

SUMMARY REPORT  
COMMUNITY DEVELOPMENT COMMISSION  
AFFORDABLE HOUSING AND PROPERTY DISPOSITION AGREEMENT

This summary was prepared pursuant to Section 33433 of the California Health and Safety Code, a Section of the California Redevelopment Law, regarding the purchase, sale and development of certain real property under ownership by the Community Development Commission of the City of Downey (“Commission”). The Commission in its capacity as a housing authority and as the “Housing Successor Agency” for the assets and functions of the former redevelopment operations of the Commission pursuant to Health and Safety Code section 34172(a) and 34176, is considering entering into an Affordable Housing And Property Disposition Agreement (the “AHPDA”) with Partnership Housing Inc., a California non-profit public benefit corporation and a development partner of Habitat for Humanity of Greater Los Angeles. The proposed AHPDA provides for the sale of certain real property owned by the Commission.

#### SITE BACKGROUND AND DESCRIPTION

The property was purchased by the Commission for \$1,050,000 in June of 2007, with Low and Moderate Income Housing Funds, which are redevelopment tax increment funds set aside for the purpose of creating and increasing the supply of low and moderate-income housing. The Commission’s objective in pursuing the AHPDA is to effectuate the implementation of certain affordable housing goals developed under a former Redevelopment Plan. The subject property (the “Site”) which is covered by the proposed Agreement is located at 9303 – 9309 Elm Vista Drive, Downey, California.

The Site is 18,583 square foot parcel and is located on the north side of Elm Vista Drive, east of Bellflower Blvd (Figure 1 and Figure 2). The Site consists of one parcel of land (APN: 6284-020-900). The project site is currently developed with four detached 2 bedroom- one bath residential units. These units were built between 1955 and 1957. The property is located on a residential cul-de-sac street and the neighborhood and adjacent properties are primarily developed with uses consistent with the R-3 zoning Medium Density Residential (“MDR”) classification. The existing buildings will be demolished in order to accommodate the proposed project.

#### PROPOSED PROJECT

The proposed AHPDA will facilitate the disposition and development of the Site. The AHPDA requires that the Developer purchase the Site from the Commission and develop the Site with “For-Sale” residential units made available and affordable to low-income households. The proposed project will result in the development of seven (7) new three (3) bedroom two (2) bath units with approximately 1,215 square feet of living area per residential unit. In addition, each unit will have a two (2) car garage attached to the residential unit; the development will also provide a minimum of four (4) visitor parking spaces on site.

The proposed project also implements a development model which supports a self-help approach to home ownership and utilizes a wide range of community and volunteer participation in the build out of the seven (7) housing units.

## **FINANCIAL ASPECTS OF THE AHPDA**

The proposed AHPDA (attached hereto as Exhibit "A") requires the Developer to purchase the Site from the Commission for not less than the fair market value as determined by a certified property appraisal. Under the proposed AHPDA, the Commission will provide the Developer with a property acquisition loan in the amount equal to the purchase price of the Site, which is \$750,000. This loan will be evidenced by a promissory note and secured by a deed of trust against the property. The Promissory Note to the Developer will carry a zero interest rate and a repayment term which provides for the Developer to transfer 1/7<sup>th</sup> of the loan liability to each of the seven (7) buyers of the proposed residential units. Each subsequent buyer of the residential unit will assume the loan debt of the Developer provided that they meet the low income qualification standard specified within the development regulatory agreement. The term of the assumed loan is specified within the AHPDA.

The AHPDA obligates Developer to perform the following:

1. Pay certain share of costs of to close escrow, and costs related to providing an ALTA title insurance policy.
2. Meet certain performance and compliance thresholds throughout the development phase of the 7 unit residential project.
3. The sale of the units to only eligible low income households. With the sale price established at an affordable sale price as defined in the AHPDA
4. Secure all financing commitments to complete the development of the project with the methods of financing identified in the AHPDA.
5. Provide for the relocation of existing renter households residing within three of the residential units,
6. Obtain the required entitlement from the City of Downey, to develop 7 new 1,215 square foot residential units per schedule identified in the AHPDA.
7. Allow for the recordation of an affordable housing regulatory agreement which establishes the 45 year period of affordability.
8. Implement a development model which champions a self-help approach to home ownership and utilizes a wide range of community and volunteer participation in the build out of the seven (7) housing units.

9. Record low income covenants on the parcel at the initial sale, subdivision, and each subsequent resale of the land, parcel or completed home; and require all buyers to sell to qualifying families or household of the same low income level of affordability as the original Developer and purchasers.

In consideration of the Developer’s investment of its resources, expertise, and risk in the proposed project, the AHPDA sets forth specific obligations of the Commission. The AHPDA requires the Commission to perform as follows:

1. The Commission shall provide the financing in the amount of \$750,000 for the Developer to purchase the Site. The main terms and conditions of this debt have been previously identified in this report.
2. The Commission shall provide oversight and guidance to Developer. Such support is limited in scope but may include supporting the Developer efforts to secure certain project financing including the federal HOME grant from the City of Downey.

