



Sunnyvale

1171 Sonora Court Purchase and Sale Agreement and Disposition and Development Agreement

Ryan Dyson, Housing Specialist II
November 19, 2024

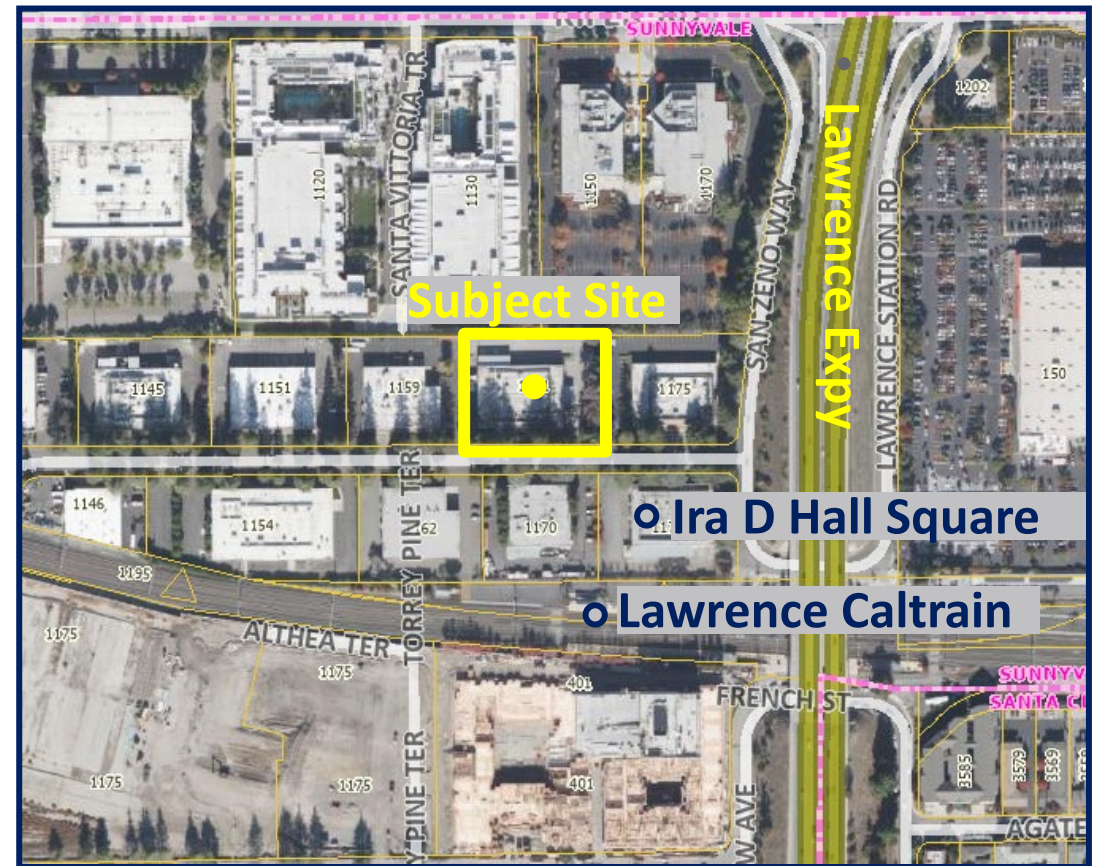


Background

Event	Date
MidPen Purchases 1171 Sonora	June 2021
City \$500k HMF Predev Award	October 2022
Planning Application Submittal	December 2023
City ~\$14M HMF Award <ul style="list-style-type: none">• \$12.5 for City's Acquisition• ~\$1.5 for Predevelopment	August 2024
PSA/DDA Negotiations	August – November 2024
City Council Land Purchase/DDA	November 2024

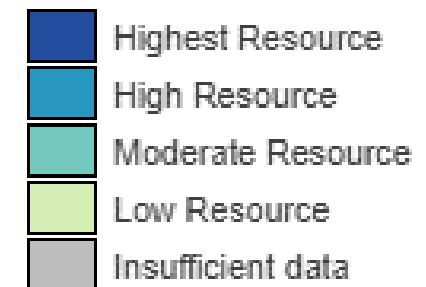
Overview of Site

- **Owner:** MP Land Holdings LLC
 - ◆ MidPen Subsidiary
- **Purchase Price:** \$12.5M (June 2021)
- 1.3-acre Site
- Light Industrial/R&D Building
- Lawrence Station Area Plan
- Near Lawrence Caltrain & Ira D. Hall Square
 - ◆ Terms of PSA/DDA based on Ira D. Hall Square site



Timing

- Site is currently in High Resource area
- High Resource Category “locked in” if DDA executed by end of 2024
 - City acquisition must also take place
- Increases competitiveness for Tax Credits and other funding



Purchase and Sale Agreement (PSA)

- \$12.5M Purchase Price
 - ◆ Same as MidPen's purchase price in 2021
- \$100,000 Deposit
- MidPen pays closing costs
- 30-day due diligence period after execution
 - ◆ Phase I Environmental Assessment complete
 - ◆ No concerns identified

PSA: Commercial Tenant Lease

- Commercial tenant lease will be assigned to City
 - ◆ Tech-Star Industries
 - ◆ Month-to-month lease
 - Tech-Star searching for new location
 - Terminable by either party on 60-day notice
 - ◆ Monthly Rent: \$25,000
 - Deposited in Housing Mitigation Fund



Disposition and Development Agreement (DDA)

Contains form of documents:

- Affordable Housing Agreement
- Ground Lease with MidPen (Short-term and Long-term)
- City Predevelopment Loan Documents

Sets terms for development:

- Project Scope of Work
- Preliminary Financing Plan
- Development Schedule

DDA: Predev Loan and Ground Leases

City HMF Predev Loan:	\$1,533,000 <ul style="list-style-type: none">• 3% Simple Interest• 55-Year Term (beginning at occupancy)• Loan funds disbursed upon DDA execution
Short-term Ground Lease:	Begins following termination of Tech-Star lease, ends at construction closing
Long-term Ground Lease Term:	85 years
Long-term Ground Lease Rent Amount:	After payment of predev loan, lesser of: <ul style="list-style-type: none">• \$1,250,000• City's pro rata share of Net Operating Income

DDA: Project Scope

Total Units:	172 (170 affordable + 2 manager)
Affordability Term:	85 years
Average Income Limit:	50% of Area Median Income (AMI)
Special Needs Units:	At least 20% of units at 30% AMI <ul style="list-style-type: none">• Intended for Permanent Supportive Housing
Total Budget:	Approx. \$184M

DDA: Preliminary Financing Plan

Funding Source	Amount
City Land Purchase	\$12,500,000
City Predevelopment Loan (2024)	\$1,533,000
City Predevelopment Loan (2022)	\$500,000
Permanent Loan	\$16,582,317
Tax Credit Investor Proceeds	\$76,565,203
HCD – Affordable Housing Sustainable Communities (AHSC)	\$28,000,000
HCD – Infill Infrastructure Grant (IIG)	\$4,500,000
Federal Home Loan Bank – Affordable Housing Program (AHP)	\$2,000,000
General Partner Equity	\$15,511,134
Deferred Developer Fee	\$1,904,990
Other local, state, or regional sources	\$24,198,172
Total	\$183,794,816

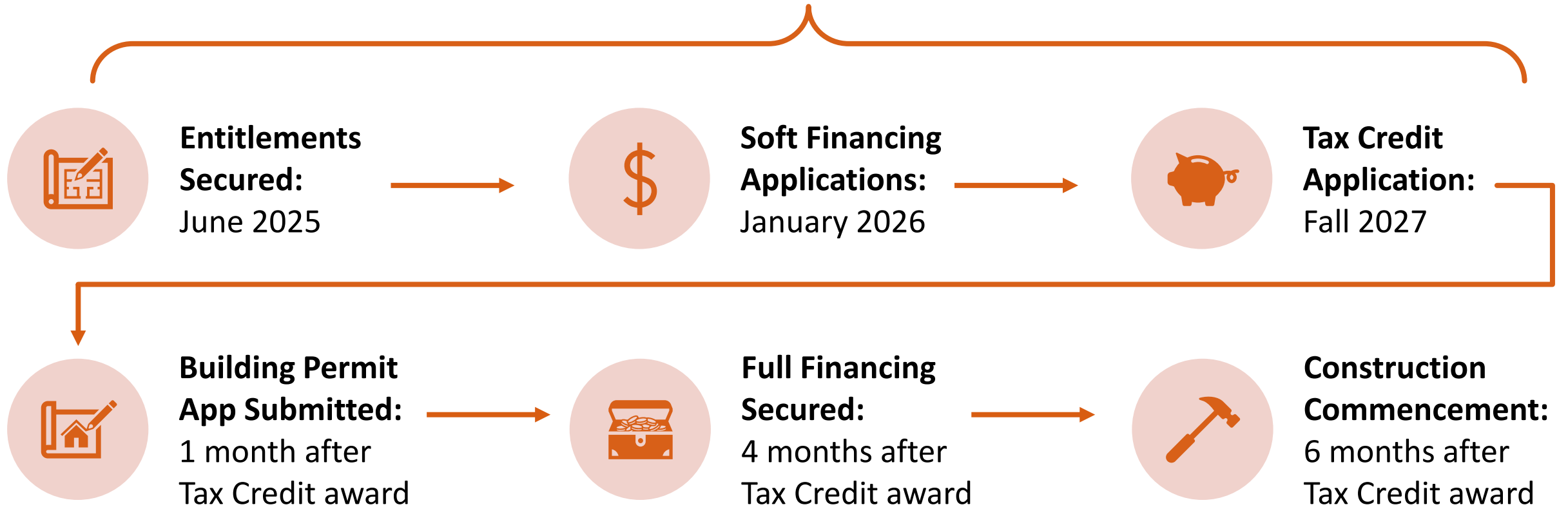
DDA: Development Schedule



DDA Term:

3 Years

(1-Year Extension by City Manager)



Staff Recommendation (Alternatives 1 and 4)

- Fulfills ~\$14M NOFA Award
 - ◆ \$12.5M for City's Acquisition
 - ◆ ~\$1.5M for Predevelopment Loan
- Expands City's affordable housing supply
- Ensures 1171 Sonora Court is competitive for Tax Credit and other financing

Staff Recommendation

Alternatives 1 and 4

Recommend:

- **Alternative 1:** Approve the Purchase and Sale Agreement and Authorize the City Manager to execute it for the purchase of 1171 Sonora Court for \$12,500,000; and find that this action is exempt from CEQA.
- **Alternative 4:** Adopt the Resolution authorizing the Ground Lease and declaring the property to be exempt from the Surplus Lands Act, Approve the draft Disposition and Development Agreement and authorize the City Manager to execute it in substantially the same form as Attachment 2 to the report and in a form approved by the City Attorney; and find that this action is exempt from CEQA.