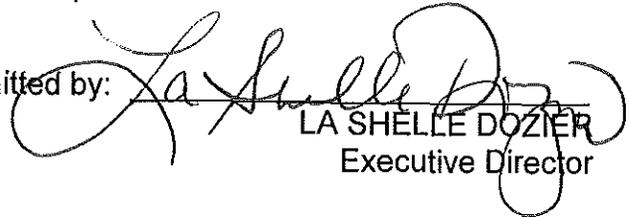
securing long-term funding to recapitalize this project and fund operating reserves. This staff report requests short-term and temporary financial assistance on behalf of residents of permanent supportive housing.

**Financial Considerations:** Staff recommends approval of up to \$390,000 in Stockton Low/Mod TI for a Rental Subsidy Agreement at Quinn Cottages. This funding has been made available from a sizable repayment made on a SHRA loan made to Boulevard Court, a Mercy Housing development in the Stockton Boulevard Redevelopment Project Area. The proceeds of the repayment will be utilized to fund this rental subsidy and to repay an outstanding line of credit extended to the Stockton Boulevard Redevelopment Project Area. The remainder of the proceeds from the loan repayment will aide in capitalization of the Boulevard Court operating reserve.

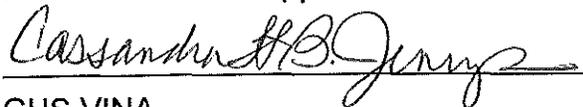
The rental subsidy for Quinn Cottages will be disbursed for two consecutive years on behalf of the tenant population following approval. The rent subsidy will provide funding to supplement expected rental income and funds provided by Sacramento County while the Developer secures additional funds to recapitalize the project and operating reserves.

**M/WBE Considerations:** The activities recommended in this staff report do not involve federal funding, therefore, there are no M/WBE requirements.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

Recommendation Approved:



 GUS VINA  
Interim City Manager

Approved as to form:

  
Agency Counsel

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## Background

### Project Description

The Quinn Cottages project (Project) is located on a parcel of approximately 2.7 acres within the River District Redevelopment Project Area. The Project consists of 60 one-bedroom cottage units. Of the 60 units, 54 are 320 square feet and 6 are 394 square feet ADA accessible units. There is one administration building, one laundry/administration building, one community building, and one maintenance/storage building.

All of the property's buildings are single story, wood framed, slab on grade construction with the exception of the community building which is partially constructed of concrete block. The community building, the laundry/administration building and the main administration building are stucco clad. The exterior of the apartment cottages is fiber-cement lap siding. The pitched roofs are asphalt composition shingles.

### History

Quinn Cottages is a community that houses formerly homeless individuals and families. The Project was the first of its kind in many ways. Well before the City and County of Sacramento adopted the Ten Year Plan to End Chronic Homelessness, a consortium of community members and organizations came together to raise capital and resources to address housing and other services to address homelessness in the central city. Furthermore, the Project was the first project serving formerly homeless households in the Sacramento Region to be funded with federal Low Income Housing Tax Credits. In 1995 the Redevelopment Agency of the City of Sacramento approved a ground lease of Agency-owned land and \$1,404,000 in funding, thereby leveraging millions in tax credit equity. As a result of the concerted efforts of a variety of stakeholders and funders, Quinn Cottages has been providing housing to hundreds of residents since it first opened its doors in 1997.

Mercy Housing (Developer) coordinated the facility's financing and construction and will serve as the lead organization for the development, recapitalization, and rehabilitation of the property. The Mercy Housing affiliate, Mercy Housing Management Group, provides property management services. Cottage Housing, Inc. (Resident Services Provider) operates the comprehensive supportive services program in collaboration with a host of health, education, civic, and religious organizations. Mercy Housing, Cottage Housing, and a limited partner together comprise the ownership entity, Quinn Cottages, L.P. (Owner).

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When the Project was originally structured, the proposed tenant population was very low-income individuals and families in need of housing and a variety of resident services. After the project was completed, Cottage Housing secured funding from the Continuum of Care program through the U.S. Department of Housing and Urban Development (HUD) to support comprehensive resident services. This funding has historically contained mandates that require the program to serve transitional populations. This further reduced the potential income for the property by modifying the actual population served from very low income to formerly homeless households. Residents are required to pay one third of their income as rent, and on average residents pay less than \$100 per month in rent. Although the Project was always intended to be service enriched, the initial operating assumptions did not account for highly transitional populations. These changes have caused the capitalized operating reserve to be depleted more rapidly than initially projected.

**Project Recapitalization**

The Project has faced an operating deficit shortly after it first began providing housing and services. Rental income is paid through annual payments of \$96,000 from Sacramento County and tenant paid rents. These sources alone do not cover the expenses generated from owning, operating, and managing the property. The remainder of these expenses is paid from rent reserves initially capitalized from tax credit equity. Given the limited rental income generated from this transitional housing property and the depletion of reserves, the Owner is requesting an interim rental subsidy for two years to cover the operating deficit to allow them to secure long-term financing and recapitalize the project.

