

NOTICE TO TENANTS OF INTENTION TO SUBMIT A REQUEST TO HUD FOR APPROVAL OF AN INCREASE IN MAXIMUM PERMISSIBLE RENTS

Friday, April 7, 2023

In connection with our planned acquisition of Carson Gardens Apartments, take notice that on January 30, 2023, Carson Gardens, LP, the proposed new owner of Carson Gardens Apartments, submitted a request for approval of an increase in the maximum permissible rents for Carson Gardens Apartments to the United States Department of Housing and Urban Development (“HUD”) and the Contract Administrator. **It is important to note that as long as you continue to be eligible under the applicable HUD guidelines for Section 8, your Total Tenant Payment will generally continue to be 30% of your adjusted income. It is also important to note that this rent increase only affects residents who receive subsidy under the Carson Gardens Apartments’ Housing Assistance Payments contract.**

The proposed increase is needed to secure financing to conduct a significant renovation of Carson Gardens Apartments. Higher rents will be needed to cover associated costs.

The rent increases for which we have requested approval are:

<u>Unit Type</u> <u>(# of Units)</u>	<u>Current Section 8 Rents</u> <u>(as of 05/01/2022)</u>	<u>Current Section 8 Rents</u> <u>(as of 05/01/2023)</u>	<u>Proposed Rents</u> <u>Effective at Closing</u>	<u>Proposed Increase</u> <u>Compared to 2022 Rents</u>	<u>Proposed Increase</u> <u>Compared to 2023 Rents</u>
1 BR (100)	\$1,625	\$1,734	\$2,500	\$875	\$766

A copy of the materials that we are submitting to HUD and Contract Administrator in support of our request will be available during normal business hours in the management office at 21811 South Main Street, Carson, California 90745 for a period of 30 days from the date of service of this notice for inspection and copying by tenants of Carson Gardens Apartments and, if the tenants wish, by legal or other representatives acting for them individually or as a group.

During a period of 30 days from the date of service of this notice, tenants of Carson Gardens Apartments may submit written comments on the proposed rent increase to us at c/o Trillium Property Management at 1968 W. Adams Blvd., Suite 312, Los Angeles, CA 90018, Attn: Monique Holden. Tenant representatives may assist tenants in preparing those comments. If, at HUD’s or the Contract Administrator’s request or otherwise, we make any material change during the comment period in the materials available for inspection and copying, we will notify the tenants of the change or changes, and the tenants will have a period of 15 days from the date of service of an additional notice (or the remainder of any applicable comment period, if longer) in which to inspect and copy the materials as changed and to submit comments on the proposed rent increase. These comments will be transmitted to HUD and/or the Contract Administrator, along with our evaluation of them and our request for the increase.

You may also send a copy of your comments directly to:

Glenn H. Lew
Account Executive
U.S. Department of Housing and Urban Development
San Francisco Regional Center
1 Sansome St., Suite 1200
San Francisco, CA 94104
Tel: 415-489-6698
Email: glenn.h.lew@hud.gov
Re: Carson Gardens Apartments, HAP Contract No.: CA16-0026-005

Connie Aaron
Contracts Specialist
Los Angeles LOMOD Corporation
2600 Wilshire Blvd., 5th Floor
Los Angeles, CA 90057
Tel: 213-905-3405
Email: connie.aaron@hacla.org
Re: Carson Gardens Apartments, HAP Contract No.: CA16-0026-005

HUD and Contract Administrator will approve, adjust upward or downward, or disapprove the proposed rent increase upon reviewing the request and comments. When HUD or the Contract Administrator advises us in writing of its decision regarding our request, you will be notified. If the request is approved, any allowable increase will be put into effect only after a period of at least 30 days from the date you are served with that notice and in accordance with the terms of existing leases.

[SIGNATURE PAGE TO FOLLOW]

Re: Carson Gardens Apartments
Page 3 of 3

Signed:

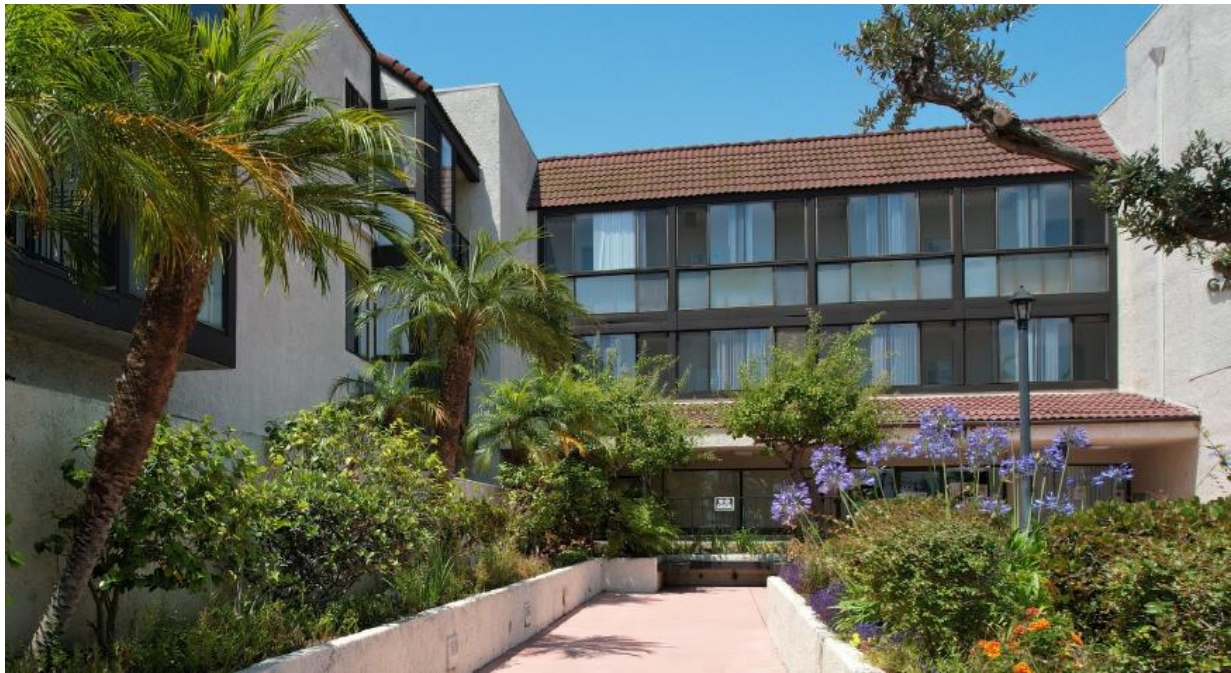
A handwritten signature in blue ink, appearing to read "MH Holden", with a long horizontal flourish extending to the right.