## **ECONOMIC ANALYSIS OF THE PROPOSED PROJECT**

The following analysis of the project follows the format under Section 33433 of the California Redevelopment Law:

### **1. Cost of Project to the Commission:**

a.	Land Acquisition Cost:	\$	1,050,000
b.	Clearance Costs (est.):	\$	0
c.	Relocation Costs:	\$	0
d.	Public Improvement Costs:	\$	0
e.	Interest Cost on Commission Loan	\$	0
g.	Other (est.)	\$	9,500
	<b>Gross Cost to Commission</b>	<b>\$</b>	<b>1,059,500</b>

### **Adjustments**

a.	Less Repayment of Commission Loan	\$	<u>750,000</u>
	<b>Net Cost to Commission</b>	<b>\$</b>	<b>309,500</b>

The net cost of the project to the Commission is \$309,500. The Commission will provide the Developer a \$750,000 land loan at zero interest rate with repayment terms to coincide with the resale of each unit to eligible low income households. Those costs associated with site clearance and relocation will be funded by the City of Downey a separate public entity, and the source of those funds shall be HOME Investment Partnership Grant funds, which are allocated by the U.S. Department of Housing and Urban Development (“HUD”) and administered by the City of Downey.

**2. Estimated value of the interest to be conveyed determined at highest and best use Permitted under the Plan**

The estimated value of the Site to be conveyed under the AHPDA was determined by an appraisal conduct by Appraisal Power and completed on May 21, 2015. Based on this appraisal report, the fair market value of the Site is \$750,000 or approximately \$40.39 per square foot. The fair market value of the Site takes into consideration the uses and development potential permitted under the City of Downey zoning code. The Site is situated in the City's R3 Zone which permits MDR developments. Recent sales of comparable properties, in the immediate area, were used as the basis for determining the fair market value of the subject property. The market for the subject neighborhood is rated to be average with average availability of favorable financing. Marketing times are reasonable for properties in the neighborhood and sell between one to three months. Although the comparable properties cited on the appraisal report range from \$660,000 to \$690,000, positive adjustments were given to the subject site that increased the market value of the subject site to \$750,000; some of the positive adjustments included the size of the lot, size of the existing residential units, and the separation between residential units. Even with the positive adjustments, the fair market value of the subject site is 29 percent lower than the purchase price paid by the Commission in 2008. This deviation in property value is primarily the direct result of decline in property values following the real estate market devaluation in 2008. Therefore, no further analysis is required under the Redevelopment Law.

**3. Estimated value of interest to be conveyed subject to the terms and conditions of the AHPDA.**

The estimated value of the interest to be conveyed under the Affordable Housing and Property Development Agreement (AHPDA) restrictions would not be less than the market value of the Site.

The estimate is subject to the terms under the AHPDA, which includes a number of rights and restrictions associated with the proposed use of the Site, and is also a function of the economics for the specific development which requires the developer to construct 7 residential housing units for low income households. As structured in the AHPDA, there is no quantitative difference between the proposed sale price and the estimated value of conveyed interest.

The Community Development Commission (the Commission) shall have vested interest in the project by conveying its interest to the Developer in the form of a deferred loan for a period of 45 years; the loan shall be secured by a various documents including a Promissory Note, Deed of Trust and Declaration of Covenants, Conditions and Restrictions. After completing the construction of 7 residential units, the conveyed interest will be assumed proportionally by 1/7 to each of the 7 approved low income homebuyers.

The project Developer is the development partner of Habitat For Humanity of Greater Los Angeles, a non-profit developer and advocate for homeownership opportunities for

low income households. Essentially, under the terms and conditions of the proposed Agreement, each of the housing units must remain affordable to low income households for a period of 45-years.

The Developer's proposal to construct 7 residential units to low income households will cost approximately \$3.1 million. An analysis of the Developer's pro forma and project budget was conducted and identified various funding sources to leverage the Commission's conveyed interest. The various funds totaling approximately \$2.35 million include the Donated In-Kind Gifts, the Developers Equity Investment, the WISH Grant, and Federal HOME CHDO Funds.

