



**MEMORANDUM
SUCCESSOR AGENCY
County of Placer**

TO: Housing Successor Agency Board DATE: April 13, 2021

FROM: David Defanti, Successor Agency Officer Designee

BY: Devin McNally, Assistant Planner

SUBJECT: Letter of Consent Regarding Transfer of Community Development Block Grant No. 1717-20099 to The Gathering Inn

ACTION REQUESTED

1. Ratification of Deputy CEO/Successor Agency Officer's Execution of Letter of Consent Regarding Transfer of Community Development Block Grant No. 1717-20099 to The Gathering Inn.

BACKGROUND

In 2003, the County Redevelopment Agency provided The Lazarus Project with a Community Development Block Grant (CDBG) Rehabilitation Loan for the purpose of rehabilitating a structure to provide transitional housing for Placer County residents. The terms of the loan are a principal of \$42,037 at 3% simple interest for 30 years ("CDBG Loan"). The CDBG Loan also had a 15-year Rent Limitation and Tenancy Schedule Agreement which expired on August 5, 2018. A CDBG Grant Deed of Trust is recorded on the real property.

On March 10, 2021, County Staff received correspondence from the legal representative of The Gathering Inn informing the County that The Lazarus Project and The Gathering Inn plan to merge, with The Gathering Inn becoming the surviving non-profit corporation. Both The Lazarus Project and The Gathering Inn are California nonprofit corporations that share a common mission to provide services to homeless persons. Each entity's Board of Directors determined that the performance and efficiency of each entity will be enhanced by the merger. On March 23, 2021, the legal representative for The Gathering Inn informed the County that the parties have signed an Agreement and Plan of Merger. They contemplate closing the transaction and effectuating the merger around April 15, 2021. The legal representative also requested a letter of consent to said transfer as it relates to the obligations of the CDBG Loan.

Under the terms of the Deed of Trust consent is required for any conveyance of the interests of the CDBG Loan. The legal representative of The Gathering Inn requested the execution by the County of a letter of consent. Due to time constraints with completing the tasks leading up to the merger date and the fact that The Gathering Inn currently partners with the County on many programs, County Counsel authorized early execution of the letter of consent contingent on subsequent ratification by the Board. Community Development Resource Agency staff will oversee the transfer of the CDBG Loan and documentation requirements. The letter of consent that formalizes The Gathering Inn's acquisition of the CDBG Loan in anticipation of the merger with the Lazarus Project was executed on March 25, 2021. The letter of consent acknowledges that The Gathering Inn is assuming the debts and obligations of the County's loan if the merger occurs. The letter was signed by the Deputy CEO/Successor Agency Officer, Dave Defanti.

Staff is requesting the Housing Successor Agency Board ratify the letter of consent (Attachment A).

FISCAL IMPACT

There is no fiscal impact.

ATTACHMENT

Attachment A: Letter of Consent

cc: Steve Pedretti – CDRA Director
Dave Defanti – Deputy CEO/ Successor Agency Officer
Karin Schwab – County Counsel
Clayton Cook – Deputy County Counsel

ATTACHMENT A



500 Capitol Mall Suite 1550
Sacramento, CA 95814
(916) 661-5700 f, 661-5701
delfinomadden.com

Corinne H. Gartner
cgartner@delfinomadden.com
(916) 661-5687



March 23, 2021

VIA EMAIL ONLY (AMNovotny@placer.ca.gov)

Anne Marie Novotny
Housing Specialist
Placer County Community Development Resource Agency
3091 County Center Drive, Suite 280
Auburn, CA 95603

Re: Request for Consent Regarding Placer County Rehabilitation Loan

Dear Ms. Novotny:

This firm represents The Gathering Inn, a California nonprofit public benefit corporation (“TGI”). Reference is hereby made to that certain Rehabilitation Loan Agreement by and between The Lazarus Project, Inc. (“TLP”) and Placer County (the “County”), dated July 24, 2003 (the “Loan Agreement”); that certain Note Secured by Deed of Trust dated July 24, 2003, executed by TLP for the benefit of the County (the “Note”); and that certain Community Development Block Grant (CDBG) Deed of Trust dated July 24, 2003, by and between TLP, as Borrower, and the County, as Beneficiary (the “Deed of Trust” and, together with the Loan Agreement and the Note, the “Loan Documents”). Reference is further made to that certain Fifteen-Year Rent Limitation and Tenancy Schedule Agreement dated July 24, 2003, by and between TLP and the County (the “Rent Limitation Agreement”). TGI’s understanding is that the Rent Limitation Agreement expired according to its terms in 2018; however, to the extent that TLP or the subject property is still bound by any terms, conditions, restrictions, or obligations under the Rent Limitation Agreement, the term “Loan Documents” as used herein shall include the Rent Limitation Agreement.

TLP and TGI recently entered into an Agreement and Plan of Merger, pursuant to which TLP will merge with and into TGI (the “Merger”). The Merger is expected to become effective as of April 15, 2021. As of the effective date of the Merger, TLP’s separate corporate existence shall cease, and TGI shall succeed, without other transfer, to all of TLP’s rights, property, liabilities, and obligations, including TLP’s rights and obligations under the Loan Documents.

TLP and TGI are both California nonprofit corporations that are recognized as tax-exempt under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and that share a common mission to provide services to homeless persons. Each party’s board of directors has determined that the performance and efficiency of the services and activities of such party will be enhanced by the Merger. The purpose of this letter is to formally notify the County of the Merger and request the County’s consent to any actual or deemed assignment, change of control or other consequence of the Merger as to which this notice or the County’s consent may be required under the Loan Documents.

By executing this letter where indicated below, the County waives any rights under the Loan Documents that may be triggered by the Merger and acknowledges and agrees that the Loan Documents will continue in full force and effect in accordance with their terms as of and following the consummation of the Merger for the duration of their respective terms, and that, as of the effective date of the Merger, all references to TLP in the Loan Documents shall refer to TGI, as TLP's successor-in-interest. The terms and conditions of the Loan Documents will otherwise continue unchanged. Such consent shall be deemed effective immediately as of the effectiveness of the Merger. If for any reason the Merger does not occur, this consent shall be null and void.

We would very much appreciate receiving your countersigned letter as soon as possible. Please indicate the above consent, acknowledgment, and agreement by returning a signed copy of this letter at your earliest convenience to cgartner@delfinomadden.com. If there are any questions regarding this letter, please do not hesitate to have County Counsel contact me at (916) 661-5687 or by email at cgartner@delfinomadden.com.

Sincerely,

DELFINO MADDEN O'MALLEY COYLE & KOEWLER LLP

Corinne H. Gartner
Partner

ACKNOWLEDGED AND AGREED

this 25th day of March, 2021

COUNTY OF PLACER

By:

Name: David Defanti

Title: Deputy CEO / Successor Agency Designee

AGREED AND ACCEPTED:

TGI hereby acknowledges, agrees, and accepts that, as of the effective date of the Merger, it shall succeed to all TLP's rights under, and be subject to and bound by all TLP's liabilities and obligations under, the Loan Documents. By my signature below I attest that I am authorized to sign this Agreement and Acceptance on behalf of TGI.

THE GATHERING INN

By:

Keith Diederich, Chief Executive Officer

Date: March 23, 2021