

**City of Culver City, California
Agenda Item Report**

Meeting Date: 12/05/2011		Item Number: <u>JC-3</u>	
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD			
AGENDA ITEM:			
Approval of (1) an Exclusive Negotiation Agreement and (2) a License Agreement Between the City of Culver City, the Culver City Redevelopment Agency and Habitat for Humanity of Greater Los Angeles for the Development of the City/Agency-Owned Site located at 4044-4068 Globe Avenue for Low and Moderate Income Ownership Housing.			
Contact Person/Dept.: John Fisanotti Tevis Barnes		Phone Number: (310) 253-5767 (310) 253-5782	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public NotificationE-mail, Agenda and Meetings – City Council, and Redevelopment Agency (12/01/2011), Affordable Housing (11/28/2011), Habitat for Community of Greater Los Angeles (11/11/2011), All Residents and Business Within 500 Sq./Ft. of Project Site (11/22/2011 and 11/29/2011)			
Department Approval: Sol Blumenfeld: (11/22/11)		City Attorney Approval: Carol Schwab (by H. Baker) (11/28/11) Agency General Counsel Approval: Murray Kane: (11/21/11)	
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (11/29/11)		City Manager/Executive Director Approval: John Nachbar: (12/01/11)	
<u>RECOMMENDATION:</u> Staff recommends that the Agency Board participates in the deliberation regarding: 1. An Exclusive Negotiation Agreement (ENA) with Habitat for Humanity of Greater Los Angeles (Developer) related to a proposed Disposition and Development Agreement (DDA) for the construction of 10 affordable ownership housing units located at 4044-4068 Globe Avenue (Site); and, 2. A License Agreement with the Developer to allow the Developer the opportunity to conduct due diligence on the City-owned property located at the Site. Staff recommends that the City Council: 1. Approve an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity of Greater Los Angeles (Developer) related to a proposed Disposition and Development Agreement (DDA) for the construction of 10 affordable ownership housing units located at 4044-4068 Globe Avenue (Site); and,			

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2. Approve a License Agreement with the Developer to allow the Developer the opportunity to conduct due diligence on the City-owned property located at the Site.

BACKGROUND:

In 2005, the Culver City Redevelopment Agency (Agency) acquired seven surplus properties using Housing Set Aside Funds located at 4044-4068 Globe Avenue from the California Department of Transportation (Caltrans) for \$3.1 million for the purpose of developing low and moderate income housing.

On March 17, 2008, the Agency Board reviewed and approved implementation of Years 1 and 2 of the Comprehensive Housing Strategy (CHS) in order to prioritize affordable housing project development and allocate funding.¹

On November 22, 2010, the Agency Board authorized the release of a Request for Proposals (RFP) to solicit qualified housing developers to develop the Site. On June 13, 2011, the City Council/Agency Board approved the selection of the Developer to create low and moderate income ownership housing and directed staff to negotiate the terms and condition of the ENA for the preparation and execution of a DDA. The City Council directed staff to examine reducing the number of required units to ten.

DISCUSSION:

Proposed Project

The proposed project consists of ten for-sale affordable single-family townhome units consistent with the property's R-2 zoning. The townhome driveways will retain as much street parking as possible and maintain the existing street trees to the extent possible. The townhomes consist of two different floor plans, 4 bedrooms - 2.5 bathrooms, or 3 bedrooms - 2.5 bathrooms. All townhomes will be two stories with the living space on the first floor and the bedrooms on the second floor. A covered carport will be supplied to each townhome. One of the townhome units will be fully accessible with a downstairs bedroom and full bathroom. All townhomes will incorporate energy saving appliances and will be constructed using sustainable materials, environmentally-friendly building practices, and solar panels. The townhomes will be built to the LEED Silver residential standard and will be at least 10% more efficient than Title 24 requirements.

Five of the townhomes will be sold to low-income buyers (50%-80% of Area Median Income), and five of the townhomes will be sold to moderate-income buyers (less than 120% of Area Median Income). Each townhome will carry a 45-year affordability restriction per California Redevelopment Law (California Health and Safety Code Section 33334.3 (f)(1)(B)).

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Exclusive Negotiation Agreement

The Exclusive Negotiation Agreement shall remain in effect for 120 days commencing from the 36th day of the effective date of the agreement.