Monique Holden
Chief Executive Officer
Trillium Property Management



Carson Gardens Apartments

101-Unit Project Based Section 8 Senior Community in Carson, CA



City of Carson Memorandum

March 2023

OVERVIEW

Carson Gardens Apartments (the "Project") is a 101-unit elderly-designated affordable housing community located at 21811 South Main St. in Carson, California. Originally constructed in 1980, the Project consists of one 2 and 3-story building that features 100 one-bedroom apartments and 1 two-bedroom apartment located on 3.52 acres of land. The Project is currently assisted by a project-based Section 8 Housing Assistance Payment ("HAP") contract covering 99% of the units. Amenities include a community room, laundry facilities, gated access, surveillance cameras, covered parking, and a picnic area.

Redwood Housing has formed a new entity (the "Partnership") for the purposes of acquiring, rehabilitating, and operating the Project. The Project is anticipated to be purchased with conventional equity and an FHA 223(f) loan that will support a renovation. The scope of work includes repairs and upgrades to the Project's interior, exterior and common areas. Interior unit renovations will include new kitchen cabinets, countertops, flooring and appliances, as well as accessibility upgrades. Exterior upgrades will include repairs to the driveway and walkways, fencing, and parapet walls, as well as accessibility upgrades to the parking lot. Additionally, renovations will include an upgraded fitness center, business center, barbeque area, and community room.

On June 18, 1979, the City of Carson and Kimberly Development Company entered into a covenant and agreement (the "Existing Covenant") restricting the permitted occupancy at the Project. The Existing Covenant states that "the occupancy of all dwelling units in any residential development located on the subject property shall be restricted to persons who are at least sixty-two years old with the exception of one dwelling unit which may be occupied by management personnel who are less than sixty-two years old." The proposed amendment (the "Amendment") modifies this restriction to "heads of households who are at least sixty-two years old with no age restriction on other members of the household with the exception of one dwelling unit which may be occupied by management personnel who are less than sixty-two years old." The Existing Covenant and Amendment are enclosed as Exhibit 1 and Exhibit 2, respectively.

The Amendment is consistent with the United States Department of Housing and Urban Development's ("HUD") Occupancy Handbook Section 3-23, which prohibits Occupancy Standards that do not pertain to the head of household. Chapter 3 of HUD's Occupancy Handbook is enclosed as Exhibit 3. Furthermore, HUD's Office of General Counsel ("OGC") has reviewed the Amendment and confirmed that it is legally acceptable. A copy of correspondence with HUD's OGC is included as Exhibit 4.

With the Amendment in place, the Project will continue to operate as an elderly community. The existing waitlist at the Project includes 117 applicants who are at least sixty-two years old with no children or grandchildren. Historically, turnover has been approximately two units per year and new qualifying residents will be admitted from the existing waitlist. The existing waitlist is enclosed as Exhibit 5. As an additional mechanism to ensure that the Project remains elderly, HUD has strict occupancy standards that limit family size under the terms of the Tenant Selection Plan.

The modification to the Existing Covenant will align the Project's occupancy restrictions with HUD requirements and qualify the project for the FHA financing needed to enact a meaningful rehabilitation and preserve the Project as high-quality, affordable elderly designated housing indefinitely.

Exhibits

Exhibit 1	Existing Covenant
Exhibit 2	Amendment
Exhibit 3	HUD Occupancy Handbook, Chapter 3
Exhibit 4	HUD OGC Correspondence
Exhibit 5	Existing Waitlist



**U.S. Department of Housing and Urban Development
Office of Housing
PROJECT-BASED SECTION 8
HOUSING ASSISTANCE PAYMENTS
RENEWAL CONTRACT
FOR MARK-UP-TO-MARKET PROJECT
DUNS: 966193216**

OMB Control #2502-0587

"Public reporting burden for this collection of information is estimated to average 1 hour. This includes the time for collecting, reviewing, and reporting the data. The information is being collected for obtaining a signature on legally binding documents and will be used to enforce contractual obligations. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it has a currently valid OMB control number. No confidentiality is assured."

PREPARATION OF CONTRACT

Reference numbers in this form refer to notes at the end of the contract text. These endnotes are instructions for preparation of the Renewal Contract. The instructions are not part of the Renewal Contract.

