



CITY OF CARSON

Legislation Text

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Report to City Council and Housing Authority

Tuesday, January 24, 2017

Special Orders of the Day

SUBJECT:

A JOINT PUBLIC HEARING TO CONSIDER ADOPTING CARSON HOUSING AUTHORITY RESOLUTION NO. 17-02-CHA AND CITY OF CARSON RESOLUTION NO. 17-007 APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND CARSON FIGUEROA AFFORDABLE HOUSING, LP, FOR 50 UNITS OF AFFORDABLE HOUSING FOR VETERANS AT 600 WEST CARSON STREET

I. SUMMARY

On November 14, 2016, this hearing was opened and public testimony was taken. The hearing was continued to the November 28 and the December 6 meetings, and then re-noticed for January 24, 2017.

The joint public hearing is to consider approval of Carson Housing Authority Resolution No. 17-02-CHA (Exhibit No. 1) and City Council Resolution No. 17-007 approving a Disposition and Development Agreement (Agreement) by and between the Carson Housing Authority (Authority) and Carson Figueroa Affordable Housing, LP (Developer) (Exhibit No. 2). The Agreement is for development of 50 units of affordable housing with leasing preference for veterans and one (1) manager's unit at 600 West Carson Street and 21723 South Figueroa Street (Site) (Exhibit No. 3).

The Agreement describes the Authority's acquisition of parcels from the Carson Successor Agency and a private land owner and conveyance of said parcels to the Developer. In addition to conveyance of land, the Agreement also provides cash assistance in the form of a \$5,500,000 grant to the Developer's non-profit partner. It further describes the reuse value of the parcels based on the affordability restrictions and the notes received by the Housing Authority from the Developer.

II. RECOMMENDATION

TAKE the following actions:

1. OPEN the joint Public Hearing, TAKE public testimony and CLOSE the joint Public

Hearing.

2. WAIVE further reading and ADOPT RESOLUTION NO. 17-02-CHA, "A RESOLUTION OF THE CARSON HOUSING AUTHORITY MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND CARSON FIGUEROA AFFORDABLE HOUSING, LP RELATING TO THE DEVELOPMENT OF THE SOUTHWEST CORNER OF FIGUEROA AND CARSON STREET."

3. WAIVE further reading and ADOPT RESOLUTION NO. 17-007, "A RESOLUTION OF THE CITY OF CARSON MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND CARSON FIGUEROA AFFORDABLE HOUSING, LP RELATING TO THE DEVELOPMENT OF THE SOUTHWEST CORNER OF FIGUEROA AND CARSON STREET."

4. AUTHORIZE the Mayor/Chairman to execute the Disposition and Development Agreement and all related documents following approval as to form by City Attorney/Authority Counsel.

III. ALTERNATIVES

1. MODIFY the agreement and APPROVE as modified.
2. TAKE another action deemed appropriate.

IV. BACKGROUND

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. The Developer proposes a mixed-use project that would include 50-units of affordable housing, with leasing preference to veterans of the United States armed forces; and 2,500 square feet of retail space on the Site (Project).

Under the Agreement (Exhibit No. 4), the Authority is to acquire three parcels located at 600 West Carson Street, totaling 0.44-acres, from the Successor Agency; and three parcels located at 21723 Figueroa Street, totaling 0.70-acres, from a private land owner (Adjacent Parcel). The Developer currently has the Adjacent Parcel under contract and shall assign its right to purchase to the Authority upon execution of an assignment agreement. The Authority will not acquire the Adjacent Parcel if any third parties are in possession, including any tenancies.

After the Authority acquires the Site and the Developer has secured project financing, the Authority will convey the entire property, including the Successor Agency parcels and the Adjacent Parcel to the Developer for the development of the Project. Conveyance to the Developer shall occur at closing according to the terms of the Agreement.

The Site is comprised of approximately 1.14-acres of land and is zoned MU-CS. The Project will have a total gross building area (GBA) of approximately 58,650 square feet, or 1.18 FAR. The following breaks out the proposed GBA:

| | <u>Square Footage</u> |
|---------------------------|------------------------------|
| Gross Living Area | 45,450 |
| Community Room | 3,500 |
| Retail Space | 2,500 |
| Total Gross Building Area | 51,450 |

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

| <u>Number of Units</u> | <u>Unit</u> | <u>Size (Sf)</u> |
|-------------------------------|--------------------|-------------------------|
| One-bedroom Units | 24 | 650 |
| Two-bedroom Units | 13 | 950 |
| Three-bedroom Units | 14 | 1,250 |
| Totals / Averages | 51 | 891 |

A regulatory agreement restricting income affordability levels will be recorded against the property to specify the terms of affordability restrictions of the units to extremely-low, very-low, and low income residents (Regulatory Agreement). These terms will be in effect for a minimum of 55 years following the release of construction covenants.

The Authority will place the affordability covenants on 25 units, though all 50 units will be restricted through the Tax Credit financing. Affordability restrictions are as follows:

- All 50 of the Affordable Units (24 one-bedroom units, 13 two-bedroom units, and 13 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
- One unit will be unrestricted and set-aside for the on-site manager.

