

RESOLUTION NO. 2011-009

Adopted by the Redevelopment Agency
of the City of Sacramento

March 8, 2011

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 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.
- 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.

Table of Contents:

Exhibit A: Affordable Rental Assistance Program

Exhibit B: Rental Subsidy Agreement

Exhibit C: First Amendment to Ground Lease

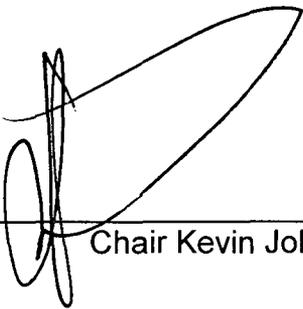
Adopted by the Redevelopment Agency of the City of Sacramento on March 8, 2011 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: None.



Chair Kevin Johnson

Attest:


Shirley Concolino, Secretary

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

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

EXHIBIT A

DESCRIPTION OF THE CONTRACT UNITS

Unit	Unit Type	Square Feet	Unit	Unit Type	Square Feet
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 12th 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

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: _____