RENEWAL HAP CONTRACT FOR SECTION 8 MARK-UP-TO-MARKET PROJECT¹

1 CONTRACT INFORMATION²

PROJECT

Section 8 Project Number: CA160026005

Section 8 Project Number of Expiring Contract: CA160026005

FHA Project Number (if applicable): N/A

Project Name: Carson Gardens Apartments

Project Description:³

21811 So. Main St

Carson, CA 90745 - 2960, Los Angeles County

- Check this box if the project is a Section 236 project or a Section 221(d)(3) below market interest rate (BMIR) project at the beginning of the Renewal Contract term.

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator⁴

Los Angeles LOMOD Corporation

Name of Owner

Carson Gardens Apts.

2 TERM AND FUNDING OF RENEWAL CONTRACT

- a** The Renewal Contract begins on May 1, 2021⁵ and shall run for a period of ten (10)⁶ years.
- b** Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$ 844,653⁷, an amount sufficient to provide housing assistance payments for approximately eight (8)⁸ months of the first annual increment of the Renewal Contract term.
- c** HUD will provide additional funding for the remainder of the first annual increment and for subsequent annual increments, including for any remainder of such subsequent annual increments, subject to the availability of sufficient appropriations. When such appropriations are available, HUD will obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 RENEWAL CONTRACT

a Parties

- (1) This contract ("Renewal Contract") is a housing assistance payments contract ("HAP contract") between the contract administrator and the owner of the housing.
- (2) If HUD is the contract administrator, HUD may assign the Renewal Contract to a public housing agency ("PHA") for the purpose of PHA administration of the Renewal Contract, as contract administrator, in accordance with the Renewal Contract (during the term of the annual contributions contract ("ACC") between HUD and the PHA). Notwithstanding such assignment, HUD shall remain a party to the provisions of the Renewal Contract that specify HUD's role pursuant to the Renewal Contract, including such provisions of section 8 (applicable requirements), section 9 (statutory changes during term), section 10 (distributions) and section 11 (PHA default) of the Renewal Contract.

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 ("Section 8") (42 U.S.C. 1437f),

and section 524(a) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) ** (Title V of Public Law No.105-65, October 27, 1997, 111 Stat. 1384), as amended.

c Expiring Contract

Previously, the owner entered into a Housing Assistance Payments Contract ("Expiring Contract") with HUD or a PHA to make Section 8 housing assistance payments to the owner for eligible families living in the project. The term of the Expiring Contract has expired or will expire prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

The purpose of the Renewal Contract is to renew the Expiring Contract for an additional term. During the term of the Renewal Contract, the contract administrator will make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract. Such payments shall only be made for contract units occupied by eligible families ("families") leasing decent, safe and sanitary units from the owner in accordance with HUD regulations and other requirements.

e Contract units

The Renewal Contract applies to the project contract units identified in Exhibit A by size and applicable contract rents.

4 EXPIRING CONTRACT – PROVISIONS RENEWED

a Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).

b Any provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:

- (1) The amount of the monthly contract rents;
- (2) Contract rent adjustments;

(3) Project account (sometimes called “HAP reserve” or “project reserve”) as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.

c The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section.

5 CONTRACT RENT

a Initial contract rents

At the beginning of the Renewal Contract term, and until contract rents for units in the project are adjusted in accordance with section 5b, the contract rent for each bedroom size (number of bedrooms) shall be the initial contract rent amount listed in Exhibit A, which is attached to and made a part of the Renewal Contract. The initial contract rent amounts listed in Exhibit A have been increased to market levels under the HUD Mark-Up-to-Market Option.

b Contract rent adjustments

(1) OCAF adjustment

Except for adjustment of the contract rents to comparable market rents at the expiration of each 5-year period (as provided in paragraph 5b(2) of this section) (“fifth year adjustment”), during the term of the Renewal Contract the contract administrator shall annually, on the anniversary of the Renewal Contract, adjust the amounts of the monthly contract rents in accordance with HUD requirements, using an operating cost adjustment factor (OCAF) established by HUD. Such adjustments by use of the OCAF shall not result in a negative adjustment (decrease) of the contract rents. The OCAF shall not be used for a fifth year adjustment.

(2) Fifth year adjustment (comparability adjustment at expiration of each 5-year period, *if applicable*)

(a) This section 5(b)(2) is only applicable if the term of the Renewal Contract is longer than five (5) years (from the first day of the term specified in section 2a).

-
- (b) At the expiration of each 5-year period of the Renewal Contract term, the contract administrator shall compare existing contract rents with comparable market rents for the market area. At such anniversary of the Renewal Contract, the contract administrator shall make any adjustments in the monthly contract rents, as reasonably determined by the contract administrator in accordance with HUD requirements, necessary to set the contract rents for all unit sizes at comparable market rents. Such adjustments may result in a negative adjustment (decrease) or positive adjustment (increase) of the contract rents for one or more unit sizes.
- (c) To assist in the redetermination of contract rents, the contract administrator may require that the owner submit to the contract administrator a rent comparability study prepared (at the owner's expense) in accordance with HUD requirements.

(3) Procedure for rent adjustments during renewal term

To adjust contract rents during the term of the Renewal Contract (in accordance with paragraph 5b(1) or paragraph 5b(2)), the contract administrator shall give the owner notice of the revised Exhibit A. The revised Exhibit A shall specify the adjusted contract rent amount for each bedroom size as determined by the contract administrator in accordance with paragraph 5b(1) or paragraph 5b(2). The notice shall specify when the adjustment of contract rent is effective. The notice by the contract administrator of the revised Exhibit A constitutes an amendment of the Renewal Contract.

(4) No other adjustments

Except for contract rent adjustments in accordance with paragraph 5b, there shall not be any other adjustments of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

6 OWNER WARRANTIES

- a The owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.

