



AGENDA REPORT

Community Development

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| DATE: | June 18, 2024 |
| TO: | Mayor Martinez and Members of the City Council |
| FROM: | Lina Velasco, Director of Community Development Nannette Beacham, Director of Economic Development Gabino Arredondo, Interim Executive Director, RHA Jesus Morales, Housing Manager |
| Subject: | Homekey Purchase and Sale Agreement Amendments and Funding Resolution |
| 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 and operating funding, a waiver of transfer taxes, and waiver of outstanding Transient Occupancy Taxes (TOT) and late fees up to \$177,185. 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 a Purchase Sale Agreement with the property owner with a reduced purchase price equal to \$6,220,000. |
| PREVIOUS COUNCIL ACTION: | June 20, 2023, September 12, 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"). |

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| RECOMMENDED ACTION: | ADOPT a resolution ratifying the city manager’s administrative amendments to the Purchase and Sale Agreement to acquire the Motel 6 located at 425 24th Street for Permanent Supportive Housing, and restating the City’s funding commitments and Project Co-applicants, Novin Development Corporation and Trinity Center Walnut Creek – 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, a waiver of transfer taxes, and a waiver of outstanding TOT taxes and penalties in the amount of \$177,185.

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 renegotiated the purchase price via 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 up to \$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. While the City’s Homekey application was undergoing review, it was necessary for the City Manager, via its authorities specified in the Resolution No. 62-23 to extend the closing date twice, first via a Second Amendment to PSA to May 23, 2024, and mostly recently to December 31, 2024 via a Third Amendment to PSA.

On May 10, 2024, the City finally received threshold and financial feasibility questions regarding its Homekey application. The revised Resolution responds to clarifications requested to the Resolution by HCD to specifically name Co-applicant 2 – Trinity Center Walnut Creek. The Resolution also acknowledges and ratifies the previous amendments to the PSA executed by the City Manager on the City's behalf.

In addition, the Resolution restates 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 – Draft Revised Resolution

Attachment 2 – Resolution No. 62-23

Attachment 3 – Resolution No. 87-23

Attachment 4 – Executed Purchase Sale Agreement (PSA), Assignment, and Amendments