SUMMARY REPORT PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433 ON A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN CARSON HOUSING AUTHORITY, AND CARSON FIGUEROA AFFORDABLE HOUSING, LP A CALIFORNIA LIMITED PARTNERSHIP

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The Summary Report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) between the Carson Housing Authority (Authority) and Carson Figueroa Affordable Housing, LP (Developer). The Agreement requires the City to convey two parcels located at 600 West Carson Street (Site) totaling 1.41-acres to the Developer for the development of a mixed-use project including 51-unit income-restricted apartment units and up to 2,500 square feet of retail space (Project).

In 2012, the City of Carson (City) designated the Authority as the Housing Successor for the former Carson Redevelopment Agency (Agency). The Authority will use proceeds from the issuance of the Tax Allocation Housing Bonds 2010 Series A (Tax-Exempt Bonds) and Tax Allocation Housing Bonds 2010 Series A-T (Taxable Bonds), which are supported by low/mod housing set-aside property tax increment revenue, to purchase the Site.

The purpose of the Agreement is to implement the Authority's objective of improving and increasing the supply of affordable housing in the City of Carson. Due to the funding source used to develop the Property, the proposed conveyance of the Site to the Developer is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the disposition transaction for the Property.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

I. **Salient Points of the Agreement:** This Section summarizes the major responsibilities imposed on the Developer and the Authority by the Agreement.

II. **Cost of the Agreement to the Authority:** This section details the costs previously incurred by the Authority, and the additional costs that must be incurred by the Authority to implement the Agreement.

III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Uses Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Redevelopment Plan.

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IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Agreement.

V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Authority, and explains any difference between the compensation to be received and the established value of the Site.

VI. **Blight Elimination:** This section explains how the Agreement will assist in alleviating blight in the Project Area.

VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the adopted AB1290 Implementation Plan.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

Scope of Development

The proposed scope of development can be described as follows:

1. The Site is comprised of approximately 1.41-acres of improved land and is zoned MU-R. The general plan limits the density to 33 units per acre; therefore, the City will also approve a 35% density bonus to allow for the development of the Project.
2. The Project will have a total gross building area (GBA) of approximately 51,450 square feet, or 0.84 FAR. The following breaks out the proposed GBA:

	Square Footage
Gross Living Area	45,450
Community Room	3,500
Retail Space	2,500
Common Area / Circulation	0
Total Gross Building Area	51,450

3. The building will be three stores over a 75 space parking structure with the retail space also on the ground floor.
4. The Project will include the following unit mix:

	Number of Units	Unit Sizes (Sf)
One-bedroom Units	24	650
Two-bedroom Units	13	950
Three-bedroom Units	14	1,250
Totals/Averages	**51**	**891**

5. The Authority will restrict 25 of the units in compliance with Article XXXIV to the following income categories for SB 341 purposes:[1]

	1-Bdrm Units	2-Bdrm Units	3-Bdrm Units	Total Units
Extremely-Low Income Units	2	3	2	7
Very-Low Income Units	9	4	5	18
Low Income Units	0	0	0	0
Totals	**11**	**7**	**7**	**25**

6. Fifty (50) of the units will also be restricted with by the following income categories for TCAC and CALReuse purposes:[2]

	1-Bdrm Units	2-Bdrm Units	3-Bdrm Units	Total Units
30% AMI	1	2	2	5
40% AMI	1	2	2	5
45% AMI	9	3	3	15
50% AMI	2	3	3	8
60% AMI	11	3	3	17
Totals	**24**	**13**	**13**	**50**

7. The Project amenities will include 5,000 square feet of common space and amenities such as a community room, open outdoor courtyard with BBQ, tot lot, fitness center and laundry room.

8. Social services will be provided by the Developer and will include educational, recreational, social and/or vocational on-site programs free of charge. Resident services, marketing and outreach will focus on veterans and their families.

Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Developer will assign the Adjacent Parcel Purchase and Sale Agreement and Escrow to the Authority.

2. Developer will purchase the Site from the Authority for the fair market value (Purchase Price) to be determined by appraisal at time of purchase.

3. Prior to close of escrow, Developer must provide Authority with the following:

    a. Developer must provide evidence of financing, including a 9% Tax Credit reservation, prior to close of escrow. Developer is allowed to submit up to four 9% Tax Credit applications for the Project beginning with the March 2017 application round. If all four applications fail to generate an award, the Developer and Authority will then meet and confer to determine whether future applications will be competitive. However, neither party will have an obligation to continue with the Agreement.

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[1] One three-bedroom unit will be unrestricted and reserved for the on-site manager.

