



August 12, 2022

TO: CADA Board of Directors
Capitol Area Community Development Corporation

SUBJECT: **August 19, 2022 Board Meeting**
AGENDA ITEM 7
16TH AND T MEMORANDUM OF UNDERSTANDING BETWEEN CADA, CACDC, AND MUTUAL HOUSING CALIFORNIA

CONTACTS: Todd Leon, Development Director
Wendy Saunders, Executive Director

RECOMMENDED ACTIONS:

Staff recommends approval of a Memorandum of Understanding among CADA, CACDC and Mutual Housing California regarding the roles and responsibilities of the parties in undertaking a project at 2000 16th Street.

BACKGROUND

In July of 2021, CADA staff began searching for available land to purchase in the Sacramento Central City. Staff's intention was to identify sites that would be candidates for multifamily affordable housing projects. After reviewing a number of available properties, the property on the southwest corner of 16th and T Streets emerged as a superior candidate for purchase due to its large size, proximity to the R Street Corridor area and its prominent location. (see **Attachment 1**). In conformance with the acquisition policy adopted by the Board in August, 2021, CADA staff submitted a Letter of Intent/Offer to the owners of the property. After some negotiation, the parties agreed on an acceptable price and general terms.

Once the LOI was signed, staff drafted and delivered a Purchase and Sale Agreement (PSA) to the Seller. After several revisions, CADA and the seller agreed on a final PSA with a purchase price of \$3,280,000.

On November 16, 2021 the final PSA was signed by both parties and CADA made a deposit of \$25,000 into escrow. A 60-day due diligence period began immediately and ended on January 17, 2022. After conducting a review of the property, staff decided to initiate the second 60-day due diligence per the PSA and deposited an additional \$25,000 into escrow, which extended the agreement to March 17, 2022.

On February 23, 2022, the CADA Board authorized staff to close escrow and purchase the 2000 16th Street property. Unfortunately, Staff was unable to close escrow after the second due diligence period concluded, as the sellers were not satisfied with two documents concerning assignment of state environmental remediation funds and clean-up actions. The parties agreed to extend escrow to address the seller's concerns with the State Water Board. The sellers, State Water Board, and CADA were able to agree on terms of the assignment documents on July 13, 2022.

On July 15, 2022, CADA's purchase of 2000 16th Street property was completed.

SUMMARY

Staff recommends the CADA and CACDC Boards approve a Memorandum of Understanding with Mutual Housing California to establish a partnership and begin work to develop an affordable housing project at 2000 16th Street. In 2019, CADA and the CACDC were in the initial stages of working with the State of California Department of General Services to develop East End Gateway Sites 5, 6, and 7 (16th and N Streets). The CACDC had investigated potential local affordable housing developer partners in preparation for beginning predevelopment work and submitting financing applications. Given the limited time to select a developer partner, and submit an application for a state funding opportunity, CACDC staff approached Mutual Housing California to help develop that site. Mutual Housing accepted the offer to partner on the East Gateway Sites 5, 6, and 7 projects, however, the site's development was put on indefinite hold by DGS to further address ongoing environmental clean-up and monitoring of the site. CACDC staff, given the unknown future of East End Gateway 5, 6, and 7, approached Mutual Housing with the possibility of instead partnering on development of the 16th and T property.

Mutual Housing California is a nonprofit affordable housing developer headquartered in Sacramento. Since its founding in 1988, it has been working in concert with local governments, neighborhood groups, and social service agencies to develop high quality, sustainable, and permanently affordable rental housing. With in-house expertise in development, finance, construction management, property management, and resident services, Mutual Housing works with teams of experienced designers, contractors, and private and public lenders and investors to ensure its developments are designed, constructed, and operated in a manner which ensures long-term financial viability, physical sustainability, and resident and neighborhood pride. Its developments house a wide variety of populations—including working families, seniors, farmworkers, developmentally disabled, as well as those who have been homeless or are at risk of homelessness.

