

City of Sacramento

Legislation Text

File #: 2019-01431, **Version:** 1

Title:

Agreement: Township 9 Bankruptcy Claims Reimbursement

File ID: 2019-01431

Location: District 3, Richards Blvd. and North 7th Street

Recommendation:

Pass a Motion authorizing the City Manager or the City Manager's designee to execute the Agreement for Reimbursement of Bankruptcy Claims Payments with Township Nine Avenue, LLC for eligible HCD Proposition 1C grant claims in the amount of \$638,252.

Contact: Rachel Hazlewood, Senior Project Manager, (916) 808-8645, Office of Innovation and Economic Department

Presenter: None

Attachments:

1-Description/Analysis

2-Agreement: Township 9 Bankruptcy Claims Reimbursement

Description/Analysis

Issue Detail: The City, on behalf of the Township 9 project, applied for and was awarded approximately \$37.6 million in five different grants between 2009 and 2015 from the State Housing and Community Development Department (HCD) under Proposition 1C. The grants were used by the Developer, Capitol Station 65 LLC, to construct infrastructure improvements and parks. In January of 2017, the Developer's lender filed for foreclosure and many contractors had outstanding payments owed under the grants. HCD withheld the grant funds due to the foreclosure. In May 2017, the Developer filed for Chapter 11 bankruptcy to delay foreclosure by its lender. While HCD subsequently agreed to release submitted draw requests for grant funds to pay the contractors, during bankruptcy proceedings, the lender for the Township 9 project, Copia Lending, paid most of the outstanding contractor invoices. The Developer was unable to find a responsive buyer for the property during the bankruptcy proceedings, so Copia Lending was allowed to proceed with the

foreclosure and assumed title to the property on December 28, 2018.

Three of the HCD grants remain open at this time. Copia Lending has requested reimbursement for eligible contractor invoices it paid during bankruptcy proceedings. These invoices total \$638,252. Of this amount, the City has already requested and received payment from HCD for invoices totaling \$350,635. The balance, \$287,617, would be requested for reimbursement by HCD and disbursed to Copia Lending upon Council approval of the attached Reimbursement Agreement and HCD's review and approval of the reimbursement request.

Policy Considerations: The actions outlined in this report comport with the City's goal outlined in the City's General Plan of assisting the development of infill sites, particularly for housing and related development.

Economic Impacts: None.

Environmental Considerations: The recommendation in this report is not a project under the California Environmental Quality Act (CEQA) because it involves continuing administrative activities, as contemplated by Section 15378(b)(2) of the CEQA Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.), and is, therefore, not subject to CEQA pursuant to Section 15060(c)(3) of the CEQA Guidelines.

Sustainability: None

Commission/Committee Action: N/A

Rationale for Recommendation: The City is the grantee for the three outstanding grants with HCD. Approval of the Reimbursement Agreement will allow the City to fulfill obligations it undertook when it entered into the Standard Agreements and Disbursement Agreements with HCD for the grants. As grantee, the City is obligated to pay approved contractor invoices with the HCD grant funds. Additionally, while this action is administrative, it demonstrates good grant management and oversight to HCD, a consistent funder of City of Sacramento housing projects.

After payment of these pending invoices, a balance of approximately \$3.29 million remains available to the City to fund further infrastructure improvements through the HCD grants. There are outstanding obligations to build affordable and market rate housing under the grants. A prospective purchaser is currently under contract to buy the Township 9 property and is conducting due diligence on the project. The remaining grant funding is potentially available to the new owner to be invested in the Township 9 project with the approval of City Council and HCD. Those agreements would be brought to City Council for consideration at a future meeting.

Financial Considerations: There is sufficient funding in the Township 9 Infill (B18219000) and

Township 9 TOD Infrastructure (B18219600) Capital Improvement Projects to reimburse Copia Lending in the amount of \$350,635. The remaining balance of \$287,617, is being requested for reimbursement by HCD and will be disbursed to Copia Lending upon Council approval for a total amount not-to-exceed \$638,252. There will be no impact to the City's General Fund.

Local Business Enterprise (LBE): Not applicable.