June 29, 2010

TO: Mayor and City Council
Chairperson and Members of the Stockton Redevelopment Agency

FROM: Kevin O'Rourke, Interim Executive Director/City Manager
Stockton Redevelopment Agency

Gustavo A. Durán, Interim Director
Economic Development Department

SUBJECT: SUBSTITUTION OF GENERAL PARTNER FOR THE CHARLESTON PLACE APPTS. LTD., 1515 EAST BIANCHI ROAD

RECOMMENDATION

City Council Action

It is recommended that the City Council adopt a resolution approving the substitution of general partners in Charleston Place Apts. Ltd., the owners of the Charleston Place Apartments, from the PAM Company to the Charleston Place-Michaels L.L.C. of Stockton, and authorizing the City Manager to take appropriate actions to carry out the intent of this resolution.

Redevelopment Agency

It is recommended that the Redevelopment Agency adopt a resolution approving the substitution of general partners in Charleston Place Apts. Ltd., the owners of the Charleston Place Apartments, from the PAM Company to the Charleston Place-Michaels L.L.C., and authorizing the Executive Director to take appropriate actions to carry out the intent of this resolution.

SUMMARY

In 1995 the Redevelopment Agency and the City entered into a Disposition, Development and Loan Agreement with Charleston Place Apts. Ltd. Under the terms of the Agreement, the City and Agency provided loans totaling $1,877,000 to Charleston Place Apts. Ltd. to assist with property acquisition and construction of the Charleston Place Apartments, an 82-unit affordable housing complex. The City has received a request to approve a substitution of the general partner of Charleston Place Apts. Ltd. from PAM Development to Charleston Place-Michaels L.L.C. Charleston Place-Michaels L.L.C. is a subsidiary of The Michaels Development Company, which is one of the largest affordable housing developers in the nation, having constructed or rehabilitated over 43,000 units in 27 states. The terms and conditions of the previously approved loans will remain in effect under the proposed change in ownership.

AGENDA ITEM 6.12
DISCUSSION

Background

In 1995 the Redevelopment Agency and the City entered into a Disposition, Development and Loan Agreement with Charleston Place Apts. Ltd., a California Limited Partnership. The general partner of Charleston Place Apts. Ltd. is the PAM Development Company. Under the terms of the Agreement, the City and Agency provided $1,877,000 to assist with property acquisition and construction of Charleston Place Apartments, an 82-unit affordable apartment complex. One loan, in the amount of $605,000, was a 25-year, 6 percent interest loan. The remaining $1,272,000 was a 45-year, 1.6 percent interest loan.

Present Situation

The City has received a request to approve a substitution in the general partner of Charleston Place Apts. Ltd. from the PAM Development Company to Charleston Place-Michaels L.L.C, which is a subsidiary of The Michaels Development Company. The Disposition Agreement requires that the City Council approve changes in ownership. If the substitution is approved, all of the terms and conditions of the Agency and City loans will transfer to Charleston Place-Michaels L.L.C.

In response to the request, staff reviewed financial statements, documentation of their experience in operating affordable housing projects, and obtained references for The Michaels Development Company. In addition, staff met with key representatives from the organization to ensure that they were aware of the loan terms, on-going reporting obligations, and the City's requirements for property management.

The Michaels Development Company is one of the largest affordable housing developers in the nation, having constructed or rehabilitated over 43,000 units in 27 states. Their headquarters are in New Jersey, but they have regional offices throughout the country. The Michaels Development Company is the development arm of The Michaels Organization, which consists of six integrated real estate companies specializing in financing, tax credit syndication, construction management, and property management. Their associated property management company, Interstate Realty, is an Accredited Management Organization (AMO) that currently manages more than 32,000 apartments. In addition to marketing and maintaining the properties, they provide social services to their tenants to help build strong communities within their properties.
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Interstate Realty will take over the property management responsibilities at Charleston Place Apartments. However, The Michaels Development Company has indicated that the on-site staff at Charleston Place Apartments will not change, so for the residents of the complex the proposed change in general partner will not be noticeable.

FINANCIAL SUMMARY

Approving the substitution of general partners will have no financial impact on the City or Agency. The terms and conditions of the previously approved loans will transfer to the general partners.