Mercy Housing is seeking financing for rehabilitation on the property and to fund operating reserves. A physical needs assessment (PNA) on February 9, 2010, identified both internal and external physical needs. The Owner proposes to replace water heaters, wall air conditioners, and windows with energy efficient features and upgrade kitchens and bathroom throughout. The exteriors of the cottages require dry rot repair, front door replacements, repairing or replacing the front porch trellises, and reroofing. The PNA calls for reroofing, exterior painting and interior casework for the common areas. Site work includes asphalt repair, an upgrade or replacement of the security system, repair of the perimeter fencing entry gate, and site lighting.

**Proposed Funding**

The Developer's request for up to \$390,000 will cover rental subsidy for two years. During that time, the Developer proposes to submit an application for Multifamily Housing Program (MHP) funds from the California State Housing and Community Development Department and an application for Low Income Housing Tax Credits.

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In 2010 Cottage Housing's governing board approved submitting a request to alter their service program. The additional capital funds combined with the modification to the tenant population will position the project for long-term viability.

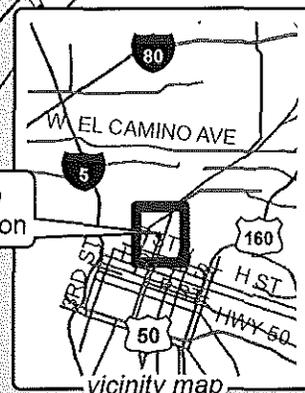
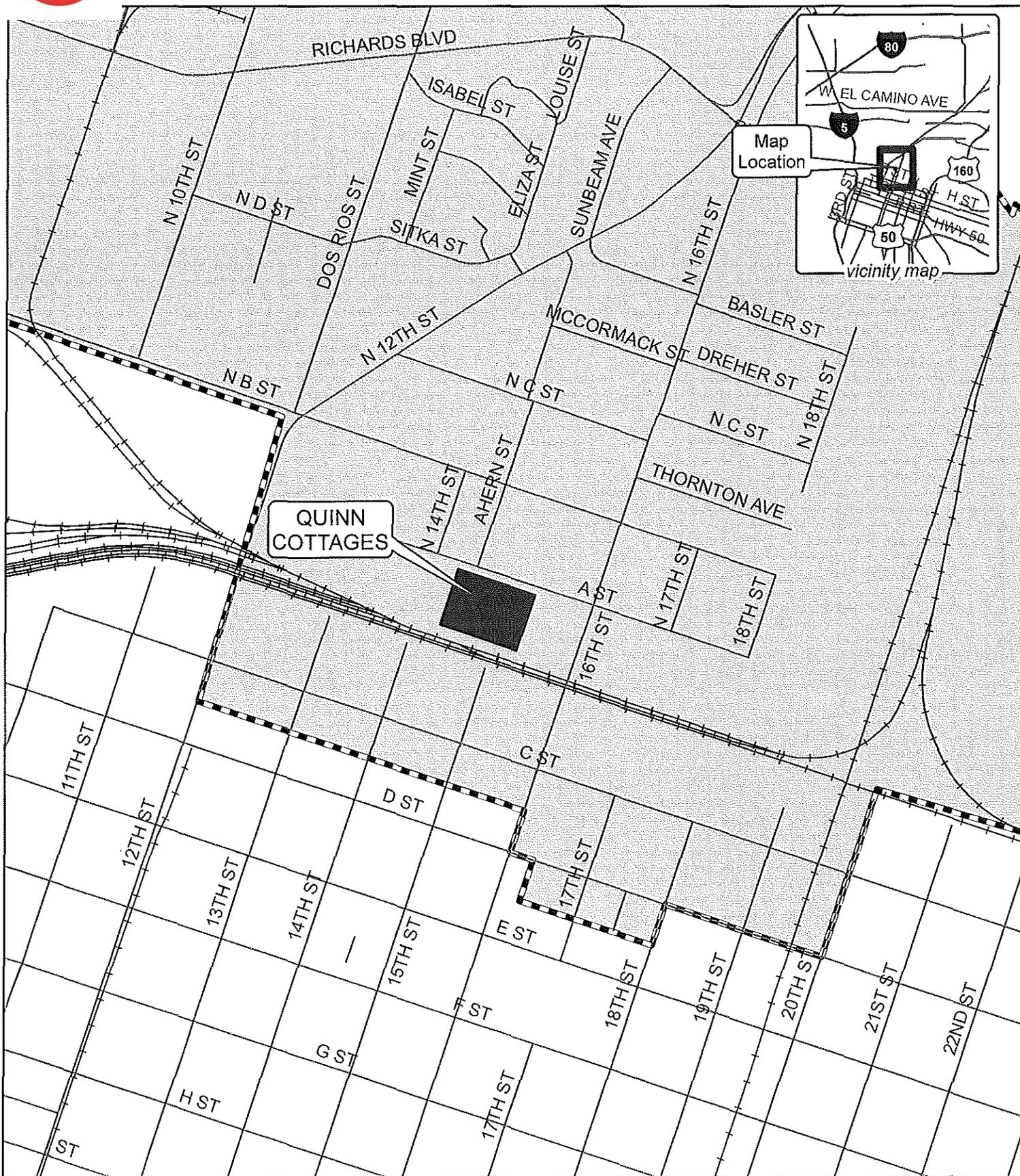
**Resident Services**

