

January 18, 2024

Jenny Carloni
Housing Officer, Housing Division
City of Sunnyvale
456 W. Olive Avenue, P.O. Box 3707
Sunnyvale, CA 94088-3707

Re: Carroll Inn- City of Sunnyvale Loan Extension Request (June 2024 to June 2079)

Dear Jenny,

Carroll Street Associates, A California limited partnership is the (“Owner”) of Carroll Inn (“Property”). The Property consists of 122 units of affordable homes in the City of Sunnyvale. In March of 1994, the Owner was issued a residual receipt loan from the City in the original amount of \$964,750 with 3% simple interest. The principal loan amount of \$750,000 and accrued interest shall be due in full in March 2024. The remaining principal amount of \$214,750 and accrued interest shall be paid from excess/distributable cash. The entire unpaid principal and accrued interest are due in full by June 2024. As of December 31, 2023, the loan has a principal balance of \$750,000 with accrued interest of \$669,519.

Carroll Inn is a single-room occupancy (SRO) development that was built in 1994 to service individuals living on fixed incomes and those with special needs. All the units are restricted to very low-income individuals with an income of 40% AMI. The property has insufficient funds to repay the loan mentioned above. Below are the reasons why it would be a hardship to make full repayment of the loan.

1. The property is 30 years old and has to go through many rounds of maintenance in the next few years. MidPen’s goal is to preserve this great stock of affordable housing for special needs populations, ensure long-term affordability and stability, and keep the residents safe. As the property has a backlog of capital needs that must be addressed to ensure good physical condition, staff has to prioritize funding replacement reserve for a habitable living environment.
2. Carroll Inn has a soft debt from HCD-RHCP program in a senior position that restricts rent increases. In addition, a big portion of the excess cash each year is allocated towards the repayment of the HCD-RHCP loan. Due to this reason, it has been difficult to pay off the soft debt to the City.

We are requesting the City to extend the maturity of the loan from June 2024 to June 2079 (standard 55-year term). As we have a mutual interest in keeping the property affordable for as long as possible, we are proposing an extension of affordability restrictions until the new proposed loan maturity date of June 2079.

If you have any questions about the above-mentioned proposal, please feel free to contact me at amahmud@midpen-housing.org or via phone at 650-393-9768.

Sincerely,

Aditi Mahmud Mahmud
Associate Director of Asset Management, Real Estate Transactions