[2] One three-bedroom unit will be unrestricted and reserved for the on-site manager.

b. Developer is to obtain all entitlements and permits at its own cost.

c. Evidence of Financial Capability:

i. Reliable cost estimate;

ii. Complete copy of the construction loan commitment;

iii. Financial statement for the Developer;

iv. The proposed contract between the Developer and the Contractor; and

v. Documentation that adequate Housing Program funds for development of the Project have been committed.

4. The $2.00 million Developer fee will be paid to Developer as follows:

	Amount	% of Total
Initial Capital Contribution / Beginning of Construction	$500,000	25.00%
Construction Completion	500,000	25.00%
Permanent Loan Conversion	515,800	25.79%
IRS Forms 8609/K1	300,000	15.00%
Deferred Developer Fee	184,283	9.21%
Total Developer Fee	**$2,000,000**	**100.00%**

5. Developer will indemnify the Authority from potential prevailing wage requirements and responsibility for any Hazardous Materials on the Site.

6. Developer is to pay half of all escrow and similar fees.

7. Developer must procure and maintain, at its sole cost and expense, satisfactory to the Authority, during the entire term of entry or construction, the following policies of insurance:

a. Commercial General Liability Insurance;

b. Worker's Compensation Insurance;

c. Automobile Insurance; and

d. Builder's Risk Insurance.

8. Developer must present conceptual architectural drawings to Planning Commission by February 2017. Developer will meet the Scope of Development within the deadlines in the Schedule of Performance.

9. The Developer must submit the Marketing Plan that includes the Tenant Selection criteria.

10. Developer must provide the following to the Authority on an annual basis by July 1:

a. Annual Tenancy Report;

b. Certificate of Continuing Program Compliance;

c. Audited Financial Statements.

11. If Developer charges more than the maximum restricted rent, Developer is required to pay Authority the entire excess in rent.

12. Developer shall make best faith efforts to cause all solicitations for full or part-time, new or replacement employment relating to the construction of the Project, to be listed with the Carson Career Center. Developer and Prime Contractor shall contact the Carson Career Center to schedule a Pre-Construction Orientation Meeting prior to the commencement of construction in order to be in compliance with the City of Carson's Local Hire Program.

Authority Responsibilities

The Agreement imposes the following responsibilities on the Authority:

1. Authority will purchase the Adjacent Parcel for $2,307,000 and the Successor Agency Parcel for $628,600.
2. Authority will sell the Site in an "As-Is" condition, to the Developer for $628,600 (Purchase Price).
3. Authority will carry back a note (Authority Note) that will be secured with a Deed of Trust with the following terms:
    a. An amount of $628,60090% of the Purchase Price;
    b. A simple interest rate of 3.0%;
    c. A term of 55 years beginning at the closing of Escrow;
    d. Annual payments by April 1, based on 50% of the Net Cash Flow generated from the previous calendar year;
    e. Subordinated to the Construction and Permanent loans;
    f. Any outstanding loan balance will be due and payable at the end of the term.
4. Authority will provide up to $5,500,000 in cash assistance from the Authority's Tax-Exempt Bonds to the Project in the form of a grant (Authority Grant).
5. The definition of Residual Cash Flow will include the following:
    a. Gross Income:
        i. Includes rental income derived from the residential units, laundry income, income from concessionaires and licensees, and rent subsidies.
        ii. Does not include security deposits, insurance proceeds, operating reserves, capital contributions made by the partners, proceeds from construction financing or the Note and rent or other payments from the commercial tenants. It also should not include proceeds from the sale or refinancing of the Site or Project.
    b. Operating Expenses:

i. Include the cost of utilities, insurance, real property taxes, social programs and compliance/monitoring reporting, deposits for the replacement reserves and operating reserves, on-site administrative costs, operating maintenance and repair expenses and services, necessary capital expenditures, post-closing legal fees or other expenses related to the Agreement, debt service payments and fees on Senior Financing, repayments to a partner, deferred Developer Fee payments, asset management or limited or general partner fees.

ii. Does not include repairs or replacements paid out of insurance proceeds, book depreciation of buildings or other similar non-cash items of expense, principal payments on all junior financing, or expenses related to operation, maintenance, repairs or improvements of or to the commercial component of the Project.

c. Limitations placed on Operating Expenses:

i. Property Management Fee – Limited to 8% of the effective gross income;

ii. Annual Social Services – Not-to-exceed $20,000per year, increasing by CPI annually;

iii. Replacement Reserves – A minimum of $250 per unit per year, increasing by CPI per year;

iv. Partnership Fee – Limited to $25,000 per year with annual CPI escalation.

