



CITY OF CARSON

Legislation Text

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Report to City Council and Housing Authority

Tuesday, May 02, 2017
Special Orders of the Day

SUBJECT:

**JOINT PUBLIC HEARING TO CONSIDER CARSON HOUSING AUTHORITY
RESOLUTION NO. 17-13-CHA AND CITY COUNCIL RESOLUTION NO. 17-057
APPROVING THE FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT
AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND
CARSON FIGUEROA AFFORDABLE HOUSING, LP.**

I. SUMMARY

This action is for approval of Carson Housing Authority Resolution No. 17-13-CHA (Exhibit No. 1) and City Council Resolution No. 17-057 (Exhibit No. 2), approving the First Amendment to the Disposition and Development Agreement (First Amendment) by and between the Carson Housing Authority (Authority) and Carson Figueroa Affordable Housing, LP (Developer). The Developer has proposed a 51-unit affordable housing community providing leasing preference to veterans of the United States Armed Forces on the 1.14-acre property located at southwest corner of Figueroa and Carson Street (Property) (Exhibit No. 3).

The original Disposition and Development Agreement (DDA) provided that the Authority took title to the Property from the Seller and conveyed it to the Developer at the close of project financing. However, Developer was to demolish the structures on the Property but would be reimbursed for the demolition work by certain grant proceeds from the Authority. To avoid blight and protect the public health, safety, and welfare, it is necessary to perform the demolition work as soon as practicable and, therefore, Authority and Developer now desire to amend the DDA to provide that the Authority shall perform the demolition work on the Site prior to the commencement of the project (First Amendment).

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. 17-13-CHA, "A RESOLUTION OF THE CARSON HOUSING AUTHORITY MAKING CERTAIN FINDINGS AND APPROVING THE FIRST AMENDMENT TO THE 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. 17-057, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, MAKING CERTAIN FINDINGS AND APPROVING THE FIRST AMENDMENT TO THE 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 Authority Chairman to execute the First Amendment to the Disposition and Development Agreement following approval as to form by Authority Counsel.

III. ALTERNATIVES

TAKE another action that may be deemed appropriate.

IV. BACKGROUND

Under the terms of the original DDA the Developer was to demolish the structures on the Property and the Authority was to reimburse the Developer via the financial assistance the Authority is providing towards the project. To avoid blight and protect the public health, safety, and welfare, the demolition work must be performed as soon as practicable. Therefore, the First Amendment (Exhibit No. 4) provides that the Authority shall perform the demolition work on the Site prior to the commencement of the project. The Amendment also stipulates that if the escrow for the sale of the Property to Developer does not close due to a breach by the Developer, the Developer must reimburse the Authority for the costs of demolition. A demolition contract will be brought to the Authority Board for approval under a separate item.

The summary report required by Section 33433 of the California Health and Safety Code (Exhibit No. 5) has been prepared and updated for this project (Summary Report).

Pursuant to the applicable requirements, the Summary Report includes the following:

- 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

lease. This is determined by a reuse appraisal prepared for the Project.

- 4) An explanation of why the sale or lease of the property will assist in the elimination of blight.

The changes to the DDA incorporated in the First Amendment, will add approximately \$50,000 in costs to the \$6,550,100 estimate of total net costs to the Authority. Therefore, the current net cost to the Authority is estimated at \$6,600,100. The updated Summary Report 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.

There are no other changes to the DDA and the project still remains as follows.

Project Description:

The Developer proposes to construct a 50-unit affordable housing project on the Property that would provide leasing preference to veterans of the United States Armed Forces. The Project would provide housing for extremely low, very-low, and low income households. The product type ranges from one-bedroom to three-bedroom units. All units are designed to market rate quality.

In addition the project will include 2,500 square feet of retail space and project amenities such as 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 for 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.

Prior to close of escrow, Developer must provide evidence of financing, including a 9% Tax Credit reservation. 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. 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). 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. 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. These terms will be in effect for a minimum of 55 years following the release of construction covenants.

Authority support of affordable housing projects is consistent with the City of Carson's Housing Element and with the Redevelopment 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 original DDA provided Cash Assistance and land totaling \$8,435,600 for the project. There are no changes to the amount of Authority assistance provided directly to the Developer.

Under the original DDA the estimate of total net cost (costs minus revenues) to the Authority for this Project was \$6,550,100 (because the value of the loan repayments to be received by the Authority are \$1,905,000). The First Amendment increases the estimated net costs to \$6,600,100.

A demolition contract will be brought to the Authority Board for approval under a separate item following a public bid.

VI. EXHIBITS

1. Carson Housing Authority Resolution No. 17-13-CHA. (pgs. 5-7)
2. City Council Resolution No. 17-057. (pgs. 8-10)
3. Vicinity Map. (pg. 11)
4. First Amendment. (pgs. 12-13)
5. Summary Report 33433. (pgs. 14-17)

Prepared by: Amelia Soto