Respectfully submitted,

GUSTAVO A. DURÁN, INTERIM DIRECTOR
ECONOMIC DEVELOPMENT DEPARTMENT

APPROVED BY

KEVIN O’ROURKE
INTERIM CITY MANAGER

GAD:Li:myb
Attachment

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Resolution No. __________

STOCKTON CITY COUNCIL

RESOLUTION APPROVING THE SUBSTITUTION OF GENERAL PARTNERS
IN CHARLESTON PLACE APTS., LTD.,
THE OWNERS OF THE CHARLESTON PLACE APARTMENTS,
FROM THE PAM COMPANY TO THE CHARLESTON PLACE-MICHAELS L.L.C.,
AND AUTHORIZING THE CITY MANAGER TO TAKE APPROPRIATE ACTIONS TO
CARRY OUT THE INTENT OF THE RESOLUTION

The City of Stockton, the Redevelopment Agency of the City of Stockton and
Charleston Place Apts., Ltd. entered into a Disposition and Development Agreement
("DDA") dated October 30, 1995, under which Charleston Place Apts., Ltd. constructed
eighty-two units of low-income housing known as Charleston Place Apartments, located
at 1515 East Bianchi Road (the "Development"); and

The City and Agency provided loans totaling $1,877,000 to assist with property
acquisition and construction; and

The DDA stipulates that the Council and Agency must provide written consent
prior to any assignment or assumption of the DDA; and

A request to substitute the general partner in the Charleston Place Apts., Ltd.
from PAM Development to Charleston Place-Michaels L.L.C. was received; and

Due diligence to review the experience and financial stability of the new general
partner was conducted and The Michaels Development Company was determined to
have sufficient experience and financial resources to maintain the Development; and

The terms and conditions of the City and Agency loans will be assumed by the
new general partners; and

Through the staff report accompanying this Resolution and incorporated into this
resolution by this reference (the "Staff Report"), the City has been provided with
additional information upon which the findings and actions set forth in this resolution are
based; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS
FOLLOWS:

1. The substitution of Charleston Place-Michaels L.L.C. in place of PAM
Development as general partner in the Charles Place Apts., Ltd. is hereby approved.

City Atty: LSW
Review: 
Date: June 22, 2010
2. The City Manager is hereby authorized and directed to execute all appropriate documents necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED, and ADOPTED ____________________________.

__________________________________________
ANN JOHNSTON, Mayor  
of the City of Stockton

ATTEST:

__________________________________________
KATHERINE GONG MEISSNER  
City Clerk of the City of Stockton
Resolution No. ________

STOCKTON REDEVELOPMENT AGENCY


The City of Stockton, the Redevelopment Agency of the City of Stockton and Charleston Place Apts, Ltd. entered into a Disposition and Development Agreement ("DDA") dated October 30, 1995, under Charleston Place Apts, Ltd. constructed eighty-two units of low-income housing at 1515 East Bianchi Road (the "Development"); and

The City and Agency provided loans totaling $1,877,000 to assist with property acquisition and construction; and

The DDA stipulates that the Council and Agency must provide written consent prior to any assignment or assumption of the DDA; and

A request to substitute the general partner in the Charleston Place Apts, Ltd. from PAM Development to Charleston Place-Michaels L.L.C. was received; and

Due diligence to review the experience and financial stability of the new general partner was conducted and The Michaels Development Company was determined to have sufficient experience and financial resources to maintain the Development; and

The terms and conditions of the City and Agency loans will be assumed by the new general partners; and

Through the staff report accompanying this Resolution and incorporated into this resolution by this reference (the "Staff Report"), the City has been provided with additional information upon which the findings and actions set forth in this resolution are based; now, therefore,

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The substitution of Charleston Place-Michaels L.L.C. in place of PAM Development as general partner in the Charles Place Apts, Ltd. is hereby approved.
2. The Agency Executive Director is hereby authorized and directed to execute all appropriate documents necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED AND ADOPTED ____________________________ .

ANN JOHNSTON, Chairperson of the Redevelopment Agency of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER, Secretary Redevelopment Agency of the City of Stockton