



AGENDA REPORT

Community Development

DATE:	September 12, 2023
TO:	Mayor Martinez and Members of the City Council
FROM:	Lina Velasco, Director of Community Development Nannette Beacham, Director of Economic Development Jesus Morales, Housing Manager
Subject:	Homekey Project Purchase Sale Agreement Amendment and Assignment
FINANCIAL IMPACT:	On June 20, 2023, the City Council authorized the provision of funding in an amount up to \$4,900,000, which may include capital funding and an operating subsidy, and a waiver of transfer taxes in the amount of \$131,000 towards the Project. Conditioned upon receipt of an award of Homekey funds for the Project, the City would assume the Developer's rights to purchase the Property pursuant to the Purchase Sale Agreement with a reduced purchase price equal to \$6,220,000 and would agree to waive applicable transfer taxes and outstanding Transient Occupancy Taxes (TOT) and late fees in the approximate amount of \$177,185.
PREVIOUS COUNCIL ACTION:	June 20, 2023
STATEMENT OF THE ISSUE:	The City Council previously authorized the submittal of a joint application for Homekey funds together with 425 Civic Center LP, a California limited partnership affiliated with Novin Development Corporation ("Developer") to support the development of a permanent supportive housing project at 425 24th Street (the "Property") consisting of 48 units for people experiencing homelessness or at-risk of homelessness and one manager's unit (the "Project").

RECOMMENDED ACTION:	ADOPT a resolution authorizing the acquisition of property to implement a Homekey Project at 425 24th Street if a grant is awarded – Community Development Department (Lina Velasco 510-620-6841/Jesus Morales 510-620-6649).
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DISCUSSION:

On June 20, 2023, the City Council adopted Resolution No. 62-23 authorizing the submittal of a joint application for Homekey funds together with 425 Civic Center LP, a California limited partnership affiliated with Novin Development Corporation (“Developer”) to support the development of a permanent supportive housing project at 425 24th Street (the “Property”) consisting of 48 units for people experiencing homelessness or at-risk of homelessness and one manager’s unit (the “Project”). As part of the adopted Resolution, the City Council previously authorized the execution of a California Department of Housing and Community Development Standard Agreement and related documents if Homekey funds are awarded for the Project.

In addition, contingent upon an award of Homekey funds for the Project, the City Council authorized the provision of funding in an amount up to \$4,900,000, which may include capital funding and an operating subsidy, and a waiver of transfer taxes in the amount of \$131,000.

Novin Development Corporation and the current owner of the Property entered into a Purchase and Sale Agreement (“PSA”), pursuant to which the owner agreed to sell the Property to Developer for a purchase price of \$9,065,000; however, based on an appraisal of the Property, Developer requested, but the owner rejected, a reduction in the purchase price of the Property. The owner, the Developer, and City staff have negotiated the terms of an Assignment, Assumption, and Amendment Agreement (“PSA Amendment”) pursuant to which, conditioned upon receipt of an award of Homekey funds for the Project, the City would assume the Developer’s rights to purchase the Property pursuant to the PSA with a reduced purchase price equal to Six Million, Two Hundred Twenty Thousand Dollars (\$6,220,000), City’s agreement to waive applicable transfer taxes and waive outstanding Transient Occupancy Taxes (TOT) and late fees in the approximate amount of \$177,185. Contingent upon an award of Homekey funds for the Project, the City Council previously authorized the City to acquire the Property and to ground lease it to the Developer for implementation of the Project.

City staff is seeking City Council authorization for the City Manager to execute the PSA Amendment in the form presented to the City Council, and contingent upon an award of Homekey funds for the Project, authority for the City to acquire the property.

In addition, City staff seeks City Council authorization for the City Manager to take all such actions and to execute, acknowledge, deliver, and record such instruments as the City Manager may deem necessary or appropriate in order to carry out and perform the

purposes and intent of this Resolution, including without limitation, a certificate of acceptance for the Property.

DOCUMENTS ATTACHED:

Attachment 1 – Resolution No. 62-23

Attachment 2 – Draft Resolution

Attachment 3 – Executed Purchase Sale Agreement (PSA)

Attachment 4 – PSA Amendment and Assignment