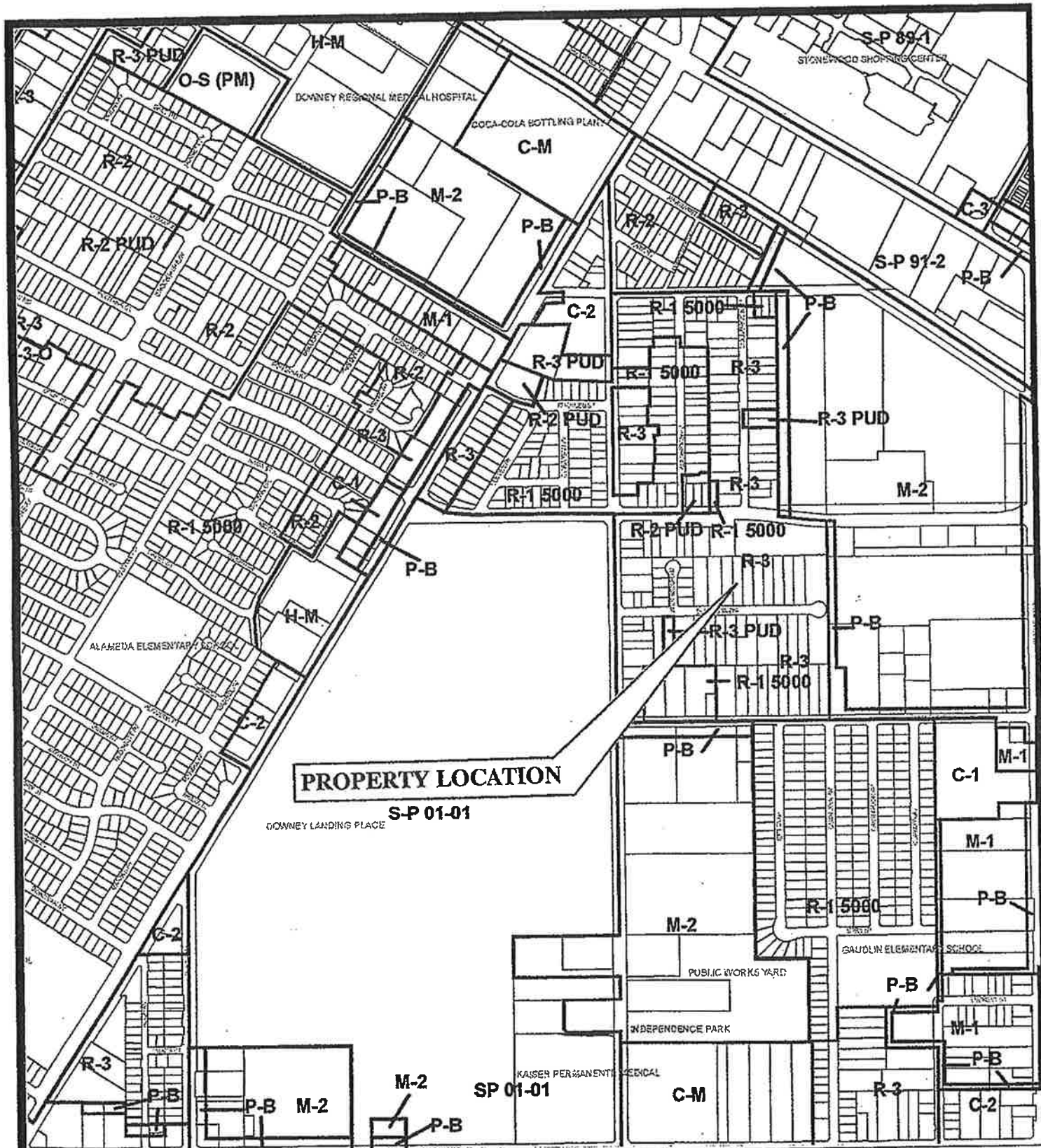
#### Consideration Received and Comparison with the Established Highest and Best Use

The Commission has determined that the provision of affordable homeownership units, as provided in the AHPDA, offers an immediate opportunity for expanding the supply of affordable housing in the community. The project will be developed in the near-term and it will maximize the site's ability to provide additional low and moderate-income housing in the community as intended in the Commission's Redevelopment Implementation Plan. With an estimated net present value of \$750,000, the total consideration to be received by the Commission is not less but equal to the highest and best use fair market value or value of interest to be conveyed.

#### **4. Explanation of the sale of the property will assist in the elimination of blight.**

This AHPDA is consistent with the objectives of a larger Redevelopment Plan designed to eliminate blight and revitalize the area affected in the former redevelopment Project Areas. The Site, which was assembled by the Commission in June 2007, has been off the tax roll since that time. The current residential commercial use on the Site is underutilized and existing structures are age obsolete, lack covered parking, do not meet current energy efficiency standards, and are in need of ongoing renovation. The sale to the Developer will result in a productive re-use and provide needed additional affordable housing for low income households. The proposed project is undertaken to comply with housing replacement and production requirements imposed on the Commission under California Redevelopment Law.

Attachments A: Property Appraisal  
B: AHPDA



Source: Zoning Map of the City of Downey, Updated on December 6, 2006.

Scale: 1" = App. 800'

FIGURE 1



Ocean Blue Engineers, Inc.

ZONING MAP

9303 - 9309 Elm Vista Drive  
Downey, CA 90242

Project No.  
1379.2007.01-01

Drawing No.  
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