6. The Authority will place the following affordability covenants will be in effect for a period of 55 years from the date of the Release of Construction Covenants and will run with the land unless the Developer requests that the Regulatory Agreement be subordinated to the permanent financing.

a. Seven (7) of the Affordable Units (2 one-bedroom units, 3 two-bedroom units and 2 three-bedroom units) shall be available to Eligible Households whose income does not exceed 30% of the area median income (AMI) in accordance with Health and Safety Code Section 50106, adjusted for household size appropriate to the unit, at an affordable rent as defined in Section 50053; and

b. Eighteen (18) of the Affordable Units (9 one-bedroom units, 4 two-bedroom units and 5 three-bedroom units) shall be available to Eligible Households in accordance with California Health and Safety Code Section 50105 whose income does not exceed 50% of the AMI, adjusted for household size appropriate to the unit, at an affordable rent as defined in Section 50053; and

c. One unit will be unrestricted and set-aside for the on-site manager.

7. The Authority is to pay the cost of the Title Policy and half of all escrow and similar fees.

II. COST OF THE AGREEMENT TO THE AUTHORITY

The Authority will incur costs associated with assembling the Site and to implement the proposed Agreement. These costs are detailed in this section of the analysis.

Land Acquisition Cost – Adjacent Parcel	$2,307,000
Land Acquisition Cost – Successor Agency Parcel	628,600
Authority Grant	5,500,000
Transaction Costs	20,000
(Less) Authority Loan Payments[3]	(1,905,500)
Total Net Costs / (Revenues) Due to Agreement	**$6,550,100**

The total net cost to the Authority is estimated to equal approximately $6.55 million. It is anticipated that the Note will be fully repaid by the end of the loan term. However, given that the debt service on the Note is completely dependent on the cash flow produced by the Project over time, it is too speculative to predict the net present value of the debt service payments that will be made over the term of the Note.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

California Health and Safety Code Section 33433 requires the Authority to identify the value of the interests being conveyed at the highest use permitted under the zoning in place on the Site. The valuation must be based on the assumption that the property is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Authority.

The Successor Agency Parcel is zoned MU-D and designated Mixed Use - Residential in the City's General Plan and in the Redevelopment Plan. The Site is currently an unpaved, vacant lot with a chain link perimeter fence. In an appraisal dated July 10, 2016, Goeppner & Associates, Inc. (Appraiser) concluded that the fair market value of the Site is $33 per square foot of land area. If this value is applied to the entire Site, including the Successor Agency Parcel and the Adjacent Parcel, the estimated fair market value for the Site at the highest use permitted under the zoning in place on the Site is approximately $2,027,000.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Authority's financial consultant, prepared an updated reuse valuation analysis dated January 12, 2017 of the Site based on the financial terms and conditions imposed by the Agreement. The KMA analysis concluded that the fair reuse value of the Site is negative $5,500,000. This means that the Site would need to be conveyed to the Developer at no cost, plus have $5,500,000 provided in financial assistance to make the scope of development required by the Agreement financially feasible.

[3] Based on 50% of residual cash flow over 55 years plus the remaining outstanding value of the Authority Note at the end of 55 years.

It is important to note that the amount of the Authority assistance package identified in the Agreement is predicated on the assumption that the Project will receive competitively awarded 9% Tax Credits. If this source is not received by the Project, the fair reuse valuation conclusion will need to be re-evaluated.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement imposes extraordinary controls on the Property. The impacts created by these requirements reduce the value of the Property from $2.03 million at the highest use permitted under the Property zoning, to the established fair reuse value of negative $5,500,000.

The Agreement states that Developer will purchase the Site for the fair market value based on an appraisal at the time of sale. Given that the repayment proceeds received by the Authority will be greater than the established fair reuse value of negative $5,500,000, it can be concluded that the Authority is receiving fair consideration for the interests being conveyed to the Developer.

VI. BLIGHT ELIMINATION

The Agreement includes placing affordability restrictions on the units for 55 years. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low or moderate income persons satisfies the blight elimination criteria imposed by Section 33433. Thus, the scope of development required by the Agreement fulfills the blight elimination requirement.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The goals and objectives identified in the Five Year Implementation Plan for 2010 – 2014 that will be achieved through the implementation of the Agreement are as follows:

- The replanning, redesign and redevelopment of portions of the Project Areas to enhance the image of each, to create a sense of identity and to address areas that are stagnant or improperly utilized.
- The strengthening of the economic base of the Projects Areas and the community by the installation of needed on-site or off-site improvements to stimulate new residential, commercial and industrial expansion, employment and socio-economic growth.
- The establishment and implementation of performance criteria to assure high design standards and environmental quality, together with other high quality design elements that provide unity and integrity within the Project Areas.
- The improvement of the community's supply of housing, particularly affordable housing available to low and moderate income persons and families, with an emphasis on home ownership.