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**Title:** CONSIDER A REIMBURSEMENT AGREEMENT WITH DISTRICT ESSENTIAL HOUSING, LLC FOR CELL 1 OF THE FORMER CAL-COMPACT LANDFILL, 20400 S. MAIN STREET ASSOCIATED WITH AN EXCLUSIVE NEGOTIATING AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY FOR THE PURPOSE OF DEVELOPING APPROXIMATELY 1,250 UNITS OF RESIDENTIAL UNITS, PURSUANT TO THE PROVISIONS OF THE SURPLUS LAND ACT

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Reimbursement Agreement (Cell 1)

Date	Ver.	Action By	Action	Result
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**Report to Mayor and City Council**

Tuesday, November 15, 2022

Consent

**SUBJECT:**

**CONSIDER A REIMBURSEMENT AGREEMENT WITH DISTRICT ESSENTIAL HOUSING, LLC FOR CELL 1 OF THE FORMER CAL-COMPACT LANDFILL, 20400 S. MAIN STREET ASSOCIATED WITH AN EXCLUSIVE NEGOTIATING AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY FOR THE PURPOSE OF DEVELOPING APPROXIMATELY 1,250 UNITS OF RESIDENTIAL UNITS, PURSUANT TO THE PROVISIONS OF THE SURPLUS LAND ACT**

**I. SUMMARY**

In August 2021 the Carson Reclamation Authority (“CRA” or “Authority”) adopted a resolution declaring Cell 1 of the former Cal Compact Landfill Site (the “Site”) as “surplus” pursuant to the State’s Surplus Land Act. Cell 1 is zoned for residential development above-grade (approved for up to 1,250 units) and the CRA issued a Notice of Availability (“NOA”) pursuant to the Surplus Land Act process with the California Department of Housing and Community Development (“HCD”). Only one offer was received following issuance of the NOA by an affordable housing developer by the November 14, 2021 deadline, Standard Property Company, Inc. (“Standard”). Standard is affiliated with District Essential Housing, LLC (“Developer”), as discussed below, and the Developer was formed for the purpose of

acquiring Cell 1 for a proposed residential development on Cell 1, and the parties have negotiated an Exclusive Negotiating Agreement (“ENA”) and a Deposit and Reimbursement Agreement (“Reimbursement Agreement”) to facilitate the transaction, which will culminate in a future Purchase Agreement for Cell 1 between the parties, which will require future approval by the CRA Board.

The ENA sets forth the basic deal points, which will be refined during the period of negotiations and finalized under a future Purchase Agreement. It was approved by the CRA Board on November 7, 2022. The Deposit and Reimbursement Agreement is approved by both the CRA and the City.

## **II. RECOMMENDATION**

1. APPROVE the Deposit and Reimbursement Agreement with District Essential Housing, LLC.
  
2. AUTHORIZE the Mayor to execute the Deposit and Reimbursement Agreement and all related documents in a form acceptable to the City Attorney.
  
- 1.

## **III. ALTERNATIVES**

TAKE another action the City Council deems appropriate.

## **IV. BACKGROUND**

On August 2, 2021, the Authority’s Board of Directors approved Resolution No. 21-10-CRJPA pursuant to California Government Code Section 5221(b) (the “Surplus Land Act,” Assembly Bill No. 1486, approved on October 9, 2019) to declare the Cell 1 portion of the Site (“Cell 1 Property”) as “surplus land.” The Authority subsequently issued a Notice of Availability (“NOA”) on September 14, 2021 to all interested “housing sponsors” identified on the State Housing & Community Development Department’s (“HCD”) list of affordable housing providers, as required by California Government Code Section 54222. The NOA triggered a 60-day deadline for interested housing sponsors to respond to the Authority and express an interest in developing housing and affordable housing on the Cell 1 Property. During this 60-day period the Authority received only one proposal of interest to develop and acquire the Cell 1 Property from “Standard Property Company, Inc.,” which is a member (directly or indirectly) of Developer. After entering good faith negotiations during the statutory period with Standard Property Company, Inc., the Authority proposes to enter into the ENA with Developer with the goal of transferring ownership of the Cell 1 Property subject to the terms of a future Purchase Agreement as described below.

