

## **RESOLUTION NO. 2012-367**

Adopted by the Sacramento City Council

October 30, 2012

### **QUINN COTTAGES: CONSENT TO ASSIGNMENT OF LOAN TO MERCY HOUSING CALIFORNIA 60 LP, OR RELATED ENTITY, AND APPROVAL OF LOAN MODIFICATIONS**

#### **BACKGROUND**

- A. Quinn Cottages (Project) is an existing 60-unit supportive housing project located in the former River District Redevelopment Project Area.
- B. On September 21, 1994, Sacramento Cottage Housing, Inc. (SCH I), a non-profit public benefit corporation, received a Sacramento Housing and Redevelopment Agency (SHRA) Home Investment Partnership (HOME) Program predevelopment loan in the amount of \$136,000 for the development of Quinn Cottages. The note was for a term of 55 years with a 0 percent interest rate on the principal balance.
- C. On February 15, 1995 SCH I received a SHRA HOME Program loan in the total amount of \$1,404,000 (including the previous \$136,000) for construction and permanent financing of Quinn Cottages. The note was restated for a term of 55 years with a 3 percent interest rate on the principal balance.
- D. On September 26, 1996 the promissory note (Note) and Deed of Trust was mutually modified to provide for deferred payments; and an assignment dated October 27, 1995 by SCH I as Co-General Partner to Quinn Cottages, L.P., was accepted by SHRA
- E. On September 30, 1997 the Note was mutually modified to become non-recourse to the borrower.
- F. Quinn Cottages, L.P., has maintained and operated the Project since initial occupancy in 1997. However, the Project faces an operating deficit because the previously capitalized reserves have been depleted.
- G. In January of 2012 Mercy Housing of California was awarded a Multifamily Housing Program-Supportive Housing (MHP SH) loan in the amount of \$3,510,000 for use in the rehabilitation of rental housing at Quinn Cottages.

- H. In June of 2012 Mercy Housing of California was awarded an Affordable Housing Program (AHP) loan in the amount of \$600,000 from the Federal HOME Loan Bank of San Francisco for the rehabilitation of Quinn Cottages.
- I. In June of 2012 Mercy Housing of California received a reservation for 9 percent Low Income Housing Tax Credits (LIHTC) for the rehabilitation and establishment of a capitalized operating reserve for Quinn Cottages.
- J. Mercy Housing California has requested that the term of SHRA loan be extended, the interest rate reduced from 3% to 0%, and that the accrued interest of approximately \$650,000 be forgiven and the loan assigned to Mercy Housing California 60, LP or related entity.
- K. A further modification of the SHRA loan 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 afford safe, decent, affordable housing that is not affordable on the open market.
- L. Due to the fact that the existing land lease and terms of the SHRA loan threaten the long-term feasibility of the project when combined with the new tax credit financing, Mercy Housing is requesting a land conveyance.
- M. This action is categorically exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Guideline 15310 as this action is limited to loan modification and no new construction will occur as a result of the contemplated modifications.
- N. The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively. The transfer of property is categorically excluded pursuant to NEPA regulation 24 CFR 58.34(a)(12) and 58.35(a)(5) where the land disposed of will be retained for the same use.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. After consideration of all of the evidence presented, the above statements, including but not limited to the environmental statements, are found to be true and correct.
- Section 2. The City Council consents to the conveyance of land located at 1500 North A Street in Sacramento CA to Mercy Housing California 60, L.P.

- Section 3. The City Council consents to the assignment of the existing Construction and Permanent Loan for Quinn Cottages to Mercy Housing California 60, L.P.
- Section 4. The following modifications of the Construction and Permanent Loan Agreement for Quinn Cottages are approved:
- a) forgive interest accrued;
  - b) change the interest to zero percent; and
  - c) extend the term of the loan to 55 years to be consistent with low income housing tax credit financing.
- Section 5. The Sacramento Housing and Redevelopment Agency is authorized to execute the modifications of the Loan Agreement, Deed of Trust, Promissory Note, and Regulatory Agreement for the Project (collectively, "Loan Documents"), with Mercy Housing California 60, LP that are incorporated in this resolution by this reference, and to enter into other agreements, subordinations, execute other documents, and perform other actions necessary in relation to the Loan Documents to provide said funding assistance to the Project, consistent with the Loan Documents and as may be necessary to ensure proper repayment of Agency funds in accordance with the Loan Documents, all as approved by Agency Counsel.

Adopted by the City of Sacramento City Council on October 30, 2012 by the following vote:

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

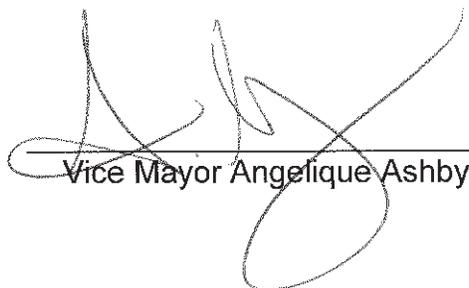
Noes: None.

Abstain: None.

Absent: Councilmember R. Fong.

Attest:

  
Shirley Concolino, City Clerk

  
Vice Mayor Angelique Ashby