Applicants to Quinn Cottages are homeless individuals, couples or single parent with one child, although the cottages' square footage limits family size. Applicants commit to maintain sobriety, actively pursue personal development goals and render voluntary community service. The support service program's Personal Development Coaches work on a one-to-one basis with program participants who hold themselves accountable by self-tracking progress toward self-defined health/wellness, financial and vocational objectives using a *Passport to Self-Reliance* which documents the residents' involvement in personal/professional development activities and community volunteerism.

The project site includes a large outdoor pavilion for community gatherings. The community building includes meeting rooms, counseling offices, computer lab and kitchen. There is also an organic garden, recreation areas and children's playground. An onsite computer lab and a weekly schedule of over thirty onsite skills development workshops and/or self-help groups are provided. The program also has referral relationships to career development centers and a number of adult education, community college and vocational training programs. A variety of service partners also come to the property to offer services that promote health/wellness, job readiness, financial stability and other capabilities that contribute to self-sustainability.



# Quinn Cottages



QUINN COTTAGES

Map Location



River District Redevelopment Area



Railway

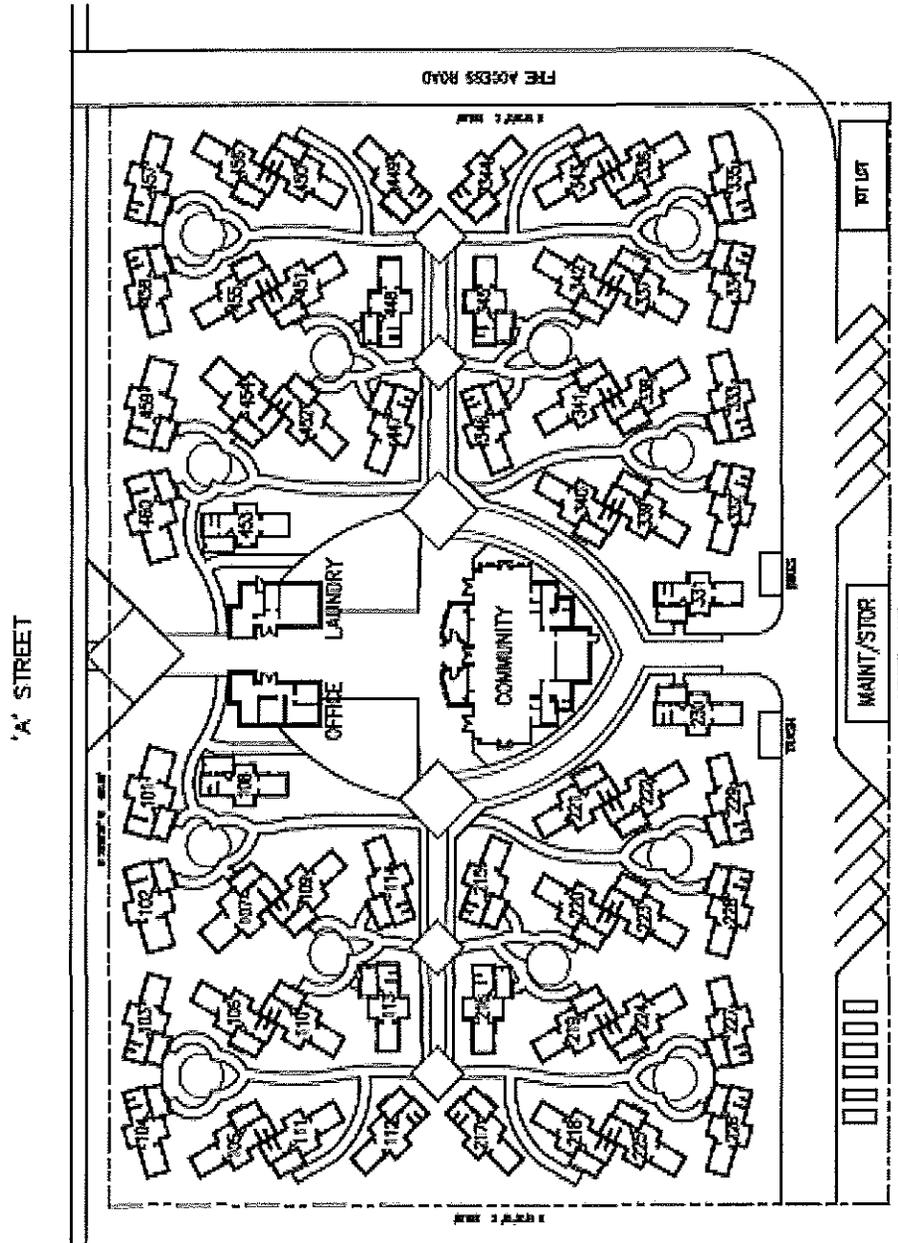


Quinn Cottages



SHRA GIS  
February 1, 2011

### Site Map





**Project Summary and Cash Flow**

<b>Address</b>	Quinn Cottages	
<b>Number of Units</b>	60	
<b>Acreage</b>	2.7	
<b>Affordability</b>	60 units (100%) at or below 30% of median income	
<b>Unit Square Footage</b>		
1 Bedroom	320 sq. ft.	
1 Bedroom (ADA)	394 sq. ft.	
<b>Resident Facilities</b>	The site contains an administrative building, a laundry building, a community building, and a maintenance and storage building.	
<b>Management and Operations</b>		
Owner:	Quinn Cottages, L.P.	
Developer:	Mercy Housing, Inc.	
Resident Service Provider:	Cottage Housing, Inc.	
Property Management:	Mercy Services Corporation	
Operations Budget:	\$ 302,730	\$ 5,046