The Authority will restrict 25 of the units in compliance with Article XXXIV to the following income categories for SB 341 purposes

| | 1-Bdrm | 2-Bdrm | 3-Bdrm | Total |
|----------------------------|---------------|---------------|---------------|--------------|
| Extremely-Low Income Units | 2 | 3 | 2 | 7 |

| | | | | |
|-----------------------|----|---|---|----|
| Very-Low Income Units | 9 | 4 | 5 | 18 |
| Low Income Units | 0 | 0 | 0 | 0 |
| Total Units | 11 | 7 | 7 | 25 |

All fifty (50) of the units will also be restricted by the following income categories for TCAC and CALReuse purposes:

| | <u>1-Bdrm</u> | <u>2-Bdrm</u> | <u>3-Bdrm</u> | <u>Total</u> |
|-------------|---------------|---------------|---------------|--------------|
| 30% of AMI | 1 | 2 | 2 | 5 |
| 40% of AMI | 1 | 2 | 2 | 5 |
| 45% of AMI | 9 | 3 | 3 | 15 |
| 50% of AMI | 2 | 3 | 3 | 8 |
| 60% of AMI | 11 | 3 | 3 | 17 |
| Total Units | 24 | 13 | 13 | 50 |

The Project amenities will include a community room, open outdoor courtyard with BBQ and seating area, fitness center, and laundry room. The community space will include indoor and outdoor areas multiple uses and space for classes. There will also be a quiet area for computer based art software programs, and community use.

Social services will be provided by Thomas Safran & Associates, a property management company that has provided social services in Southern California for over forty years. Their programming includes financial assistance, vocational programs, social activities such as birthday parties and movie nights, and various educational, recreational, and fitness classes. These services are provided to the residents free of charge and programming varies based on resident interest.

Developer Responsibilities

Prior to close of escrow, 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. Developer is to obtain all entitlements and permits at its own cost.

The Developer must maintain a list of persons who have filed a complete application to rent a unit. The eligibility requirements are in the following order:

- a. Veterans

- b. Displaced persons,
- c. Residents of the City of Carson, and
- d. Other persons who meet the income restrictions, on a first come, first served basis.

The Authority will assist in the development of the Project by providing land and financial assistance. After the Authority acquires the Site, the Authority will sell the Site to the Developer in an 'as-is' condition for \$628,600. The Authority will carryback a note for the purchase price that will be secured by a Deed of Trust (Note). The Note will have a 3.0% simple interest rate with a 55 year term starting at close of escrow. The Developer shall make annual payments on the Note by April 1, based on 50% of the net cash flow generated from the previous calendar year. Any outstanding Note balance shall be due and payable at the end of the Note term.

In addition, the Authority will provide project development assistance in the amount of \$5,500,000 (Cash Assistance). The Authority will provide the Cash Assistance from its Tax Exempt Bond funds and shall therefore provide the Cash Assistance as a grant to the Developer's non-profit partner (Grant Recipient). Pursuant to the terms of the Agreement, the Grant Recipient shall loan the Cash Assistance to the Developer. The grant loan documents, which are part of the Agreement, shall have a term of not more than fifty-five (55) years with a simple interest rate not to exceed three percent (3%) with payments due to the Grant Recipient solely from Project residual receipts. Furthermore, the grant loan documents shall provide that any default under the Agreement or the Regulatory Agreement shall be a default under the Grant Recipient's loan to the Developer. The Grant Recipient loan documents shall at all times remain subordinate to the Agreement, the Deed of Trust, and the Regulatory Agreement.

The approximate total development cost of the proposed project is estimated at \$21.6 million. Applicable redevelopment law requires that the Authority convey the Property for the fair reuse value. Based on the affordability covenants, it can be concluded that the Authority is receiving fair consideration for the interests being conveyed to the Developer.

The use of housing funds for development of this affordable housing development exempts the Project from prevailing wage requirements. In the event that the Developer is required to or is determined to be responsible for paying prevailing wages for the Project, Developer will indemnify the Authority from potential prevailing wage requirements and responsibility.

A summary report (Exhibit No. 5) has been prepared pursuant to the requirements of Section 33433 of the California Health and Safety Code (Summary Report).

The Summary Report includes:

- 1) The cost of the agreement to the Authority.
- 2) The estimated value of the interest to be conveyed determined at the highest and best use permitted under the plan (current market value).

- 3) The estimated value of the interest to be conveyed or leased, determined at the use with the conditions, covenants, and development costs required by the sale or use with the conditions, covenants, and development costs required by the sale or lease. This is determined by a reuse appraisal previously prepared for the Project.
- 4) An explanation of why the sale or lease of the property will assist in the elimination of blight.

Authority support of affordable housing projects is consistent with the City of Carson's Housing Element and with the Redevelopment Agency Plan and related Five-Year Implementation Plan. The amount of Authority assistance takes into consideration that the Developer is providing high-quality affordable housing for the community.

V. FISCAL IMPACT

The Authority will acquire the Successor Agency property for \$628,600 using its taxable bond funds from account 55-70-790-966-6058/01029-00; and will acquire the privately owned property for \$2,307,000 using its tax exempt bond funds from account 55-70-790-967-6058/01029-00. The Developer shall acquire the entire site (including the Successor Agency property and the privately owned property) for \$628,600 via a carryback loan that shall be paid back to the Authority through residual receipts over a 55 year period. In addition the Authority will expend \$5,500,000 from the Housing Authority's tax exempt bond funds in account 55-70-790-967-6058/01029-00 as Cash Assistance to the Grant Recipient during the course of construction. Total Authority assistance for this Project, including land, is \$8,435,600. The total net costs (costs minus revenues) due to Agreement are \$6,550,100 because the value of the loan repayments to be received by the Authority are \$1,905,000.

In order to cover closing costs the Authority is also budgeting an estimated \$20,000 from its cash balance fund 55-70-790-003-6058/01029-00. Funds to cover the land acquisition, Cash Assistance and estimated closing costs (all totaling \$8,455,600) for this Project will be included in the proposed FY 17-18 Authority budget.

VI. EXHIBITS

1. Housing Authority Resolution No. 17-02-CHA. (pgs. 7-9)
2. City Council Resolution No. 17-007. (pgs. 10-12)
3. Vicinity Map. (pg. 13)
4. Disposition and Development Agreement. (pgs. 14-167)
5. 33433 Summary Report. (pgs. 168-175)

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