



Legislation Text

File #: 2023-0838, Version: 1

Report to Carson Reclamation Authority

Monday, November 06, 2023

Discussion

SUBJECT:

CONSIDER FIRST AMENDMENT TO EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH DISTRICT ESSENTIAL HOUSING, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY FOR A PARCEL COMMONLY KNOWN AS CELL 1 OF THE FORMER CAL COMPACT LANDFILL, 20400 S. MAIN STREET.

I. SUMMARY

In November 2022, the Carson Reclamation Authority (“CRA” / “Authority”) Board approved an Exclusive Agreement to Negotiate (“ENA”) with District Essential Housing, LLC (“Developer”) to be able to develop a residential project on Cell 1 of the former Cal Compact Landfill. The proposed First Amendment to the ENA (“First Amendment”), would extend the term of the ENA for two years, until November 30, 2025. It also amends the Developer’s obligation related to carrying costs, described below.

In August 2021, the CRA Board adopted a resolution declaring the Cell 1 portion of the former Cal Compact Landfill Site (the “Site”) as “surplus” pursuant to the State Surplus Land Act (“Act”). Cell 1 is zoned for residential development above-grade (entitled 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 the November 14, 2021 deadline; Standard Property Company, Inc. (“Standard”). Standard is affiliated with Developer, as discussed below, and the Developer was formed for the purpose of acquiring Cell 1 for a proposed residential development, and in 2022 the parties entered the ENA and a corresponding Reimbursement Agreement to facilitate the transaction, which will culminate in a future Purchase Agreement for Cell 1 between the parties, requiring future approval by the CRA Board.

II. RECOMMENDATION

1. APPROVE the First Amendment to the ENA with District Essential Housing, LLC.

2. AUTHORIZE the Chair to execute the First Amendment and all related documents in a form acceptable to the Authority Counsel.

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III. ALTERNATIVES

TAKE another action the Board deems appropriate.

IV. BACKGROUND

After entering negotiations during the statutory period set forth in the Act, the Authority and Developer entered into an ENA in November 2022 with the goal of transferring ownership of the Cell 1 property subject to the terms of a future Purchase Agreement.

The Developer's project ("Project") under the ENA must comply with the Act and all regulations, procedures, and guidelines issued by the HCD relating to the Act. The 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 must 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 substantially exceeds this requirement and 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 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").

However, in the current cost escalation and interest rate environment, and the rates' effect on the value of Low-Income Housing Tax Credit equity, the Developer has been working to finance the Project through less traditional but more favorable sources. In addition, the search for affordable housing funds doesn't automatically mean that extraordinary subsurface costs are covered (i.e., remedial systems and piles). The funding issue has stretched out the time needed for the Developer to be able to close on the acquisition of the Cell 1 property.

The First Amendment extends the term to November 30, 2025. It also provides that the Developer's obligation to commence paying the Cell 1 share of the carrying costs for the overall site shall only commence upon its closing of its acquisition of the surface lot of Cell 1, though the obligation shall require Developer to backpay all pro rata carrying costs of the Cell 1 portion of the site from the effective date of the ENA (i.e., November, 30, 2022) until the closing date. The First Amendment removes the obligation of Developer to start paying the Cell 1 portion of the CRA's carrying costs for the site in the event that CRA's available funding decreases to an amount less than \$1,000,000 as the Developer's Project cannot proceed without finding a reliable source for sufficient third party funding.

V. FISCAL IMPACT

The First Amendment removes the requirement for the Developer to commence paying the Cell 1 share of sitewide carrying costs in the event that the CRA's available funds drop below \$1,000,000, which could affect the CRA's finances. However, ultimately, the ENA provides that the Authority will be reimbursed for all Cell 1 pro rata carry costs in the event of a closing, which will include all amounts accrued from the effective date of the original ENA until such future closing date.

VI. EXHIBITS

1. First Amendment to the Exclusive Negotiating Agreement (pgs. 4-6)

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