Replacement Reserves:	\$ 16,000	\$ 267

<b>Operations Budget (Mercy Housing)</b>				
<i>Income</i>	Increase	Per Unit Per Year	Year 1	Year 2
Potential Gross Income	2.50%	\$1,068	64,080	65,682
County Rent Subsidy	0.00%	\$1,601	96,060	96,060
SHRA Rent Subsidy	3.50%	\$3,156	189,360	195,988
Laundry Income	2.50%	\$33	2,005	2,055
Resident Charges	2.50%	\$10	578	592
Less 5% Vacancy			(3,304)	(3,387)
<b>Effective Gross Income</b>		<b>\$5,813</b>	<b>\$348,779</b>	<b>\$356,990</b>
<i>Expenses</i>				
Operating Expenses	3.50%	\$5,046	302,730	313,326
Management Fee	0.00%	\$456	27,360	27,360
Replacement Reserves	0.00%	\$267	16,000	16,000
<b>Total Expenses</b>			<b>\$346,090</b>	<b>\$356,686</b>
<b>Net Operating Income</b>			<b>\$2,689</b>	<b>\$305</b>

<b>Services Budget (Cottage Housing)</b>			
<i>Income</i>	Per Unit Per Year	Year 1	Year 2
Government Contracts: HUD	\$5,166	309,980	309,980
Government Contracts: Sacramento County	\$1,605	96,299	96,299
Government Contracts: FEMA	\$471	28,251	28,251
Foundation Grants	\$498	29,900	29,900
Unrestricted Revenue	\$9	514	514
<b>Effective Gross Income</b>	<b>\$7,749</b>	<b>\$464,944</b>	<b>\$464,944</b>
<i>Expenses</i>			
Personnel	\$4,213	252,784	252,784
Resident Services	\$3,046	182,739	182,739
Operations	\$241	14,434	14,434
<b>Total Expenses</b>	<b>\$7,499</b>	<b>\$449,957</b>	<b>\$449,957</b>
<b>Net Operating Income</b>		<b>\$14,987</b>	<b>\$14,987</b>



**MAXIMUM RENT AND INCOME LEVELS**

*(Rents @ 30% and 50% of AMI)*

Maximum Income Limits:		
Household Size	Max Income <i>30% AMI</i>	Max Income <i>50% AMI</i>
1 person	\$15,300	\$25,500
2 person	\$17,500	\$29,100
Maximum Rent Limits: <b>Tax Increment Funds</b>		
Unit Size	Gross Rent <i>30% AMI</i>	Gross Rent <i>50% AMI</i>
1 Bedroom	\$437.50	\$727.50
Maximum Rent Limits: <b>Low-Income Housing Tax Credit Program</b>		
Unit Size	Gross Rent <i>30% AMI</i>	Gross Rent <i>50% AMI</i>
1 Bedroom	\$409.00	\$682.00



## RESOLUTION NO. 2011 -

Adopted by the Redevelopment Agency of the City of Sacramento

on date of

### **APPROVAL OF AFFORDABLE RENTAL ASSISTANCE PROGRAM; ALLOCATION OF UP TO \$390,000 TO THE RENTAL SUBSIDY AGREEMENT FOR THE QUINN COTTAGES PROJECT; AND THE FIRST AMENDMENT TO THE GROUND LEASE WITH QUINN COTTAGES, L.P. AND RELATED BUDGET AMENDMENT**