-
- b The owner warrants that the rental units to be leased by the owner under the Renewal Contract are in decent, safe and sanitary condition, as defined by HUD, and shall be maintained in such condition during the term of the Renewal Contract.

7 OWNER NOTICE

- a Before termination of the Renewal Contract, the owner shall provide written notice to the contract administrator and each assisted family in accordance with the law and HUD requirements.
- b If the owner fails to provide such notice in accordance with the law and HUD requirements, the owner may not increase the tenant rent payment for any assisted family until such time as the owner has provided such notice for the required period.

8 APPLICABLE REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, and with all HUD regulations and other requirements, including amendments or changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD regulations and requirements which are inconsistent with the provisions of the Renewal Contract, including the provisions of section 5 (contract rent) and section 10 (distributions), shall not be applicable.

9 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 5 or section 10 of the Renewal Contract, and if HUD determines, and so notifies the contract administrator and the owner, that the contract administrator is unable to carry out the provisions of section 5 or section 10 because of such statutory change, then the contract administrator or the owner may terminate the Renewal Contract upon notice to the other party.

10 DISTRIBUTIONS

During the term of the Renewal Contract, neither HUD nor the PHA may impose any additional limitations on distributions of project funds other than any distribution limitations specified in Exhibit B, which is attached to and made a part of this Renewal Contract.

11 PHA DEFAULT

- a** This section of the Renewal Contract applies if the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA contract administrator, for the purpose of PHA administration of the Renewal Contract.
- b** If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as contract administrator, to make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract, and that the owner is not in default of its obligations under the Renewal Contract, HUD will take actions HUD determines necessary for the continuation of housing assistance payments to the owner in accordance with the Renewal Contract.

12 SECTIONS 236 AND 221(D)(3) BMIR PROJECTS -- PREPAYMENT

- a** This section of the Renewal Contract shall be applicable if the project is a Section 236 project or a 221(d)(3) BMIR project (See the check-box at section 1 of the Renewal Contract).

-
- b During the term of the Renewal Contract, the owner shall not prepay any FHA-insured mortgage on the project, except where HUD, in its sole discretion, approves the prepayment as a component of a transaction whereby the project is preserved as affordable housing.

13 EXCLUSION OF THIRD-PARTY RIGHTS

- a The contract administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the owner's action or failure to act in connection with the contract administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the owner.
- b The owner is not the agent of the contract administrator or HUD, and the Renewal Contract does not create or affect any relationship between the contract administrator or HUD and any lender to the owner or any suppliers, employees, contractors or subcontractors used by the owner in connection with implementation of the Renewal Contract.
- c If the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the contract administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the contract administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

14 WRITTEN NOTICES


Any notice by the contract administrator or the owner to the other party pursuant to the Renewal Contract must be in writing.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator


Los Angeles LOMOD Corporation

By:  Digitally signed by Armine Petrosyan
Date: 2021.04.07 14:24:33 -07'00' for Connie Loyola
Signature of authorized representative

Connie Loyola, President
Name and official title

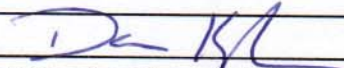
Date 4/7/2021

U.S. Department of Housing and Urban Development

By:  Digitally signed by ROBIN THOMPSON
DN: CN = ROBIN THOMPSON C = US O = U.S.
Government OU = Department of Housing and Urban
Development, Office of Administration
Date: 2021.04.08 07:34:08 -07'00'
Signature of authorized representative, Robin Thompson, Branch Chief, Asset Management
for: Matt Naish, Regional Director, Multifamily West Region
Name and official title

Date 04/08/2021

Owner
Name of Owner Carson Gardens Apts.

By: 
Signature of authorized representative

Dan Kaplan
C.E.O.

Name and title

Date 4/1/21

EXHIBIT B

DISTRIBUTION LIMITATIONS

FOR PROJECT NOT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is not subject to any limitations on distribution of project funds, either pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, neither HUD nor the PHA may impose any additional limitations on distribution of project funds during the term of the Renewal Contract.

FOR PROJECT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is subject to any limitations on distribution of project funds pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, such limitations on distribution shall continue to be applicable during the term of the Renewal Contract, provided that the owner may take an increased distribution in accordance with the Section 8 Renewal Policy Guidance for Renewal of Project-Based Section 8 Contracts, (the "Guidebook").

However, owners of Section 8 properties must maintain the property in good condition, as demonstrated by a REAC score of 60 or higher, in order to take increased distributions.

The owner shall comply with the distribution limitations. The maximum distribution to the owner shall be equal to the total of:

- 1** The limited distribution permitted pursuant to the FHA Regulatory agreement or the Expiring Contract, **plus**
- 2** Any increased distribution as approved by HUD in accordance with the Guidebook.

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

Endnote numbers are keyed to references in the text of the Renewal Contract.

¹ This form of Renewal Contract is only to be used to renew an expiring Section 8 project-based HAP contract for a Section 8 project whose rents are increased to market under the HUD Mark-Up-to-Market Option. The Renewal Contract shall be entered in accordance with Section 524 of MAHRA and HUD requirements. Section 2 of the Renewal Contract specifies the contract term.

² To prepare the Renewal Contract for execution by the parties, fill out all contract information in section 1 and section 2.

³ Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the housing by providing the address or other description of project location, and any other information necessary to clearly designate the covered housing.

If necessary, attach an exhibit with a site plan or other descriptive information. Enter a reference to the attached exhibit.