Mutual Housing's current portfolio includes 20 multifamily communities totaling 1,148 units in Sacramento and Yolo Counties. It recently completed Lavender Court, a 53-unit senior and special needs development in Midtown and is currently under construction on a 127-unit family and special needs project, a 108-unit family project in South Sacramento, and a 150-unit senior project in the downtown Sacramento's Railyards.

Currently CADA owns the 2000 16th Street property. Under the proposed MOU, the CACDC and Mutual Housing would form a partnership entity and begin predevelopment activities to build an affordable housing apartment project. Over the next six to twelve months, the parties will work toward a formal development agreement with CADA to purchase the property and transfer it to the new CACDC/Mutual Housing legal partnership entity.

ANALYSIS

Under the proposed MOU, CACDC would be the managing partner of the partnership with Mutual Housing. The CACDC would have primary responsibility for the project's contracting, construction management, property management, resident services, accounting and other day-to-day activities managing the development. The project pro forma and budget would be Mutual Housing's primary responsibility in the partnership. Each party would share in making all significant project decisions. Additionally, Mutual Housing's participation in the partnership is necessary, as the CACDC has not yet achieved the necessary development and management experience to qualify for most available affordable housing funds on its own.

Once the CADA and CACDC Boards approve the MOU, the development team will begin the process of selecting an architect, initiating entitlement discussions with the City of Sacramento, beginning

concept designs, and conducting community outreach. Staff anticipates these activities will take approximately 8 to 12 months. After securing city entitlements, the partnership will work to secure project financing and complete construction drawings. The financing and final design phase of the development will take another 10 to 18 months.

FINANCIAL IMPACT

There is no financial impact to CADA at this time. Staff anticipates returning to the CADA and CACDC Boards in September with actions related to loaning CADA funds to the CACDC to support predevelopment activities under the partnership with Mutual Housing.

ENVIRONMENTAL CONSIDERATIONS

The recommended action is not considered a project, in accordance with the California Environmental Quality Act (CEQA) guidelines. Therefore, no environmental review is required at this time.

Attachment 1 - 16th and T Property

Attachment 2 – Proposed CADA, CACDC, and Mutual Housing Memorandum of Understanding

Attachment 1
16th and T Street Property
Parcels



**Memorandum of Understanding
Between
The Capitol Area Development Authority, the Capitol Area Community Development
Corporation, and Mutual Housing California
(16th and T)**

This Memorandum of Understanding (the "MOU") is entered into on August __, 2022 ("Effective Date"), by and between the **Capitol Area Development Authority**, a joint powers agency ("CADA"), the **Capitol Area Community Development Corporation**, a non-profit public benefit corporation ("CACDC"), and **Mutual Housing California**, a California non-profit corporation ("Mutual"). CADA, the CACDC, and Mutual are sometimes referred to individually as a "Party," and collectively, as the "Parties."

RECITALS

- A. On July 15, 2022, CADA purchased fee title to that certain real property located at (2000 16th Street, (APNs 009-0151-006, -007, and -008) Sacramento, California (the "Property").
- B. CADA intends to develop all or a portion of the Property as an affordable residential project, potentially including a retail and/or commercial component, consistent with permissible uses under the City of Sacramento land use regulations governing the Property (the "Project").
- C. The Parties are currently working together on an affordable residential project to be located at 805 R Street, Sacramento, and are considering working together on development of the Project.
- E. The Parties now desire to execute this MOU in order to describe their expectations and respective roles and responsibilities regarding development of the Project on the Property.
- F. The Parties anticipate that this MOU will be superseded by a detailed limited partnership agreement among the parties and the financial investor(s) that will describe the obligations of the Parties and the investors(s) in more detail.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. **Good Faith Negotiations.**

