

To: DEANZA HOUSING CORPORATION BOARD OF DIRECTORS

From: ELIZABETH CAMPBELL, DEANZA HOUSING CORPORATION

Date: May 6, 2021

**Subject: AUTHORIZE ADMITTANCE AND WITHDRAWAL OF LIMITED PARTNERS AND
WITHDRAWAL OF GENERAL PARTNER FOR DEANZA GARDENS**



I. RECOMMENDED ACTION:

Authorize and adopt DeAnza Housing Corporation Resolution No. 1001 to execute an amendment to the Limited Partnership Agreement for the purposes of admittance and withdrawal of the Limited Partners and withdrawal of a General Partner for DeAnza Gardens;

II. FINANCIAL IMPACT:

The Partnership will disburse to the withdrawing limited partners a disposition fee in the amount of Ten Dollars (\$10) plus any additional distributions or costs required to induce the withdrawing limited partners to exit the Partnership, if any.

III. REASONS FOR RECOMMENDATION/BACKGROUND:

DeAnza Gardens (the "Project") is comprised of 180 units constructed in 2004 – 2005 and funded by a number of resources including Low Income Housing Tax Credits ("LIHTC"). As part of the transaction, DeAnza Garden, L.P., a California limited partnership (the "Partnership") was formed for the purpose of owning, constructing, and operating the Project. DeAnza Housing Corporation was formed as a California nonprofit public benefit corporation to serve as a general partner in the Partnership along with the Housing Authority of the County of Contra Costa ("HACCC"). BCP/DeAnza Gardens, LLC, a Delaware limited liability company and BCCC, Inc., a Massachusetts corporation, are the investor limited partner and the special limited partner of the Partnership, respectively (collectively, the "Limited Partners"), and contributed the LIHTC equity to and received the tax credits from the Project.

The Project was placed in service in 2005 and 2006. The compliance period for the LIHTC is fifty-five (55) years from the place-in-service date. The Federal tax credit recapture ("Compliance Period") period expired on December 31, 2019. During the 24 months after the expiration of the Compliance Period, HACCC has a Purchase Option and Right of First Refusal to buy the project from the Partnership.

IV. PURCHASE PRICE UNDER PURCHASE OPTION AND RIGHT OF FIRST REFUSAL.

The purchase price for the Property pursuant to the Option (the "Option Price") shall be the greater of the following amounts, subject to the provision set forth hereinbelow:

- (a) Debt and Taxes. An amount sufficient (i) to pay all debts, liabilities and obligations of the Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Option, including, but not limited to, fees and debts to Partners of the Partnership (or their Affiliates), and (ii) to distribute to the Partners cash proceeds equal to the taxes projected by the Auditors to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Option; or

- (b) Fair Market Value. The fair market value of the Property, appraised as low-income housing taking into account the effect on the projected income of the Property as a result of all Use Restrictions to the extent continuation of such use is required under the Use Restrictions, taking into consideration any repairs, improvements or deferred maintenance deemed necessary by a capital needs assessment conducted by a third party inspector selected by the Partnership's regular Auditors, who is experienced in determining capital needs for similar projects in Northern California.

HACCC has determined that the existing mortgage debt plus the long-term outstanding capital needs for DeAnza Gardens exceed the fair market value of the property and, as such, the project has nominal value to the existing investor. HACCC has engaged the services of an industry professional to negotiate a purchase price of a ceremonial ten dollars to purchase the Limited Partners' interests in the Partnership instead of purchasing the Project itself. The Partnership will continue to own the Project, but the Limited Partners will be replaced.

HACCC shall be replacing the Limited Partner interests in the Partnership as the new limited partner and shall withdraw as a general partner. DeAnza Housing Corporation shall remain as the general partner. Moreover, in the near future, HACCC plans to refinance the mortgage loan on the property. At that time, it is anticipated that a new LLC, with HACCC Casa Del Rio, Inc as its Sole Member, will be created as the ownership entity of the property and the Limited Partnership will be dissolved.

V. CONSEQUENCES OF NEGATIVE ACTION:

If the actions to admit the Housing Authority of the County of Contra Costa as the new limited partner and the withdrawal of the current Limited Partners of the Partnership are approved, then HACCC will lose the rights it has under the Option and Right of First Refusal to purchase the Limited Partnership interests for \$10 and will be forced to purchase the property under the Purchase Option and Right of First Refusal for a much greater amount.

VI. ATTACHMENTS:

- Resolution Authorizing Admittance and Withdrawal of Limited Partners and Withdrawal Of General Partner For DeAnza Gardens
- Purchase Option and Right of First Refusal