⁴ Enter the name of the contract administrator that executes the Renewal Contract. If HUD is the contract administrator, enter "United States of America – Department of Housing and Urban Development (HUD)". If the contract administrator is a public housing agency (PHA), enter the full name of the PHA.

⁵ The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

⁶ Enter a whole number of five or more years.

⁷ Enter the amount of funding obligated.

⁸ Enter a whole number of months.

From: [Saied Naaseh](#)
To: [Saied Naaseh](#)
Subject: FW: Carson Gardens - Follow Up
Date: Thursday, May 11, 2023 10:38:42 AM

From: Patrick Barry <patrick.barry@redwoodhousing.com>
Sent: Thursday, May 4, 2023 4:05 AM
To: Saied Naaseh <snaaseh@carsonca.gov>; Debra Scott <dscott@carsonca.gov>; Benjamin R. Jones <bjones@awattorneys.com>
Cc: Nick Boehm <nick.boehm@redwoodhousing.com>
Subject: RE: Carson Gardens - Follow Up

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Saied,

Thank you for the quick follow up. That's correct. Income qualifications will not change, tenants will continue to pay 30% of their income towards rent and the project will continue to operate under the same HUD program that it does currently. In fact, we have applied to HUD for an extension of the current Section 8 HAP contract for 20 years, which is the longest extension currently allowed by HUD, that will be effective at closing. With the amendment, the project will simply be in compliance with HUD's regulations.

The 223(f) is a HUD insured mortgage that is largely designed for the preservation and improvement of affordable housing. It allows for a rehabilitation to improve and extend the useful life of affordable housing properties such as Carson Gardens. The lender takes comfort in the fact that the loan is insured by HUD, which minimizes the risk-of default and from our perspective, the 223(f) allows us to maximize the dollars that we are able to invest in the property. It's a win/win for affordable housing.

Happy to discuss any additional questions on a call tomorrow. As I mentioned, I am OOO beginning at 3pm ET, so any follow up thereafter can be handled by Nick Boehm, cc'd.

Best,
Patrick

Patrick Barry
REDWOOD HOUSING
978-760-1547

From: Saied Naaseh <snaaseh@carsonca.gov>
Sent: Wednesday, May 3, 2023 10:22 PM

To: Patrick Barry <patrick.barry@redwoodhousing.com>; Debra Scott <dscott@carsonca.gov>; Benjamin R. Jones <bjones@awattorneys.com>
Cc: Nick Boehm <nick.boehm@redwoodhousing.com>
Subject: RE: Carson Gardens - Follow Up

Hi Patrick

We have a few questions.

We would like to confirm that nothing will be changing for the tenants including the rent, amount of subsidy, and the type of program that the project is currently under, i.e. Section 8 HAP contract. In addition, do the income qualifications change for the tenants.

Can you tell us more about FHA 223 (f) and why would a lender provide renovation dollars to the project? What are the incentives for the lender to do this project? What would they want in return

Thanks

Saied

From: [Saied Naaseh](#)
To: [Saied Naaseh](#)
Subject: FW: Carson Gardens - Follow Up
Date: Thursday, May 11, 2023 10:44:03 AM
Attachments: [We found suspicious links.msg](#)
[Carson Project Memorandum - 20230405.pdf](#)
[Exhibit 1 Carson Gardens Existing Covenant.pdf](#)
[Exhibit 4 Carson Gardens HUD OGC Email Approval.pdf](#)
[Exhibit 2 Carson Gardens Amendment.pdf](#)
[Exhibit 5 Carson Gardens Existing Waitlist.pdf](#)

From: Patrick Barry <patrick.barry@redwoodhousing.com>
Sent: Wednesday, May 3, 2023 4:04 PM
To: Debra Scott <dscott@carsonca.gov>; Saied Naaseh <snaaseh@carsonca.gov>
Cc: Nick Boehm <nick.boehm@redwoodhousing.com>
Subject: RE: Carson Gardens - Follow Up

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Saied,

Nice to speak with you just now and thank you for calling Ben to follow up on CA approval. Attached is the previously circulated memorandum and corresponding exhibits. Exhibit 4 illustrates HUD's written approval that the amendment is legally acceptable. Given our closing timeline, we really appreciate any update as soon as you have one.

Best,
Patrick

Patrick Barry
REDWOOD HOUSING
978-760-1547

From: [Saied Naaseh](#)
To: [Saied Naaseh](#)
Subject: FW: Carson Gardens - Follow Up
Date: Thursday, May 11, 2023 10:40:00 AM
Attachments: [New HAP Contract - Carson Gardens - CA160026005.PDF](#)
[245 Tenant Notice \(Carson Gardens\) - Signed.pdf](#)
[Executed HAP Contract - Carson Gardens - CA160026005.pdf](#)

From: Nick Boehm <nick.boehm@redwoodhousing.com>
Sent: Wednesday, May 10, 2023 8:52 PM
To: Patrick Barry <patrick.barry@redwoodhousing.com>; Saied Naaseh <snaaseh@carsonca.gov>; Debra Scott <dscott@carsonca.gov>; Benjamin R. Jones <bjones@awattorneys.com>
Cc: Ryan Fuson <ryan.fuson@redwoodhousing.com>
Subject: RE: Carson Gardens - Follow Up

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Saied,

Thank you for the call this evening. Per our discussion, please find attached the following:

1. The existing HUD subsidy contract at Carson Gardens which guarantees tenants will only pay 30% of their income as rent and HUD will cover the rest up to the contract amount commencing May 1, 2021 for a period of 10 years
2. The new HUD subsidy contract at Carson Gardens which extends this existing agreement for an additional 20 years and which guarantees tenants will only pay 30% of their income as rent and HUD will cover the rest up to the new contract amount commencing June 1, 2023 for a period of 20 years
3. The notice we distributed to all tenants explaining that while the contract rent will be increasing, the portion of that contract rent that tenants will be responsible for will remain the same, i.e. 30% of their income.