This MOU is entered into to memorialize the preliminary and non-binding terms, as negotiated and agreed upon by the Parties, of the transactions and further agreements described herein. As discussed in the recitals and throughout the MOU, the provisions and terms in this MOU are preliminary and shall not be construed to limit the consideration of alternative provisions. This MOU is intended to provide a general framework for subsequent good-faith negotiation of definitive agreements regarding the Project, and, except as otherwise expressly provided herein, is not intended to create any binding contractual obligations on any Party or to commit any Party to entering into any subsequent agreement or to any particular course of action. A transaction of this type involves many essential terms and conditions that have not yet been agreed upon, and it is expressly contemplated by the Parties that in order to effectuate the Project, one or more binding agreements would have to be negotiated and agreed to by the Parties, each in such Party's sole and absolute discretion. Pursuant to Section 3 below, the Parties shall negotiate in

good faith and in a timely manner such superseding and additional agreements as are necessary to carry out the provisions of this MOU.

2. Term of MOU

The term of this MOU is 2 years from the Effective Date, and may be extended thereafter by mutual agreement of the parties (the "Term"). If upon expiration of the Term, or any extension thereof, the Parties have not entered into a written agreement defining the terms of their relationship as described in Section 3 below, this MOU shall automatically terminate.

3. Good Faith Negotiations.

During the Term, the Parties agree to negotiate in good faith the terms of a mutually beneficial arrangement that provides for development, construction, operation, management, and ownership of the Project, including but not limited to, an arrangement for sharing the developer fee and project operating revenues; provided however, that approval of any such arrangement shall be in the sole and absolute discretion of each Party. Such terms of arrangement shall include, among other things, the roles and responsibilities of the Parties set forth in Exhibit A.

4. Development and Design Goals, and Objectives.

The Parties agree that the anticipated Project development must be financially beneficial to the Parties and must be consistent with the objectives of each organization. The Project shall be compatible with surrounding developments in the neighborhood. The architectural design shall be superior and worthy of a highly desirable location, and should otherwise be complementary with surrounding development, and shall be approved by the Parties. Ideally, the design should have maximum community support. Construction of the Project shall be of high quality with an improved streetscape, including installation of attractive signage, landscaping, street furniture, planting strips and bike parking.

5. Financing the Project.

5.1 Property Acquisition Costs. The Property was acquired by CADA at a cost of \$3,280,000.00. The Parties agree that if the property is sold by CADA to the eventual Limited Partnership between the CACDC and Mutual Housing, the sales price will be fair market value determined by a third party appraiser.

5.2 Predevelopment Expenses. The Parties agree that all Project pre-development deposits and costs will be shared as follows during the Term: 50% by Mutual and 50% by CADA (or CACDC), and pre-development deposits or costs made prior to the Effective Date. Therefore, within ten (10) days of the Effective Date, the Parties agree to reconcile the funds previously expended on such deposits and pre-development costs, and agree to pay any costs due within ten (10) days thereafter. Mutual and CADA (or CACDC) each agree to pay their 50% shares of future costs and expenses which shall be reconciled on a quarterly basis.

5.3 Project Funding. The Parties anticipate that various sources of public assistance and conventional construction and permanent financing will be necessary to fund development and construction of the Project. The Parties will work together to identify those potential sources of funding for the Project. Possible sources include a California Tax Credit Allocation Committee award of 4% Low Income Housing Tax Credits, tax-exempt bonds, Sacramento Housing Redevelopment Agency ("SHRA") funds, CalHFA Mixed Income Program and other

sources as may be available from time-to-time to fund the construction of the Project. The Parties agree to work in good faith to identify and agree upon the financing mechanisms for the Project.

6. MOU Does Not Constitute Approval of Agreements; Binding Provisions.

Except as otherwise expressly provided herein, the Parties do not intend this MOU to be construed to create any other contractual relationship, whether expressed or implied, including a joint venture, partnership, principal-agent, independent contractor, or master-servant. The Parties acknowledge that they have not finalized the essential terms of the subject matter of an agreed transaction, including, but not limited to, items such as development schedules, etc., and that such essential terms would be the subject matter of further negotiations. Notwithstanding the approval of this MOU, the Parties intend that any final agreement, if an agreement is reached, shall require final approval by CADA, the CACDC, and Mutual (each such approval being in the sole and absolute discretion of such party). Any agreement so approved shall be in writing and shall be executed by authorized representatives of each of the Parties.

