

SUBMITTED BY: Luis Pedroza, Deputy City Manager/City Treasurer

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager

FOCUS AREA: Other / NA

ORGANIZATIONAL IMPROVEMENTS: EnterTextHere

SUBJECT: **RESOLUTION NO. 24-1586**, a Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the City of Douglas to **RATIFY** the **SALE** of the **RANCHO LA PERILLA APARTMENTS** by the **CITY OF DOUGLAS COMMUNITY HOUSING CORPORATION** and **SETTLE** the **OUTSTANDING NOTES** owned to the City of Douglas.

EXECUTIVE SUMMARY:

The Mayor and Council directed staff to work with the City of Douglas Community Housing Corporation (CHC) to place the Rancho La Perilla Apartments for sale through a formal bid. On July 7, 2022, the CHC awarded the bid to Sierra Carmichael USA, LLC, now operating under RLP II, LLC. As part of the purchase price, the CHC will transfer the existing HUD mortgage loan to the buyer. On December 7, 2023, HUD officially approved the sale and transfer of the loan.

BACKGROUND:

The CHC entered into a purchase and sale agreement with RLP II, LLC on October 7, 2022. During the due diligence period, HUD required a capital needs assessment (CNA) of the property that is due every 10 years. The CNA discovered several deficiencies that required correction by the CHC. These corrections and an approved CNA corrective action plan were required for the sale and have been completed by the CHC.

Also, during this time, HUD reviewed the organizational structure of the buyer, and was approved. HUD moved to review the loan transfer and sale that took over one year to complete. With HUD approval received, the CHC voted on 1/4/24 to approve the execution of the HUD loan assumption, bill of sale and deed. This final step allows the purchase and sale process to move to closing and is expected to take place at the end of January 2024.

The total purchase price for the apartments is \$4,934,000. The outstanding mortgage amount as of 12/7/23 is \$3,875,716.14, leaving total net proceeds of \$1,058,283.86. In addition, there are reserve and escrow balances that will revert to the city in the amount calculated as of 12/7/23 at \$302,524.45. Other residual receipt accounts in the amount of \$16,806.66, operating accounts and any other account balances will be turned over to the city.

After the sale is completed, the CHC will resolve all liabilities and net proceeds from the sale and all reserve accounts will be received by the CHC. At that point, the City Council can move forward to dissolve the CHC and all net proceeds of the sale revert to the city.

The CHC currently has two outstanding notes owed to the city, the first note was for initial capital investments made by the city towards the construction of the apartments in 2002 in the amount of \$612,499.61. With interest accrued through 6/30/23, the total value of the note is \$772,972.47. The other note is for a loan to the CHC in 2017 for capital needs in the amount of \$114,734.55. The current balance as of 11/16/23, is \$20,742.71. With the sale of the property, the two notes will be paid off and/or extinguished. The CHC also has a payment plan on the water/sewer utilities that will need to be paid in full before the sale.

DISCUSSION:

The CHC approved the final execution of HUD documents and closing documents for the sale to take place. Staff recommends that the city ratify the sale of the Rancho La Perilla Apartments executed by the CHC.

FISCAL IMPACT: Net proceeds estimated at approximately \$1,377,614.97 less any outstanding bills incurred before the final sale date.

Fiscal Year: 2023/2024

Amount Requested: \$0

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 24-1586.”