Upon review, please let me know if you have any additional questions. [@Benjamin R. Jones](#), I am happy to circle up first thing in the morning to address any outstanding concerns.

I circled up internally after we spoke and as I thought, we have no ability to extend the closing past May 31st. Importantly, we received HUD approval for the loan today, which is subject to the execution of this amendment. As such, it is imperative that we ensure the approval and execution of this covenant amendment is on the May 16th board meeting docket.

Thank you so much for everything in this process. We really appreciate all of the thoughtful dialogue. We are around all day tomorrow and please reach out with any questions you may have.

Best,

Nick

Nick Boehm
Director
508-538-9971
Nick.boehm@redwoodhousing.com

REDWOOD HOUSING
8 Grove Street, Suite 404
Wellesley, MA 02482
redwoodhousing.com

From: Terry Wellman <Terry.Wellman@berkadia.com>
Sent: Tuesday, December 27, 2022 1:22:20 PM
To: Montoya, Jaime <JMontoya@krooth.com>; Jay Abeywardena <Jay.Abeywardena@berkadia.com>
Subject: Fwd: <External Message> Carson Garden, Carson, CA, 223(f) - Age Restricted Covenant - Request for Early Review from OGC

See below.



Terry Wellman

CHIEF UNDERWRITER

2020 Main Street

Suite 200

Irvine, CA 92614

O +1 (949) 622-9220 | **M** +1 (949) 241-5490

terry.wellman@berkadia.com

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From: Bergman, Shannon M <Shannon.M.Bergman@hud.gov>

Sent: Tuesday, December 27, 2022 9:43 AM

To: Terry Wellman <Terry.Wellman@berkadia.com>

Subject: RE: <External Message> Carson Garden, Carson, CA, 223(f) - Age Restricted Covenant - Request for Early Review from OGC

Hi Terry –

I hope you had a nice holiday weekend!

I heard back from Natalie Atallah. She says “I have reviewed the information sent by Jaime Montoya and the draft amendment is legally acceptable” So please check in with Jaime to confirm the draft amendment that she blessed since she didn’t forward it to me. I don’t know if she would have had Jaime change anything you originally emailed to me a couple of weeks ago.

Thanks,
Shannon

**U.S. Department of Housing and Urban Development
Office of Housing**

PROJECT-BASED SECTION 8

**HOUSING ASSISTANCE PAYMENTS
RENEWAL CONTRACT
FOR MARK-UP-TO-MARKET PROJECT**

OMB Control #2502-0587

"Public reporting burden for this collection of information is estimated to average 1 hour. This includes the time for collecting, reviewing, and reporting the data. The information is being collected for obtaining a signature on legally binding documents and will be used to enforce contractual obligations. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it has a currently valid OMB control number. No confidentiality is assured."

PREPARATION OF CONTRACT

Reference numbers in this form refer to notes at the end of the contract text. These endnotes are instructions for preparation of the Renewal Contract. The instructions are not part of the Renewal Contract.

**RENEWAL HAP CONTRACT
FOR SECTION 8 MARK-UP-TO-MARKET PROJECT¹**

1 CONTRACT INFORMATION²

PROJECT

Section 8 Project Number: _____

Section 8 Project Number of Expiring Contract: _____

FHA Project Number (if applicable): _____

Project Name: _____

Project Description:³

Check this box if the project is a Section 236 project or a Section 221(d)(3) below market interest rate (BMIR) project at the beginning of the Renewal Contract term.

PARTIES TO RENEWAL CONTRACT

Name of Contract Administrator⁴

Name of Owner

2 TERM AND FUNDING OF RENEWAL CONTRACT

- a** The Renewal Contract begins on _____⁵ and shall run for a period of _____⁶ years.
- b** Execution of the Renewal Contract by the Contract Administrator is an obligation by HUD of \$ _____,⁷ an amount sufficient to provide housing assistance payments for approximately _____⁸ months of the first annual increment of the Renewal Contract term.
- c** HUD will provide additional funding for the remainder of the first annual increment and for subsequent annual increments, including for any remainder of such subsequent annual increments, subject to the availability of sufficient appropriations. When such appropriations are available, HUD will obligate additional funding and provide the Owner written notification of (i) the amount of such additional funding, and (ii) the approximate period of time within the Renewal Contract term to which it will be applied.

3 RENEWAL CONTRACT

a Parties

- (1)** This contract ("Renewal Contract") is a housing assistance payments contract ("HAP contract") between the contract administrator and the owner of the housing.
- (2)** If HUD is the contract administrator, HUD may assign the Renewal Contract to a public housing agency ("PHA") for the purpose of PHA administration of the Renewal Contract, as contract administrator, in accordance with the Renewal Contract (during the term of the annual contributions contract ("ACC") between HUD and the PHA). Notwithstanding such assignment, HUD shall remain a party to the provisions of the Renewal Contract that specify HUD's role pursuant to the Renewal Contract, including such provisions of section 8 (applicable requirements), section 9 (statutory changes during term), section 10 (distributions) and section 11 (PHA default) of the Renewal Contract.

b Statutory authority

The Renewal Contract is entered pursuant to section 8 of the United States Housing Act of 1937 ("Section 8") (42 U.S.C. 1437f),

and section 524(a) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) ** (Title V of Public Law No.105-65, October 27, 1997, 111 Stat. 1384), as amended.

c Expiring Contract

Previously, the owner entered into a Housing Assistance Payments Contract ("Expiring Contract") with HUD or a PHA to make Section 8 housing assistance payments to the owner for eligible families living in the project. The term of the Expiring Contract has expired or will expire prior to the beginning of the term of the Renewal Contract.

d Purpose of Renewal Contract

The purpose of the Renewal Contract is to renew the Expiring Contract for an additional term. During the term of the Renewal Contract, the contract administrator will make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract. Such payments shall only be made for contract units occupied by eligible families ("families") leasing decent, safe and sanitary units from the owner in accordance with HUD regulations and other requirements.

e Contract units

The Renewal Contract applies to the project contract units identified in Exhibit A by size and applicable contract rents.

