

August 9, 2024



**TO:** Capitol Area Development Authority (CADA) Board of Directors and  
Capitol Area Community Development Corporation (CACDC) Board of Directors

**SUBJECT:** **August 16, 2024 Board Meeting**  
**AGENDA ITEM 7**  
**2000 16<sup>TH</sup> STREET (16<sup>TH</sup> AND T) – AMENDMENT TO OPTION AGREEMENT**

**CONTACTS:** Todd Leon, Development Director [CADA]  
Danielle Foster, Executive Director [CADA], President [CACDC]

### **RECOMMENDATION**

Staff recommends the CADA Board of Directors and the CACDC Board of Directors adopt the attached resolutions approving execution of an amendment to the Option Agreement between CADA and 2000 16<sup>th</sup> St Associates, LP (“Developer”) to amend the purchase price to \$3,280,000 for the sale of the 2000 16<sup>th</sup> property (“Property”) owned by CADA and being sold to Developer.

### **BACKGROUND**

In July 2021, staff began searching for available sites for multifamily affordable housing projects. Staff chose 2000 16<sup>th</sup> Street because of its large size, proximity to the R Street Corridor, and prominent location at the intersection of a major arterial street, 16<sup>th</sup> Street. In conformance with the acquisition policy adopted by the Board in August 2021, staff submitted a Letter of Intent/Offer to the owners of the property. CADA finalized the purchase of 2000 16<sup>th</sup> Street on July 15, 2022 in the amount of \$3,280,000.

In August 2022, the CADA and CACDC Boards approved a Memorandum of Understanding (MOU) with Mutual Housing California (Mutual) to establish a partnership and begin work on an affordable housing project at 16<sup>th</sup> and T Streets. CADA currently owns the property and per the terms in the MOU, CACDC is leading predevelopment efforts in partnership with Mutual.

On October 14, 2022, the CADA and CACDC Boards approved a 1<sup>st</sup> Amendment to the MOU with Mutual that addressed project guarantees and the collection of developer and asset management fees. The two Boards also provided the CADA Executive Director and CACDC President authority to take any and all actions necessary or advisable in order to complete funding requests to fund construction of the 16<sup>th</sup> and T project.

On February 8, 2024, the CADA and CACDC Boards approved a land option agreement granting the development partnership between the CACDC and Mutual an exclusive option to purchase the 16<sup>th</sup> and T property for an affordable housing project. The option agreement was signed by all parties on March 13, 2024 (“Option Agreement”).

### **SUMMARY**

On March 16<sup>th</sup>, 2024, the Developer, consisting of Mutual (as administrative general partner) and CACDC (as managing general partner) submitted an affordable housing funding application to the Affordable Housing Sustainable Communities (AHSC) program to help finance the proposed

housing project at 16<sup>th</sup> and T. As required for the AHSC application, the Developer submitted the Option Agreement as land control evidence for the proposed affordable housing development site. In addition, the Developer submitted a budget and cash flow proforma as evidence that the project would be financially viable. In order to complete the AHSC financial analysis, Developer was required to provide a land acquisition amount. There was not enough time to complete a full appraisal of the 16<sup>th</sup> and T site before the AHSC application deadline of March 16<sup>th</sup>, as currently required in the Option Agreement as the means by which to identify Property sale price. In order to provide a land price in the AHSC funding application, the Developer, in consultation with CADA staff, established a sales price of \$3.28 million. The sales price was the same amount CADA paid to acquire the 16<sup>th</sup> and T property in July 2022.

In anticipation of receiving an AHSC award, to be announced on August 22<sup>nd</sup>, the Developer is preparing a Low-Income Housing Tax Credit and Bond application to the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC), which will be due on August 27<sup>th</sup>. After reviewing the tax credit application requirements and current financing status, the Developer has concluded that an appraisal process, as described in the current Land Option Agreement, will not provide enough cost certainty as is needed in the project budget for the tax credit and bond application as well. If an appraisal was commissioned and yielded a different land valuation than assumed in the AHSC and tax credit/bond application, it could create complications for finalizing funding awards from either funding program. Establishing a sales price at this time will provide the required level of certainty for the project to proceed.

To demonstrate sales price certainty for the project budget sections of both the AHSC and CTCAC funding applications, the Developer is requesting Board approval to amend the Option Agreement to solidify the property sales price. Staff supports this request and recommends that the CADA and the CACDC Boards approve an amendment to the 16<sup>th</sup> and T Option Agreement that would forego an appraisal process and instead establish a sales price of \$3,280,000, which is the same price CADA paid for the property in 2022.

