



CITY COUNCIL MEMORANDUM

DATE: FEBRUARY 21, 2023

TO: MAYOR AND COUNCILMEMBERS

FROM: LILLY WHALEN, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: REVISED FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT FOR SATELLITE AFFORDABLE HOUSING ASSOCIATES FOR CLARITY

Attached is a revised **Attachment B**, the first amendment to the Disposition and Development Agreement (“DDA”) to the City Council’s item 9K on the Consent Calendar for February 21, 2023. The revisions to **Attachment B** are show in redline (track changes). The revisions are to clarify in the DDA SAHA’s original January 9, 2023 request, as reported in the staff report and resolution, to reduce interest from 3% to 0% for both loans, which are defined together in the DDA as “Loan”. As stated in the staff report for this item, the interest rate reduction from 3% to 0% represents a reduction in interest income of \$1.2 million over 20 years (when most affordable housing projects are refinanced) or \$3.3 million over 55 years.

ATTACHMENTS

B (revised): *Revised* First Amendment to the Development and Disposition Agreement

**FIRST AMENDMENT TO DISPOSITION AND DEVELOPMENT
AGREEMENT BY AND BETWEEN THE CITY OF PINOLE AND SATELLITE
AFFORDABLE HOUSING ASSOCIATES**

This **FIRST AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT** (this “**Amendment**”), amending that certain Disposition and Development Agreement (as amended, the “**DDA**”) dated July 6, 2021, by and between the City of Pinole, a California municipal corporation (the “**City**”) and Satellite Affordable Housing Associates, a California nonprofit public benefit corporation (the “**Developer**”) is made as of February 21, 2023. Capitalized terms used and not defined in this Amendment have the meaning set forth in the DDA.

RECITALS

WHEREAS, the City is the owner of certain property located at 811 San Pablo Avenue in the City of Pinole, California, County Assessor’s Parcel Number 402-166-030 (the “**Property**”); and

WHEREAS, the Property was purchased by the former Redevelopment Agency of the City of Pinole with low- and moderate-income housing funds in accordance with Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.); and

WHEREAS, on July 6, 2021 the City and the Developer entered into the DDA, which sets forth the terms and conditions under which the City will convey the Property to the Developer; and

WHEREAS, under the DDA the City agreed to provide a Two Million Dollar (\$2,000,000) Construction Loan from Low and Moderate Income Housing Funds to assist with costs related to the construction of the Project; and

WHEREAS, The City has agreed to provide a loan in the amount of \$1,180,000 (the “**Purchase Price**”) to Developer in the form of a residual receipts loan (the “**Purchase Loan**”).

WHEREAS, the Developer has requested and the City has agreed to provide additional financing in the amount of One Million Two Hundred Thousand Dollars (\$1,200,000) and the City has agreed to increase the Construction Loan to Three Million Two Hundred Thousand Dollars (\$3,200,000); and

WHEREAS, the Developer has requested that the City lower the rate on the Construction Loan and the Purchase Loan from 3% to 0% and the City has agreed to make changes to the City Documents to reflect the reduction in the interest rate to 0%; and

NOW THEREFORE, for valuable consideration, the City and the Developer hereby agree to amend the DDA as follows:

Section 1. Recital H is hereby revised in its entirety as follows:

H. The City has also agreed to provide a loan in the amount of Three Million Two Hundred Thousand Dollars (\$3,200,000) (the “**Construction Loan**”) to the Developer to assist with costs related to the construction of the Project.

Section 2. Under Article I Section 1 of the DDA, the definition of “**Construction Loan**” is revised as follows:

“**Construction Loan**” means the Three Million Two Hundred Thousand Dollar (\$3,200,000) loan to be provided to the Developer from low- and moderate-income funds held by the City.

Section 3. Section 2.2.B.3.a. is hereby amended as follows (~~strike-through~~ is deletion and underline is addition):

a. The Developer has obtained all financing commitments necessary to construct, own and operate the Project, upon terms reasonably acceptable to the Developer, including the Purchase Loan from the City in the amount of One Million One Hundred Eighty Thousand Dollars (\$1,180,000) and the Construction Loan in the amount of not to exceed Two Million Dollars (\$2,000,000) Three Million Two Hundred Thousand Dollars (\$3,200,000) pursuant to the Loan Agreement, and (i) all conditions to the release and expenditure of the initial draw of funds described in the approved Financing Plan as the source of construction financing for the Project have been met or will be met upon conveyance of the Property to the Developer and that such funds will be available upon conveyance of the Property, (ii) all approvals permits, and authorizations which are conditioned upon conveyance will be received promptly after conveyance, and (iii) all construction financing (including draws subsequent to the initial draw of funds) will be available upon conveyance of the Property to the Developer subject to all lender-required conditions to the release of draws subsequent to the initial draw.

Section 4. Section 5.1 is hereby amended as follows (~~strike-through~~ is deletion and underline is addition):

5.1 Purchase Loan. The City hereby agrees to provide the Purchase Loan in the form of a note in the amount of One Million One Hundred Eighty Thousand Dollars (\$1,180,000). Simple interest will accrue on the outstanding principal balance of the Purchase Loan at a per annum rate of interest equal to ~~three percent (3%)~~ zero percent (0%) (or such interest

rate as is necessary to meet the requirements of the tax investor), commencing on the Close of Escrow.

Section 5. Section 5.2 is hereby amended as follows (~~strike-through~~ is deletion and underline is addition):

5.2 Construction Loan. The City hereby agrees to provide the Construction Loan in the form of a note in the amount of ~~Two Million Dollars (\$2,000,000)~~ Three Million Two Hundred Thousand Dollars (\$3,200,000). Simple interest will accrue on the outstanding principal balance of the Construction Loan at a per annum rate of interest equal to ~~three percent (3%)~~ zero percent (0%) (or such interest rate as is necessary to meet the requirements of the tax investor), commencing on the Close of Escrow.

Section 6. The City Documents attached in form only as Exhibits to the DDA will be revised upon execution to reflect the terms of this Amendment.

Section 7. All other terms and conditions under the DDA remain in full force and effect.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, City and Developer have executed this Amendment as of the date first above written.

City of Pinole,
a California municipal corporation

By: _____
Andrew Murray
City Manager

ATTEST:

By: _____
City Clerk

REVIEWED AS TO FORM

By: _____
City Attorney

Satellite Affordable Housing Associates,
a California Non-Profit Public Benefit Corporation

By: _____
Susan Friedland

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