4 EXPIRING CONTRACT – PROVISIONS RENEWED

a Except as specifically modified by the Renewal Contract, all provisions of the Expiring Contract are renewed (to the extent such provisions are consistent with statutory requirements in effect at the beginning of the Renewal Contract term).

b Any provisions of the Expiring Contract concerning any of the following subjects are not renewed, and shall not be applicable during the renewal term:

- (1)** The amount of the monthly contract rents;
- (2)** Contract rent adjustments;

(3) Project account (sometimes called “HAP reserve” or “project reserve”) as previously established and maintained by HUD pursuant to former Section 8(c)(6) of the United States Housing Act of 1937 (currently Section 8(c)(5) of the Act, 42 U.S.C. 1437f(c)(5)). Section 8(c)(5) does not apply to the Renewal Contract, or to payment of housing assistance payments during the Renewal Contract term.

c The Renewal Contract includes those provisions of the Expiring Contract that are renewed in accordance with this section.

5 CONTRACT RENT

a Initial contract rents

At the beginning of the Renewal Contract term, and until contract rents for units in the project are adjusted in accordance with section 5b, the contract rent for each bedroom size (number of bedrooms) shall be the initial contract rent amount listed in Exhibit A, which is attached to and made a part of the Renewal Contract. The initial contract rent amounts listed in Exhibit A have been increased to market levels under the HUD Mark-Up-to-Market Option.

b Contract rent adjustments

(1) OCAF adjustment

Except for adjustment of the contract rents to comparable market rents at the expiration of each 5-year period (as provided in paragraph 5b(2) of this section) (“fifth year adjustment”), during the term of the Renewal Contract the contract administrator shall annually, on the anniversary of the Renewal Contract, adjust the amounts of the monthly contract rents in accordance with HUD requirements, using an operating cost adjustment factor (OCAF) established by HUD. Such adjustments by use of the OCAF shall not result in a negative adjustment (decrease) of the contract rents. The OCAF shall not be used for a fifth year adjustment.

(2) Fifth year adjustment (comparability adjustment at expiration of each 5-year period, *if applicable*)

(a) This section 5(b)(2) is only applicable if the term of the Renewal Contract is longer than five (5) years (from the first day of the term specified in section 2a).

-
- (b) At the expiration of each 5-year period of the Renewal Contract term, the contract administrator shall compare existing contract rents with comparable market rents for the market area. At such anniversary of the Renewal Contract, the contract administrator shall make any adjustments in the monthly contract rents, as reasonably determined by the contract administrator in accordance with HUD requirements, necessary to set the contract rents for all unit sizes at comparable market rents. Such adjustments may result in a negative adjustment (decrease) or positive adjustment (increase) of the contract rents for one or more unit sizes.
 - (c) To assist in the redetermination of contract rents, the contract administrator may require that the owner submit to the contract administrator a rent comparability study prepared (at the owner's expense) in accordance with HUD requirements.

(3) Procedure for rent adjustments during renewal term

To adjust contract rents during the term of the Renewal Contract (in accordance with paragraph 5b(1) or paragraph 5b(2)), the contract administrator shall give the owner notice of the revised Exhibit A. The revised Exhibit A shall specify the adjusted contract rent amount for each bedroom size as determined by the contract administrator in accordance with paragraph 5b(1) or paragraph 5b(2). The notice shall specify when the adjustment of contract rent is effective. The notice by the contract administrator of the revised Exhibit A constitutes an amendment of the Renewal Contract.

(4) No other adjustments

Except for contract rent adjustments in accordance with paragraph 5b, there shall not be any other adjustments of the contract rents during the term of the Renewal Contract. Special adjustments shall not be granted.

6 OWNER WARRANTIES

- a The owner warrants that it has the legal right to execute the Renewal Contract and to lease dwelling units covered by the contract.

-
- b The owner warrants that the rental units to be leased by the owner under the Renewal Contract are in decent, safe and sanitary condition, as defined by HUD, and shall be maintained in such condition during the term of the Renewal Contract.

7 OWNER NOTICE

- a Before termination of the Renewal Contract, the owner shall provide written notice to the contract administrator and each assisted family in accordance with the law and HUD requirements.
- b If the owner fails to provide such notice in accordance with the law and HUD requirements, the owner may not increase the tenant rent payment for any assisted family until such time as the owner has provided such notice for the required period.

8 APPLICABLE REQUIREMENTS

The Renewal Contract shall be construed and administered in accordance with all statutory requirements, and with all HUD regulations and other requirements, including amendments or changes in HUD regulations and other requirements during the term of the Renewal Contract. However, any changes in HUD regulations and requirements which are inconsistent with the provisions of the Renewal Contract, including the provisions of section 5 (contract rent) and section 10 (distributions), shall not be applicable.