## **FINANCIAL IMPACT**

An amendment to set the sales price for the property at \$3,280,000 has no significant financial impact to CADA or to the CACDC. Upon the sale of the property, CADA will still provide a seller carry-back residual receipt loan per the Option Agreement.

## **ENVIRONMENTAL CONSIDERATIONS**

No environmental review is required by this action.

Attachment 1 – CADA Resolution 24-39

Attachment 2 – CACDC Resolution 24-04

Attachment 3 – 1<sup>st</sup> Amendment to 16<sup>th</sup> and T Land Option Agreement

**RESOLUTION NO. 24-39**

Adopted by the Capitol Area Development Authority

August 16, 2024

**RESOLUTION AUTHORIZING THE CAPITOL AREA DEVELOPMENT AUTHORITY (CADA) EXECUTIVE DIRECTOR TO ENTER INTO AN AMENDMENT TO THE LAND OPTION AGREEMENT BETWEEN CADA, THE CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION (CACDC), AND MUTUAL HOUSING CALIFORNIA FOR THE SALE OF 2000 16<sup>th</sup> STREET FOR AN AFFORDABLE HOUSING DEVELOPMENT**

**WHEREAS**, on July 15, 2022, CADA purchased the 2000 16<sup>th</sup> Street property for \$3,280,000;

**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 the City of Sacramento land use regulations governing the Property;

**WHEREAS**, on August 19, 2022, the CADA Board approved a Memorandum of Understanding among CADA, CACDC and Mutual Housing California (Mutual) regarding the roles and responsibilities of the parties in undertaking a project at 2000 16<sup>th</sup> Street;

**WHEREAS**, on October 14, 2022, the CADA Board approved an Amendment to the CADA, CACDC and Mutual Memorandum of Understanding to address project guarantees and the collection of developer and asset management fees;

**WHEREAS**, on February 23, 2024, the CADA Board approved 1) a second Amendment to the CADA, CACDC and Mutual Memorandum of Understanding, 2) a CADA funding commitment letter, and 3) a land option agreement outlining terms and conditions for the developers to purchase the 2000 16<sup>th</sup> Street property;

**WHEREAS**, CADA, the CACDC, and Mutual are currently working to obtain financing to build an affordable housing project on the property and financing will require an established sales price for 2000 16<sup>th</sup> Street; and

**WHEREAS**, Mutual and CACDC have requested CADA sell the 2000 16<sup>th</sup> Street property for \$3,280,000, which is the same price CADA paid for the site in 2022.

**NOW, THEREFORE, BE IT RESOLVED**, that the Capitol Area Development Authority Board of Directors hereby: (1) approves an Amendment to the previously-approved Land Option Agreement between CADA and the development partnership of the CACDC and Mutual under which CADA will sell the 2000 16 Street property for \$3,280,000; and (2) authorizes the Executive Director to execute the Amendment, as attached.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors



**RESOLUTION NO. 24 – 04**

Adopted by the Capitol Area Community Development Corporation

August 16, 2024

**RESOLUTION AUTHORIZING THE CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION (CACDC) PRESIDENT TO ENTER INTO AN AMENDMENT TO THE LAND OPTION AGREEMENT BETWEEN CADA, CACDC, AND MUTUAL HOUSING CALIFORNIA FOR THE SALE OF 2000 16<sup>th</sup> STREET FOR AN AFFORDABLE HOUSING DEVELOPMENT**

**WHEREAS**, on July 15, 2022, the Capitol Area Development Authority (CADA) purchased the property at 2000 16<sup>th</sup> Street for \$3,280,000;

**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 the City of Sacramento land use regulations governing the Property;

**WHEREAS**, on August 19, 2022, the CACDC Board approved a Memorandum of Understanding between CACDC, Mutual Housing California (Mutual) and CADA, regarding the roles and responsibilities of the parties in undertaking an affordable housing development project at 2000 16<sup>th</sup> Street;

**WHEREAS**, on October 14, 2022, the CACDC Board approved an Amendment to the CACDC, Mutual, and CADA Memorandum of Understanding to address project guarantees and the collection of developer and asset management fees;

**WHEREAS**, on February 23, 2024, the CACDC Board approved 1) a second Amendment to the CACDC, Mutual, and CADA Memorandum of Understanding, and 2) a land option agreement outlining terms and conditions for purchase of the 2000 16<sup>th</sup> Street property;

**WHEREAS**, the CACDC and Mutual continue to seek financing sources to fund and build an affordable housing project on the property and financing will require an established sales price for 2000 16<sup>th</sup> Street; and

**WHEREAS**, Mutual and CACDC have requested CADA sell the 2000 16<sup>th</sup> Street property for \$3,280,000, which is the same price as CADA paid for the site in 2022.