#### **BACKGROUND**

- A. A program is necessary to consolidate efforts to assist extremely low-income renters in units designated as permanent housing by providing financial assistance to enable them to find safe, decent, affordable housing that is not affordable on the open market.
- B. Quinn Cottages (Project) is an existing 60-unit supportive housing project located in the River District Redevelopment Project Area.
- C. In 1995, the Redevelopment Agency originated a loan in the amount of \$1,404,000 to assist in the construction and permanent financing of the Project.
- D. In 1995, the Redevelopment Agency entered into a Ground Lease for a term of 55 years.
- E. Quinn Cottages, L.P. (Developer) has owned and operated the Project since initial occupancy in 1997. However, the Project faces an operating deficit because the previously capitalized reserves have been depleted.
- F. The Developer has requested a temporary rental subsidy grant to be used to supplement Project income before additional long-term capital and operating funds can be secured for the Project.
- G. The California State Multifamily Housing Program (MHP) is a potential source of long-term funding that requires that applicants demonstrate site control via either fee title or a long-term lease for a minimum of 65 years.
- H. The proposed actions include an amendment to a lease, and various other actions associated with existing facilities, which will not include any change or expansion of use. The Affordable Rental Assistance Program would provide rental assistance for existing facilities only, and will also not include any changes in use or expansion of facilities. Therefore, the proposed actions are Categorically Exempt pursuant to CEQA Guidelines Section 15301. The proposed actions, including the Affordable Rental Assistance Program, consist of

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rental assistance and other supportive services associated with existing affordable housing developments. Therefore, the proposed actions are Categorically Excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35 (b)(1) and (b)(2).

- I. The proposed action is consistent with the River District Redevelopment Project Area Implementation Plan, specifically in ensuring that existing housing stock is decent, safe and sanitary.
- J. Use of Stockton Boulevard Project Area Low/Moderate Tax Increment Funds (Stockton Low/Mod TI) for the development of the Project will benefit the Project Area by providing high quality affordable housing to city residents.
- K. The expenditure of tax increment housing funds from the Project Areas to provide subsidies to, or for the benefit of, extremely low-income households through either site specific rental assistance or tenant based rental assistance, increasing, improving, and preserving the community's supply of low and moderate-income housing available at an affordable housing cost to persons and families that are extremely low, very-low, low or moderate income households for proposed projects located outside of a Project Areas but within another Project Area or in the other portions of the Agency's jurisdiction, will be of benefit to all the Project Areas as set forth in City Redevelopment Agency Resolution 2010-042.
- L. The rental subsidy will be paid for the benefit of extremely-low income households that cannot obtain housing at affordable costs on the open market.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:**

- Section 1. All of the evidence presented having been duly considered, the findings, including environmental findings as listed above, are approved.
- Section 2. The Affordable Rental Assistance Program, attached to and incorporated in this Resolution as Exhibit A, is approved.
- Section 3. The Executive Director, or her designee, is authorized to amend the Agency budget to transfer up to \$390,000 in Stockton Low/Mod TI to the Project for a Rental Subsidy Agreement for a term limited to two years from the date of execution for site-specific rental assistance for the purpose of preserving affordable housing for formerly homeless, extremely low income households as set forth in City Redevelopment Agency Resolution 2008-044.

Approval of Affordable Rental Assistance Program and Rental Subsidy Agreement and Ground Lease Amendment for Quinn Cottages

- Section 4. The Rental Subsidy Agreement for financing the Project with Stockton Low/Mod TI in the amount of up to \$390,000 and First Amendment to the Ground Lease attached to and incorporated in this resolution by this reference as Exhibits B and C respectively, are approved, and the Executive Director, or her designee, is authorized to execute and transmit the documents to the Developer.
- Section 5. The Executive Director, or her designee, is authorized to enter into and execute other documents, including any required regulatory agreements, and perform other actions necessary to fulfill the intent of this resolution and the attached documents, in accordance with their respective terms, all as approved by Agency Counsel.
- Section 6. The Executive Director, or her designee, is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with Agency policy, this resolution and good legal practices for making of such agreements.

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Exhibit A: Affordable Rental Assistance Program

Exhibit B: Rental Subsidy Agreement

Exhibit C: First Amendment to Ground Lease



### Sacramento Housing and Redevelopment Agency Affordable Rental Assistance Program (ARAP)

The Affordable Rental Assistance Program (ARAP) is designed to help extremely low-income renters in units designated as permanent housing by providing rental subsidies to enable them to afford safe, decent, affordable housing. The rental subsidies better equip families to move from homelessness to housing. ARAP will support existing Sacramento Housing and Redevelopment Agency (SHRA) programs, as well as additional activities as funding allows. The rental assistance will be funded with local housing tax increment as available, on an annual basis.

#### Program Features

- Rental subsidies to, or for the benefit of, qualified extremely-low income tenants to the extent that those households cannot obtain housing at affordable costs on the open market
- Tenant must reside in a project or a unit that is designated as permanent housing which offers supportive services to its tenants
- SHRA establishes an Affordable Rent for each unit that is no more than the Fair Market Rent
- Tenants pay 30% of their income towards rent
- SHRA funds the difference between tenant paid rent and Affordable Rent
- Program funded on an annual basis, but may be extended for an additional year, as funding allows
- Program is not funded with federal dollars and is not subject to federal regulations

#### Qualified Tenants

- Extremely low income households (30% AMI) residing in units designated as permanent housing. As of January 2011, income thresholds are set as follows:
 

1 person	\$15,360	4 person	\$21,930
2 person	\$17,550	5 person	\$23,700
3 person	\$19,740	6 person	\$25,440
- Tenants must receive supportive services subject to approval by SHRA

#### Eligible Applicants

- Owners of multi-family developments housing extremely low-income tenants
- Non-profit housing program providers servicing previously homeless qualified tenants. Program operator must lease units for the benefit of qualified tenants.
- Properties must provide supportive services for tenants subject to approval by SHRA

#### Eligible Properties

- All rental units must pass Agency Housing Quality Standards
- The program is only available in the City of Sacramento and the unincorporated areas of the County of Sacramento.