The key general terms and provisions of the ENA are set forth below:

- Monthly Status Reports. The Developer shall provide monthly status reports to the City. These reports shall include progress associated with the Schedule of Performance, identification of the issues raised by community residents and the Developer's progress in addressing those issues, and Developer's efforts to secure qualified buyers for the Project.
- Financial Analysis. The Developer shall provide the City with a detailed financial analysis for the Project including a detailed development cost budget, proposed sales prices, and a detailed operating income and expense estimate for maintenance of the common areas.
- Submittal and Review of Conceptual Plans. The Developer shall submit to the City conceptual plans for the development of the Site
- City's Planning Process. The Developer, at its sole cost and expense, shall submit to the City's Planning Division such plans as are necessary to conduct the review for the Project.
- California Environmental Quality Act (CEQA) Compliance. The Developer, at its sole cost and expense, shall be responsible for compliance with CEQA in connection with the development of the Site and the Project.
- Community Meetings. The Developer shall conduct three community meetings in connection with Project entitlements. In addition, the Developer shall meet with the Advisory Committee on Redevelopment.
- Disposition and Development Agreement (DDA) Process. If the negotiations culminate in a DDA, such an agreement becomes effective only after a DDA has been considered and approved by the City Council after a public hearing.
- City's Right to Additional Information. The City reserves the right, during the Term of this Agreement, to request reasonable additional information and data from the Developer necessary for review and evaluation of the Site and the Project.
- Hazardous Materials and Site Conditions. The Developer shall be solely responsible for all necessary testing of the Site for hazardous materials pursuant to all applicable laws, statutes, rules and regulations.
- Developer's Due Diligence. Developer shall have the right to examine, inspect and investigate the Site to determine whether the Site is acceptable to Developer, which right of Developer is subject to and conditioned upon the terms and provisions of the License Agreement incorporated as an Exhibit to the ENA.
- City Not Responsible for Costs. Except as otherwise may be mutually agreed to in writing by the Parties, as part of this Agreement or the DDA, neither the City nor the Agency shall be liable for any costs and expenses associated with the preparation of any reports to be prepared by the Developer or the

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planning or development of the Site pursuant to or arising from this Agreement.

California Supreme Court Stay

Because of the stay issued by the California Supreme Court on 08/11/2011, the Agency is prevented from taking action on certain items until the Court renders a decision (expected by January, 2012) in the case of California Redevelopment Association et al v. Matosantos et al. Pursuant to the Cooperation Agreement between the Agency and the City, the City has full authority to enter into the ENA with the Developer. Therefore, the Agency Board is only participating in the deliberations regarding the proposed ENA and License Agreement.

FISCAL ANALYSIS:

The Agency expended \$3,100,000 to purchase the Globe Avenue site from Caltrans in 2005. The total construction budget is \$3,400,000, which equals approximately \$340,000 per unit. The Developer is seeking the contribution of the property and financial assistance from the City, using former Low-Moderate Income Housing funds, in the amount of \$1,565,000. There are sufficient funds appropriated in the FY 2011-12 Budget (48297410) to fund this assistance.

In addition to assistance from the City, the Developer will draw project funding from the following sources: 1) Corporate/Faith Sponsorship in the amount of \$600,000, 2) A conventional loan in the amount of approximately \$1,160,000, and 3) WISH Program funds in the amount of \$75,000. Corporate/Faith Sponsorship are grant funds that are awarded from Habitat for Humanity International. These sponsors also will participate in building the homes. The Developer is also willing to apply for Cal HOME funds from the State of California if funding becomes available next year. If awarded, these funds could be used to reduce the City's level of financial participation. The Cal HOME Program provides up to \$60,000 per unit.

At the beginning of Fiscal Year 2010/2011, the fund balance in the Agency's Housing Set Aside Fund was approximately \$17,000,000. Pursuant to the Cooperation Agreements, the site was conveyed from the Agency to the City, and those Former Agency Funds are now held by the City and will be used to support the development of the proposed Globe Avenue project.

ATTACHMENTS:

1. Exclusive Negotiation Agreement
2. License Agreement

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MOTION:

That the City Council:

1. Approve an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity of Greater Los Angeles for the preparation of a Disposition and Development Agreement for the development of 10 affordable ownership housing units located at 4044-4068 Globe Avenue; and,
2. Approve a License Agreement with Habitat for Humanity of Greater Los Angeles and City to perform due diligence on the City-owned property located at 4044-4068 Globe Avenue; and,
3. Authorize the City Attorney/City Special Counsel to review/prepare the necessary documents; and,
4. Authorize the City Manager to execute such documents on behalf of the City.

NOTES:

¹ The CHS identifies housing sites and development costs and allocates monies from the Housing Set Aside Fund in an effort to improve the City's affordable housing stock and meet housing production requirements under the Regional Housing Needs Assessment (RHNA) planning period. Under RHNA, over the next seven years, the City must create 504 units of housing with 294 of those units being designated for very-low, low and moderate households. The Agency-owned site located at 4044-4068 Globe Avenue is one of 3 sites identified under Years 1-2 of the CHS.