9 STATUTORY CHANGES DURING TERM

If any statutory change during the term of the Renewal Contract is inconsistent with section 5 or section 10 of the Renewal Contract, and if HUD determines, and so notifies the contract administrator and the owner, that the contract administrator is unable to carry out the provisions of section 5 or section 10 because of such statutory change, then the contract administrator or the owner may terminate the Renewal Contract upon notice to the other party.

10 DISTRIBUTIONS

During the term of the Renewal Contract, neither HUD nor the PHA may impose any additional limitations on distributions of project funds other than any distribution limitations specified in Exhibit B, which is attached to and made a part of this Renewal Contract.

11 PHA DEFAULT

- a** This section of the Renewal Contract applies if the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD. This includes a case where HUD has assigned the Renewal Contract to a PHA contract administrator, for the purpose of PHA administration of the Renewal Contract.
- b** If HUD determines that the PHA has committed a material and substantial breach of the PHA's obligation, as contract administrator, to make housing assistance payments to the owner in accordance with the provisions of the Renewal Contract, and that the owner is not in default of its obligations under the Renewal Contract, HUD will take actions HUD determines necessary for the continuation of housing assistance payments to the owner in accordance with the Renewal Contract.

12 SECTIONS 236 AND 221(D)(3) BMIR PROJECTS -- PREPAYMENT

- a** This section of the Renewal Contract shall be applicable if the project is a Section 236 project or a 221(d)(3) BMIR project (See the check-box at section 1 of the Renewal Contract).

-
- b During the term of the Renewal Contract, the owner shall not prepay any FHA-insured mortgage on the project, except where HUD, in its sole discretion, approves the prepayment as a component of a transaction whereby the project is preserved as affordable housing.

13 EXCLUSION OF THIRD-PARTY RIGHTS

- a The contract administrator does not assume any responsibility for injury to, or any liability to, any person injured as a result of the owner's action or failure to act in connection with the contract administrator's implementation of the Renewal Contract, or as a result of any other action or failure to act by the owner.
- b The owner is not the agent of the contract administrator or HUD, and the Renewal Contract does not create or affect any relationship between the contract administrator or HUD and any lender to the owner or any suppliers, employees, contractors or subcontractors used by the owner in connection with implementation of the Renewal Contract.
- c If the contract administrator is a PHA acting as contract administrator pursuant to an annual contributions contract ("ACC") between the PHA and HUD, the contract administrator is not the agent of HUD, and the Renewal Contract does not create any relationship between HUD and any suppliers, employees, contractors or subcontractors used by the contract administrator to carry out functions or responsibilities in connection with contract administration under the ACC.

14 WRITTEN NOTICES

Any notice by the contract administrator or the owner to the other party pursuant to the Renewal Contract must be in writing.

SIGNATURES

Contract administrator (HUD or PHA)

Name of Contract Administrator

By: _____
Signature of authorized representative

Name and official title

Date _____

U.S. Department of Housing and Urban Development

By: _____
Signature of authorized representative

Name and official title

Date _____

Owner
Name of Owner

By: _____
Signature of authorized representative

Name and title

Date _____

EXHIBIT B

DISTRIBUTION LIMITATIONS

FOR PROJECT NOT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is not subject to any limitations on distribution of project funds, either pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, neither HUD nor the PHA may impose any additional limitations on distribution of project funds during the term of the Renewal Contract.

FOR PROJECT SUBJECT TO DISTRIBUTION LIMITATIONS:

If the project is subject to any limitations on distribution of project funds pursuant to an FHA Regulatory Agreement or pursuant to the Expiring Contract, such limitations on distribution shall continue to be applicable during the term of the Renewal Contract, provided that the owner may take an increased distribution in accordance with the Section 8 Renewal Policy Guidance for Renewal of Project-Based Section 8 Contracts, (the "Guidebook").

However, owners of Section 8 properties must maintain the property in good condition, as demonstrated by a REAC score of 60 or higher, in order to take increased distributions.

The owner shall comply with the distribution limitations. The maximum distribution to the owner shall be equal to the total of:

- 1 The limited distribution permitted pursuant to the FHA Regulatory agreement or the Expiring Contract, **plus**
- 2 Any increased distribution as approved by HUD in accordance with the Guidebook.

INSTRUCTIONS FOR PREPARATION OF RENEWAL CONTRACT

The following instructions are not part of the Renewal Contract.

Endnote numbers are keyed to references in the text of the Renewal Contract.

¹ This form of Renewal Contract is only to be used to renew an expiring Section 8 project-based HAP contract for a Section 8 project whose rents are increased to market under the HUD Mark-Up-to-Market Option. The Renewal Contract shall be entered in accordance with Section 524 of MAHRA and HUD requirements. Section 2 of the Renewal Contract specifies the contract term.

² To prepare the Renewal Contract for execution by the parties, fill out all contract information in section 1 and section 2.

³ Enter a description of the housing that will be covered by the Renewal Contract. The description must clearly identify the housing by providing the address or other description of project location, and any other information necessary to clearly designate the covered housing.

If necessary, attach an exhibit with a site plan or other descriptive information. Enter a reference to the attached exhibit.

⁴ Enter the name of the contract administrator that executes the Renewal Contract. If HUD is the contract administrator, enter "United States of America – Department of Housing and Urban Development (HUD)". If the contract administrator is a public housing agency (PHA), enter the full name of the PHA.

⁵ The Renewal Contract must be entered before expiration of the Expiring Contract. Enter the date of the first day after expiration of the term of the Expiring Contract.

⁶ Enter a whole number of five or more years.

⁷ Enter the amount of funding obligated.

⁸ Enter a whole number of months.