#### Application Process

- For more information, or to apply, please contact Development Finance staff at (916) 440-1328
- Applications accepted upon funding availability

## RENTAL SUBSIDY AGREEMENT

THIS RENTAL SUBSIDY AGREEMENT ("Agreement") is made by and between the Quinn Cottages L.P., a California Limited Partnership ("Owner"), and the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Agency") as of the \_\_\_\_ day of February, 2011 (the "Effective Date").

### RECITALS

A. Owner was formed for the purpose of owning real property in Sacramento, California and constructing and operating 60 supportive housing units for very low income households, including one manager's unit (the "Project"). Sixty (60) of the units have been designated for homeless (or at risk of becoming homeless) individuals.

B. In 1995, Owner applied for and received funding to construct and operate the 60 residential units including funding from the Agency and the Tax Credit Allocation Committee ("TCAC").

C. Despite diligent efforts, Owner has not identified additional rental assistance necessary to continue to operate the 60 supportive housing units for extremely low income individuals. Therefore, additional rental subsidy is required for a two year period to preserve the property as supportive housing for extremely low income individuals.

D. At the current time, extremely low income individuals cannot obtain housing at affordable costs on the open market.

E. As a condition of Agency funding, Owner has agreed to a requirement that tenants in the project earn no more than very low income levels pursuant to an agreement containing covenants, conditions and restrictions, including without limitation, use restrictions that run with the Property for a term of two (2) years ("Regulatory Agreement").

F. Agency has agreed and commits pursuant to this Agreement to provide a rental subsidy of low and moderate tax increment funds to Owner on behalf of extremely low income tenants of the Project pursuant to Health & Safety Code Section 33334.2((e)(8)). The funds shall be provided for an interim two (2) year period to supplement rents paid by the tenants of the units and ensure the preservation of the property as supportive housing for extremely low income individuals.

G. Agency and Owner are entering into this Agreement to specify the conditions and procedures under which Agency will disburse rental subsidy funds to the Owner.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

**1. Purpose.**

The purpose of this Agreement is to provide rental subsidy payments for Qualified Households who lease Contract Units. The Agency shall pay a Rent Subsidy to Owner for Contract Units leased and occupied by Qualified Households during the term of this Agreement.

**2. Definitions.**

a. Contract Rent. Contract Rent means the total monthly rent payable to Owner. Initially, Contract Rent will be \$352 (calculated based on thirty percent (30%) of twenty eight percent (28%) of the 2010 Area Median Income for a one bedroom unit as defined by the California Health and Safety Code).

b. Gross Rent. Gross rent is contract rent due to Owner including payment for any housing services, maintenance and utilities to be provided by the owner in accordance with the lease. Initial Gross Rent is calculated to be \$413.

c. Tenant Rent. Tenant Rent is equal to 30% of tenant's gross monthly income. The Agency is not responsible for paying any part of the Tenant Rent.

d. Rent Subsidy. Rent Subsidy is the difference between the Gross Rent and the Tenant Rent for a Contract Unit.

e. Monthly Rent Subsidy. Monthly Rent Subsidy is the sum of the Rent Subsidy for all the Contract Units for one month.

f. Annual Rent Subsidy. Annual Rent Subsidy is the sum of Monthly Rent Subsidy for all units for a 12 month period. Annual Rent Subsidy shall not exceed \$190,000 in the first year of this Agreement and \$200,000 in the second year of this Agreement.

g. Qualified Households. A household of no more than two people meeting the income qualifications for extremely low income households.

h. Contract Units. The housing units covered by this Agreement. The Contract Units are described in **Exhibit A** attached hereto.

**3. Agency Responsibilities**

a. The Agency shall make a Rent Subsidy Payment to Owner each month for a Contract Unit under lease to and occupied by a Qualified Household in accordance with the Agreement.

b. The Agency will pay the Owner the Rent Subsidy within (30) days of receiving a draw request

c. The Agency is not responsible for paying any part of the Tenant Rent, or for paying any other claim by the Owner against the Qualified Household. The Agency is only responsible for making payments to the Owner on behalf of a Qualified Household in accordance with this Agreement. Payment of the Tenant Rent is the responsibility of the Qualified Household.

d. If the Agency determines that the Owner is not entitled to the payment or any part of it, the Agency, in addition to other remedies, may deduct the amount of the overpayment from any amounts due the Owner, including amounts due under any other Agency contract.