**NOW, THEREFORE, BE IT RESOLVED**, that the CACDC Board of Directors hereby approves an Amendment to the previously-approved Land Option Agreement between CADA and the development partnership of the CACDC and Mutual to purchase the 2000 16<sup>th</sup> Street property for \$3,280,000 and authorizes the President to execute the Amendment, as attached.

ATTEST:

\_\_\_\_\_  
Danielle Foster, President

\_\_\_\_\_  
Tara Gandara, Secretary

## Amendment to Option Agreement

This Amendment to Option Agreement (the "Amendment") is entered into on August \_\_, 2024 ("Effective Date"), by and between **Capitol Area Development Authority**, a joint powers agency ("CADA" and/or "Optionor"), and **2000 16<sup>th</sup> St Associates, LP**, a California limited partnership ("Developer" and/or "Optionee"). CADA and Optionee are sometimes referred to individually as a "Party," and collectively, as the "Parties."

### RECITALS

A. On or about March 13, 2024, the Parties entered into an Option Agreement ("Option Agreement") for the Developer's option to purchase and develop a mixed-use project (the "Project") on the real property located at 2000 16<sup>th</sup> Street (APN No's. 009-0151-006, -007, and -008), in the City of Sacramento, California (collectively, the "Property") owned by CADA.

B. Pursuant to the terms set forth in Section 1 of Exhibit B to the Option Agreement, the Purchase Price for the Property was to be the market value of the Property contained in an independent appraisal report prepared prior to the end of the Option Term.

C. Because Developer is preparing to file a Low-Income Housing Tax Credit and Bond application to the California Tax Credit Allocation Committee, and the California Debt Limit Allocation Committee, the Developer requires more certainty in the Project budget, and by extension, more certainty as to the Purchase Price for the Property.

D. Developer has therefore requested that the Purchase Price be set at \$3,280,000, the price that CADA originally paid for the Property, and CADA has agreed pursuant to the terms set forth herein.

**NOW THEREFORE**, in consideration of the mutual agreements herein set forth, and other valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree to amend the MOU as follows:

### AGREEMENT

1. Capitalized Terms. Unless expressly described herein to the contrary, all capitalized terms shall have the meaning ascribed to such term in the Option Agreement.

2. Purchase Price. Section 1 of Exhibit B to the Option Agreement is hereby deleted in its entirety and replaced with the following:

The Purchase Price for the Property shall be \$3,280,000, to be financed by a seller-backed purchase money promissory note and secured by a subordinate purchase money deed of trust. The terms of the loan shall be determined prior to the execution of the Purchase Agreement.

3. Miscellaneous.

3.1 No Other Amendments. The Parties agree that there are no other amendments to the Option Agreement other than this Amendment, and that all other terms and conditions of the Option Agreement are in full force and effect.

Attachment 3

3.2 Conflict. In the event of conflict between the terms of the Option Agreement and this Amendment, the Parties intend that the terms contained in this Amendment shall control and prevail.

3.3 Counterparts. This Amendment may be executed in several counterparts, and may be delivered by facsimile or other means of electronic transmission, each of which shall be deemed an original.

***(Signatures on Next Page)***

**IN WITNESS WHEREOF**, the Parties have executed this Amendment on the day and year first above written.

CADA:

**Capitol Area Development Authority,**  
a joint powers agency

By: \_\_\_\_\_  
**Danielle Foster**, Executive Director

APPROVED AS TO FORM:

By: \_\_\_\_\_  
**Jeffery A. Mitchell**, CADA legal counsel

OPTIONEE:

**2000 16<sup>th</sup> St Associates, LP**  
a California limited partnership

By: **2000 16<sup>th</sup> St CACDC Association, LLC**,  
a California limited liability company  
Its: Managing General Partner

By: \_\_\_\_\_  
Danielle Foster, President

By: **2000 16th St Mutual Housing Association, LLC**,  
a California limited liability company  
Its: Administrative General Partner

By: \_\_\_\_\_  
Roberto Jimenez, President