

SUBMITTED BY: Xenia Gonzalez, Neighborhood Resources & Grants Director

MANAGEMENT TEAM REVIEW: Ana Urquijo, City Manager/Luis Pedroza, Deputy City Manager/City Treasurer

FOCUS AREA: Other / NA

**ORGANIZATIONAL
IMPROVEMENTS:**

SUBJECT: **AUTHORIZING the APPROVAL of the ASSIGNMENT of DEED of TRUST and other loan documents from the DOUGLAS HOUSING CORPORATION I (Assignor) to the CITY OF DOUGLAS (Assignee).**

EXECUTIVE SUMMARY:

The Douglas Housing Corporation I withdrew as Managing General Partner (MGP) of Cochise Pacific Associates on June 22, 2023.

BACKGROUND:

The Douglas Housing Corporation I Board was established and ratified by the City of Douglas, Resolution No. 13-936 to have decision-making authority on the operations of Casas de Esperanza. In 2015, during the sale of Casas de Esperanza to Cochise Pacific Associates, the DHCI board entered into an agreement as Managing General Partner to provide Cochise Pacific Associates non-profit status for tax-exemption purposes and to provide a staff person who would serve as a Resident Services Facilitator for the tenants at the complex. As part of the agreement, Cochise Pacific Associates executed a Residual Receipts Note in the amount of \$500,000, which will reach its maturity date 40 years after the effective date (April 27, 2015).

The DHCI holds an interest in the Note and may benefit financially if Cochise Pacific Associates sells the property prior to the Note's maturity date, the property is foreclosed on by the lender, or if the property's revenue profits increase to an amount which affords Cochise Pacific Associates the ability to make payments to the lenders on the Note. DHCI is in the eighth (8th) position on the Cash Distribution Prior to Dissolution list to be paid out and third (3rd) on the Distribution of Capital Proceeds list, making it relatively unlikely that a payout will be received.

DISCUSSION:

DHCI has become relatively inactive since the sale of Casas de Esperanza to Cochise Pacific Associates in 2015. This board was established by the city specifically to oversee and have authority over the operations of Casas de Esperanza. In order to memorialize its position for continuity, it is in the best interest to transfer the Note to the city in case of dissolution of the partnership that would generate sufficient funds for a payout to the City of Douglas.

FISCAL IMPACT:

None.

Fiscal Year: 2023/2024

Amount Requested: N/A

Budgeted: Y / N

Account (s):

“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE THE ASSIGNMENT OF DEED OF TRUST AND OTHER LOAN DOCUMENTS FROM DOUGLAS HOUSING CORPORATION I (ASSIGNOR) TO THE CITY OF DOUGLAS (ASSIGNEE).”