#### 4. **Owner Responsibility.**

a. The Owner is responsible for:

- 1) Owner shall submit monthly draw requests, which includes the rent roll for the past month, showing the Contract Rent for each unit, and the Tenant Rent paid for each occupied Contract Unit. The Monthly Rent Subsidy shall be paid by Agency to Owner.
- 2) Owner shall submit audited financial statements for the Project on an annual basis that include a summary of the income qualifications for residents of Contract Units.
- 3) Performing all management and rental functions for the Contract Units.
- 4) Enforcing tenant responsibility to pay tenant rent.
- 5) Paying for utilities and those Owner-paid services, as defined by the lease.
- 6) Collecting from the tenant any security deposit, Tenant Rent, and any charge for unit damage done by the Qualified Household.
- 7) To receive Rent Subsidy payments in accordance with the Agreement, the Owner must comply with all the provisions of the Agreement. Unless the Owner complies with all the provisions of

the Agreement, the owner does not have a right to receive Rent Subsidy payments.

- 8) Owner shall notify the Agency promptly of any change of circumstances that would affect the amount of the Rent Subsidy payment, and shall return any payment that does not conform to the changed circumstances.

## **5. Leasing Contract Units**

a. Selection of Tenants. During the term of the Agreement, the Owner shall lease all Contract Units to Qualified Households. The Owner is responsible for screening and selecting tenants.

b. Vacancies. The Owner must promptly notify the Agency of any vacancy in a Contract Unit. The Agency will provide vacancy payments up to eighty percent of the last month's Contract Rent for a period of up to thirty (30) days for Contract Units that become vacant provided the vacancy is not the Owner's fault and the Owner has made every reasonable effort to minimize the likelihood and extent of the vacancy.

## **6. Prohibition of Discrimination.**

Owner shall not cause and shall not permit discrimination on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, or rental or in the use or occupancy of the Project. Owner covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Project.

## **7. Adjustment of Rent to Owner**

The Contract Rent shall be increased 3.5% annually.

## **8. Owner Default and Agency Remedies.**

a. Owner Default. Any of the following is a default by the Owner under this Agreement:

- 1) Failure by Owner to submit any documents due under Section 3(c) above on the date such documents shall be due;
- 2) The Owner's violation of its obligations to select Qualified Households to occupy the Contract Units; or

3) The Owner's failure to perform any other obligations of Owner under this Agreement.

b. Remedies. Upon occurrence of a default, Agency shall give notice of such default to Owner and may, at its option, in addition to any and all other remedies available to it, (a) immediately withhold any requested contribution pursuant to a draw request, provided that Agency shall, upon a cure of such default, reinstate such contributions; and (b) if such default is not cured within sixty (60) days after notice thereof, terminate this Agreement.

c. Non-waiver. The Agency's exercise or non-exercise of any remedy for Owner breach of the Agreement is not a waiver of the right to exercise that remedy or any other right or remedy at any time.

**9. Term; Limitations on Rent Subsidy.**

a. Term. The term of this Agreement shall commence on the Effective Date and shall terminate twenty four months after the Effective Date.

b. Total Obligation. The Owner acknowledges and agrees that when Agency has contributed Three Hundred Ninety Thousand Dollars (\$390,000) over the two year term pursuant to this Agreement, Agency shall have no further obligation under this Agreement to make Rent Subsidy payments to the Owner and this Agreement shall terminate.

c. Annual Obligation. The Owner agrees that Agency shall have no obligation under this Agreement to make annual Rent Subsidy payments in excess of the amounts set forth in the definition of Annual Rent Subsidy.

**10. Owner Duty to Provide Information and Access Required by Agency.**

a. Required Information. The Owner must prepare and furnish any information pertinent to the Agreement as may be reasonably required from time to time by the Agency. The Owner shall furnish such information in the form and manner required by the Agency.

b. Access to Premises. The Owner must permit the Agency or any of its authorized representatives to have access to the premises and, for the purposes of audit and examination, to have access to any books, documents, papers, and records of the Owner to the extent necessary to determine compliance with the Agreement, including the verification of information pertinent to the Rent Subsidy payments or the Agreement.

**11. Agency and Owner Relation to Third Parties.**

a. Injury because of Owner action or failure to act. The Agency has no responsibility for or liability to any person injured as a result of the Owner's action or failure to act in connection with the implementation of the Agreement, or as a result of any other action or failure to act by the Owner.

b. Legal Relationship. The Owner is not the agent of the Agency. The Agreement does not create or affect any relationship between the Agency and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with the implementation of the Agreement.

c. Exclusion of third party claims. Nothing in the Agreement shall be construed as creating any right of a Qualified Household or other third party to enforce any provision of the Agreement, or to assert any claim against the Agency or the Owner under the Agreement.

## **12. Applicable Law.**

This Agreement, and the application or interpretation in this Agreement, shall be governed by the laws of the State of California as applied to contracts between residents of California wholly to be performed within the State. The parties consent to the jurisdiction and venue of any federal or State court in Sacramento, California and also consent to service of process by any means authorized by California or federal law.

## **13. Modification.**

This Agreement may not be amended or modified in any respect whatsoever except by an instrument in writing signed by the parties.

