

County of Santa Clara
Office of Supportive Housing



24-2176

DATE: February 6, 2024 (Item No. {{item.number}})
TO: Board of Supervisors
FROM: Consuelo Hernandez, Director, Office of Supportive Housing
SUBJECT: Carroll Inn - Loan Modification

RECOMMENDED ACTION

Approve delegation of authority to the County Executive, or designee, to negotiate, execute, amend, or terminate all legal documents such as contracts, loan agreements, amendments, deeds of trust, promissory notes, subordination agreements, assignment agreements, assumption amendments, regulatory agreements, and estoppel agreements with Carroll Street Associates or its affiliate, relating to an existing County loan in the total principal amount of \$200,008 for Carroll Inn, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive. Delegation of authority shall expire on December 31, 2026. (LA-1)

FISCAL IMPLICATIONS

The recommended action would not require the County to expend additional funds. The County previously provided a loan to Carroll Street Associates (Borrower) for the development of Carroll Inn in Sunnyvale (County Loan). The County Loan is set to mature on March 1, 2024 and is summarized in Table 1 below.

Table 1: Summary of County Loan

Loan No.	Original Principal	Outstanding Principal	Unpaid Accrued Interest (as of 7/31/23)	Total Balance	Interest & Repayment	Loan Maturity Date
HOME HO-94-04	\$200,008	\$125,046	\$139,980	\$265,026	3% simple interest, deferred until maturity	March 1, 2024

CONTRACT HISTORY

On March 1, 1994, the Board approved a \$200,008 loan using the HOME Investment Partnerships Program funds to MidPen Housing Corporation or affiliate to support the development of the project. The Administration subsequently entered into a loan agreement with the terms and status shown in Table 1.

REASONS FOR RECOMMENDATION AND BACKGROUND

The recommended action is consistent with previous Board direction to support the preservation of affordable and supportive housing. If approved, the action would preserve 121 units of affordable housing for households with incomes up to 80 percent of the area median income (AMI) for an additional 55 years.

Approval of the recommended action would support the continued financial viability of Carroll Inn. The existing County loan matures on March 1, 2024, at which time a balloon payment of \$265,026 is due. The property does not have sufficient operating income to repay the County Loan in full. Administration recommends extending the maturity date of the County Loan to March 1, 2079. In exchange, the County would require the following modifications to the County Loan and regulatory agreement:

- Regulatory Agreement Modifications. Record new or amended affordability restrictions, extending the affordability period to March 1, 2079, to ensure that the project remains affordable for another 55 years.
- Capitalization of Accrued Interest. Amendment to the County Loan to add the unpaid accrued interest to the principal loan balance. The new principal loan balance to be \$265,026, interest rate to remain the same at 3%.
- Restructuring of the Repayment Terms. Restructure of the County Loan to include repayments based on available residual receipts.

Reason for Request of Delegation of Authority

Although delegations of authority are discouraged except under certain circumstances, this delegation of authority is necessary. The County Loan will reach maturity within the next month. Administration needs the flexibility to respond quickly and in a manner that will not cause financial challenges that can put the property at risk for defaulting on its loan, which may disrupt the project's ongoing operations.

MidPen Housing Corporation is a local non-profit housing developer that owns and operates Carroll Inn through a California Limited Partnership, Carroll Street Associates. Carroll Inn is a 121-unit affordable rental housing community for low-income households in Sunnyvale. The development began operations in November 1994 and was funded by the State's Housing and Community Development Department, the City of Sunnyvale, and the County. In 2012, the California Secretary of State approved a business amendment filing that legally changed Mid-Peninsula Housing Coalition's name to MidPen Housing Corporation.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action would have a positive impact to seniors by supporting 121 existing units of affordable housing. The recommended action would preserve the affordability of 121 units for seniors earning up to 80 percent of AMI.

SUSTAINABILITY IMPLICATIONS

The recommended actions balance public policy and program interests and enhance the Board's sustainability goal of social equity by improving access to affordable housing. Moreover, the action will assist the developer in continuing to provide affordable housing for families.

CONSEQUENCES OF NEGATIVE ACTION

If the recommended action is not approved, Borrower would be at risk of defaulting on their existing County loan, which would jeopardize the financial viability of the site, which could result in displacing lower income households in Sunnyvale.

STEPS FOLLOWING APPROVAL

Upon approval, the Clerk of the Board is asked to notify Natalie Monk, Tina Le, and Steven Quach at the Office of Supportive Housing.