The Project (as defined below) proposed by the Developer under the ENA must comply with the Surplus Land Act and all regulations, procedures, and guidelines issued by the HCD relating to the Act. The Surplus Land Act specifically requires an entity proposing to use surplus land for affordable housing to agree to make no less than 25 percent of the total number of units developed for Lower Income affordable housing units. Such a commitment shall be memorialized in a recorded covenant and agreement and provided to the HCD along with a summary of the proposed disposition of land. Developer's proposed Project on the Cell 1 Property substantially exceeds this requirement, as described below.

Developer has proposed to build a new affordable residential development on the Cell 1 Property, and the ENA provides for a structure upon which the Developer and Authority shall negotiate for the conveyance of the Cell 1 Property, which encompasses approximately 15 gross acres (the "Project Surface Lot"), in addition to the licensing or granting of easements to Developer of the Subsurface Lot of Cell 1. Developer's proposed project would consist of a large-scale modern housing project consistent with the current zoning of Cell 1 under the Specific Plan, including affordable housing options (the "Project"). The Authority and Developer anticipate that the Project will include approximately 445 Lower Income units (defined as 80% or less than Area Median Income) and 805 Moderate Income units (defined as 120% or less than Area Median Income) (such affordable units, the "Affordable Units").

The term of the ENA is for twelve (12) months (the "Term"). During the Term, Developer (i) will conduct and complete its due diligence with respect to the Cell 1 Property and the Project as described herein, (ii) develop with Authority additional business terms and final details for the transaction, (iii) develop an initial Project schedule in cooperation with the Authority, (iv) produce a Project site plan and elevations, and (v) negotiate a Purchase Agreement (including other necessary agreements for the sale of the Project Surface Lot, the licensing or granting of easements for the Subsurface Lot of Cell 1 or the development of the Project to Developer, and any and all other necessary covenants, easements, DTSC or third party approvals, insurance and documentation) for the Cell 1 Property with Authority.

The Developer continues to update their cost estimates due to inflation in materials and labor and is also updating their financing model. Last fall, they anticipated using tax-exempt bonds for all- or a part of their construction or permanent financing but the tax-exempt bond market has suffered in the rising interest rate environment, making that option much less feasible. Their offer has been modified to factor in the remediation cost burden on the Developer.

The Authority shall cooperate and assist with Developer's effort to seek and apply for any Federal or State public funding to defray Cell 1 remediation costs and or assist with financing construction of the Project's Lower Income affordable units, including but not limited to, grant funding and public subsidy programs administered by DTSC and/or HCD and tax credit financing and tax exempt bond financing through the California Tax Credit Allocation Committee ("TCAC"), the California Pollution Control Financing Authority ("CPCFA"), and the California Debt Limit Allocation Committee ("CDLAC").

During the Term, Developer shall submit and process all required applications for any additional and modified land use entitlements and approvals, which may include Site Plan

Review, State Density Bonus Law incentives/concessions and waivers of development standards and approval of a tentative subdivision map to accommodate the development of the Project, at its sole cost and expense, from the City and as well as all other applicable governmental and/or quasi-governmental entities (collectively, "Permits"), except for actual building permits, which will be obtained after Developer has acquired the Project Surface Lot.

Cell 1 has an approved housing allocation in the District at South Bay Specific Plan, as amended in 2022, and is included as housing in the City's General Plan and Housing Element. However, there will be a need for additional environmental review as to the Project under CEQA. Developer shall have sole responsibility at its sole cost and expense to pursue and obtain any necessary environmental approvals for the Project and all Permits required for the Project pursuant to CEQA. Authority will assist Developer (to the extent necessary) in preparing any environmental documentation and processing any environmental review necessary. Developer shall provide to Authority / City all funds necessary to cover the costs of such environmental review through the Deposit and Reimbursement Agreement.

## **V. FISCAL IMPACT**

In addition to the Deposit and Reimbursement Agreement, which will cover CEQA and other permit processing costs, the Authority will receive a good faith deposit ("Deposit") in the amount \$100,000 pursuant to the ENA and shall recover all of its legal fees, consultant costs and staff costs associated with the ENA, the Project, and negotiations associated therewith through the Deposit and Reimbursement Agreement. The Deposit is refundable to the Developer if the parties cannot reach an agreement on the proposed Purchase Agreement.

## **VI. EXHIBITS**

1. Deposit and Reimbursement Agreement with District Essential Housing, LLC (pg.5-17)

1.

Prepared by: John S. Raymond, Assistant City Manager