Notwithstanding the foregoing paragraph, the Parties acknowledge and agree that the provisions of Section 2, Section 3, 5.1 and 5.2 above shall be legally binding obligations of the Parties.

7. Buyout Option.

If at the end of the Term, Mutual or CADA/CACDC decides that it does not want to proceed with development of the Project, CADA/CACDC shall have the right to offer to buy out Mutual by reimbursing all third-party Project costs expended by Mutual, including but not limited to, costs for procuring architectural drawings, applications, studies, reports and other matters generated for the Project, but excluding Mutual's overhead costs incurred.

8. Authority.

Each of the signatories to this MOU represents that he/she is authorized to sign the MOU on behalf of such Party and that all approvals, resolutions and consents which must be obtained to bind such Party have been obtained, that no further approvals, acts or consents are required to bind such Party to this MOU.

IN WITNESS WHEREOF, this MOU has been duly executed as of the day and year first above written.

MUTUAL:

Mutual Housing California
a California nonprofit corporation

By: _____
Roberto Jimenez, Chief Executive Officer

CACDC:

Capitol Area Community Development Corporation,
a non-profit public benefit corporation

By: _____
Wendy Saunders, President

APPROVED AS TO FORM:

By: _____
Jeffery A. Mitchell, CACDC legal counsel

CADA:

Capitol Area Development Authority,
a joint powers agency

By: _____
Wendy Saunders, Executive Director

APPROVED AS TO FORM:

By: _____
Jeffery A. Mitchell, CADA legal counsel

Exhibit A

Division of Responsibilities

16TH & T DIVISION OF RESPONSIBILITIES

- "*"denotes Joint Approval required
- "X" denotes Lead Party
- Communication on all tasks, regardless of Lead Party or Shared responsibility and whether Joint Approval is required, is required via Weekly Team Meetings, etc.

		MHC	CADA	Shared
	PREDEVELOPMENT:			
1	Architect Selection*		X	
2	GC Selection*		X	
3	Property Manager Selection*		X	
4	Legal Counsel, Financial Consultant, Auditor Selection*		X	
5	Resident Services Selection*		X	
6	Other Third-Party Consultant Selection*		X	
7	Community Engagement		X	
8	Public Relations/Communications*		X	
9	Process Entitlements through City*		X	
10	Manage Project Accounting		X	
	DESIGN:			
13	Project Program (unit count/mix/affordability, resident amenities, commercial space) & Design*			X
14	Manage/Point of Contact w/ Design Team & Consultants		X	
15	Work w/ Design Team & GC to Value Engineer*		X	
16	Obtain Preliminary Cost Estimate from GC		X	
	FINANCING:			
17	Perform Financial Feasibility Analysis	X		
18	Finalize Project Proforma for Financing Applications*			X
19	Prepare & Submit CalHFA MIP, bond, & tax credit applications			X
20	Solicit Investor & Lender Proposals			X
21	Select Investor & Lender, Execute into LOI's*			X
22	Manage Construction Loan Closing Process			X
	CONSTRUCTION:			
23	Manage Plan Check/Permitting Process w/ City		X	
24	Manage Design Team & GC during Plan Check Process		X	
25	Manage VE, GC Bidding Processes*			X
26	Negotiate & Execute Construction Contract w/ GC*			X
27	Manage/Point of Contact w/ GC (OAC meetings, RFIs, Change Orders)		X	
28	Process Monthly Draw Requests w/ Bank*		X	
29	Manage Construction Close Out (Punch, Record NOC, O&M Manual)		X	
	LEASE UP, POST CONSTRUCTION:			
30	Manage Property Management's Lease Up & Ongoing Operations		X	
31	Manage Resident Service Provider during Lease Up & Ongoing Operations		X	
32	Complete Cost Audit w/ Auditor*		X	
33	Manage Perm Loan Conversion Closing w/ Lender, Investor			X
34	Manage Commercial Lease Up & Ongoing Operations		X	
35	Provide Reports, Audited Financials, etc. to Lender & Investor		X	

