

**SUMMARY REPORT PURSUANT TO  
CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433  
ON A  
FIRST AMENDMENT TO THE  
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 First Amendment to the Disposition and Development Agreement (Agreement) between the Carson Housing Authority (Authority) and Carson Figueroa Affordable Housing, LP (Developer). The Agreement, dated January 24, 2017, 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). The two parcels that incorporate the Site are called the Authority Parcel and the Adjacent Parcel. The First Amendment transfers the responsibility of demolishing the existing improvements on the Adjacent Parcel

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 First Amendment to 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.
- 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**

In order to avoid blight and protect the public health, safety, and welfare, it is necessary to perform the demolition work on the Adjacent Parcel as soon as is practical after the authority's acquisition of the Adjacent Parcel. The First Amendment provides that the Authority shall perform the demolition work on the Adjacent Parcel instead of the Developer.

The following summarizes the changes to the Agreement incorporated in the First Amendment:

- 1. Section 411.3 of the Agreement is amended to delete all references to demolition by the Developer.
- 2. Section 411.5 of the Agreement is added to require the following:
  - a. The Authority, at its own cost and expense, is to demolish all structures on the Adjacent Parcel as soon as is practical after the Authority acquires title to the Adjacent Parcel.
  - b. If the Escrow for the sale of the Site to the Developer doesn't close due to the Developer's breach, the Developer must reimburse the Authority for the demolition work within 10 days of the Authority's written request.
- 3. Section 506 is amended to delete all references to demolition work by the Developer.
- 4. Section C of the Scope of Development in Attachment No. 6 to the Agreement is amended to delete all references to demolition work by the Developer.

5. The Grant Agreement in Attachment No. 6 to the Agreement is amended to delete all reference to demolition work by the Developer.

## **II. COST OF THE AGREEMENT TO THE AUTHORITY**

The First Amendment will add approximately \$50,000 in demolition costs to the \$6,550,100 estimate of total net costs to the Authority due to the Agreement. Therefore, the current net cost to the Authority is estimated at \$6,600,100.

## **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 assume 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 First Amendment does not change the Site's \$2,027,000 fair market value at the highest use permitted under the zoning in place, as estimated by Goeppner & Associates, Inc in an appraisal dated July 10, 2016.

## **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 April 25, 2017 of the Site based on the financial terms and conditions imposed by the Agreement and First Amendment. The KMA analysis concluded that the fair reuse value of the Site is negative \$5,514,000. This means that the Site would need to be conveyed to the Developer at no cost, plus have \$5,514,000 provided in financial assistance to make the scope of development required by the Agreement financially feasible.

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 Site zoning, to the established fair reuse value of negative \$5,514,000.

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 \$5,514,000, it can be concluded

that the Authority is receiving fair consideration for the interests being conveyed to the Developer.

## **VI. BLIGHT ELIMINATION**

The Agreement and First Amendment include 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 and First Amendment 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.