## **14. Severability.**

If any provision of this Agreement is determined to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties. In the event, all of the other provisions shall be deemed valid and enforceable to the greatest possible extent.

## **15. Headings.**

The headings used herein are for convenience of reference only and are not part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

## **16. Notices.**

Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be personally delivered including but not limited to overnight delivery or deposited in the certified U.S. Mail, return receipt requested, first

class and postage prepaid, addressed to each party at the following addresses or such other address as may be designated by a notice pursuant to this Section:

Owner: Quinn Cottages, L.P.  
Attn: Asset Management  
3120 Freeboard Drive, Suite 202  
West Sacramento, CA 95691

Agency: Redevelopment Agency of the City of Sacramento  
801 12th Street  
Sacramento, CA 95814

Any notice provided in accordance with this Section shall be deemed to have been given on the delivery date or the date that delivery is refused by the addressee, as shown on the return receipt.

**17. Successors and Assigns.**

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. However, Owner shall not assign this Agreement without the prior written consent of Agency, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**Owner:**  
Quinn Cottages L.P.,  
a California limited partnership

**Agency:**  
Redevelopment Agency of the City of  
Sacramento

By: Mercy Properties Inc.,  
managing general partner

By: \_\_\_\_\_  
LaShelle Dozier  
Executive Director

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

APPROVED AS TO FORM

By: Sacramento Cottage Housing Inc,  
co-general partner

\_\_\_\_\_  
Agency Counsel

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

DESCRIPTION OF THE CONTRACT UNITS

<b>Unit</b>	<b>Unit Type</b>	<b>Square Feet</b>	<b>Unit</b>	<b>Unit Type</b>	<b>Square Feet</b>
101	1 bedroom	391	331	1 bedroom	327
102	1 bedroom	391	332	1 bedroom	327
103	1 bedroom	327	333	1 bedroom	327
104	1 bedroom	327	334	1 bedroom	327
105	1 bedroom	327	335	1 bedroom	327
106	1 bedroom	327	336	1 bedroom	327
107	1 bedroom	391	337	1 bedroom	327
108	1 bedroom	327	338	1 bedroom	327
109	1 bedroom	327	339	1 bedroom	327
110	1 bedroom	327	340	1 bedroom	327
111	1 bedroom	327	341	1 bedroom	327
112	1 bedroom	327	342	1 bedroom	327
113	1 bedroom	327	343	1 bedroom	327
114	1 bedroom	327	344	1 bedroom	327
215	1 bedroom	327	345	1 bedroom	327
216	1 bedroom	327	346	1 bedroom	327
217	1 bedroom	327	447	1 bedroom	327
218	1 bedroom	327	448	1 bedroom	327
219	1 bedroom	327	449	1 bedroom	327
220	1 bedroom	327	450	1 bedroom	327
221	1 bedroom	327	451	1 bedroom	327
222	1 bedroom	327	452	1 bedroom	327
223	1 bedroom	327	453	1 bedroom	327
224	1 bedroom	327	454	1 bedroom	391
225	1 bedroom	327	455	1 bedroom	327
226	1 bedroom	327	456	1 bedroom	327
227	1 bedroom	327	457	1 bedroom	327
228	1 bedroom	327	458	1 bedroom	327
229	1 bedroom	327	459	1 bedroom	391
230	1 bedroom	327	460	1 bedroom	391



**FIRST AMENDMENT TO GROUND LEASE**

**Quinn Cottages, L.P., a California Limited Partnership (Lessee) and the Redevelopment Agency of the City of Sacramento (Lessor)** having entered into a Ground Lease dated February 15, 1995, do amend the Ground Lease as follows:

1. Section 2.9 shall be amended to read:

2.9 "Lease Term" shall mean the 95 year period specified in Section 4 below, or such other period during which this Lease shall operate under this Lease and the approval of Lenders, if required.

2. Section 4 shall be amended to read:

4. Term. The term of this Lease shall commence on the date of this Lease as set forth above and shall continue from such date until the expiration of 95 years, unless earlier terminated in accord with this Lease.

3. Section 17.2 shall be amended to read:

17.2 Notices. All notices hereunder shall be in writing signed by Authorized Officer(s) and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery, addressed:

If to the Lessor:

The Redevelopment Agency of the City of Sacramento  
801 12<sup>th</sup> Street  
Sacramento, California 95814

If to the Lessee:

Quinn Cottages, L.P., a California Limited Partnership  
3120 Freeboard Drive, Suite 202  
West Sacramento, CA 95691

4. No rights, obligations or defaults of the parties are waived by this First Amendment to Ground Lease, except as expressly stated in this Amendment.

5. All other terms of the Ground Lease shall remain the same and in full force and effect.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

**Owner:**

Quinn Cottages L.P.,  
a California limited partnership

By: Mercy Properties Inc.,  
managing general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: Sacramento Cottage Housing Inc,  
co-general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**Agency:**

Redevelopment Agency of the City of  
Sacramento

By: \_\_\_\_\_  
LaShelle Dozier  
Executive Director

APPROVED AS TO FORM

\_\_\_\_\_  
Agency Counsel