RESOLUTION NO. 22 - 33

Adopted by the Capitol Area Development Authority

August 19, 2022

RESOLUTION AUTHORIZING THE CACDC PRESIDENT TO ENTER INTO A MEMORANDUM OF UNDERSTANDING BETWEEN CACDC, CADA, AND MUTUAL HOUSING CALIFORNIA

WHEREAS, On August 21, 2021 the Capitol Area Development Authority (CADA) submitted a Letter of Offer to purchase a property at 2000 16th Street ("Property") and the owners of the property ("Seller") accepted the offer on August 27, 2021.; and

WHEREAS, On November 16, 2021, a Purchase and Sale Agreement ("PSA") that outlined the terms of the land sale was signed by CADA and the Seller;

WHEREAS, On February 23, 2022, the CADA Board authorized staff to close escrow and purchase the 2000 16th Street property; and

WHEREAS, On July 15, 2022, CADA completed the purchase of the 2000 16th Street property; and

WHEREAS, CADA intends to develop all or a portion of the Property as an affordable residential project, potentially including a retail and/or commercial component, consistent with permissible uses under City of Sacramento land use regulations governing the Property; and

WHEREAS, CADA, the Capitol Area Community Development Corporation (CACDC), and Mutual Housing California ("Mutual") are currently working together on an affordable residential project to be located at 805 R Street, Sacramento and have discussed their mutual desire to collectively pursue the development of a second mixed use project on the 2000 16th Street property and explore joint development and ownership of the Project through a partnership.

NOW, THEREFORE, BE IT RESOLVED, that the CADA Board of Directors hereby:

1. Approve a Memorandum of Understanding among CADA, CACDC and Mutual Housing regarding the roles and responsibilities of the parties in undertaking a project at 2000 16th Street.

ATTEST:

Ann Bailey, Chair

Tara Gandara
Secretary to the Board of Directors



RESOLUTION NO. 22 - 02

Adopted by the Capitol Area Community Development Corporation

August 19, 2022

RESOLUTION AUTHORIZING THE CACDC PRESIDENT TO ENTER INTO A MEMORANDUM OF UNDERSTANDING BETWEEN CACDC, CADA, AND MUTUAL HOUSING CALIFORNIA

WHEREAS, On August 21, 2021 the Capitol Area Development Authority (CADA) submitted a Letter of Offer to purchase a property at 2000 16th Street ("Property") and the owners of the property ("Seller") accepted the offer on August 27, 2021; and

WHEREAS, On November 16, 2021, a Purchase and Sale Agreement ("PSA") that outlined the terms of the land sale was signed by CADA and the Seller;

WHEREAS, On February 23, 2022, the CADA Board authorized staff to close escrow and purchase the 2000 16th Street property; and

WHEREAS, On July 15, 2022, CADA completed the purchase of the 2000 16th Street property; and

WHEREAS, CADA intends to develop all or a portion of the Property as an affordable residential project, potentially including a retail and/or commercial component, consistent with permissible uses under City of Sacramento land use regulations governing the Property; and

WHEREAS, the CACDC, CADA and Mutual Housing California ("Mutual") are currently working together on an affordable residential project to be located at 805 R Street, Sacramento and have discussed their mutual desire to collectively pursue the development of a second mixed use project on the Property and explore joint development and ownership of the Project through a partnership.

NOW, THEREFORE, BE IT RESOLVED, that the CACDC Board of Directors hereby:

1. Approves a Memorandum of Understanding among CACDC, CADA, and Mutual Housing California regarding the roles and responsibilities of the parties in undertaking a project at 2000 16th Street.

ATTEST:

Wendy S. Saunders, President

Tara Gandara, Secretary