

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

Meeting Date: January 30, 2012		Item Number: JPH-1	
JOINT CITY COUNCIL/CULVER CITY HOUSING AUTHORITY AGENDA ITEM: PUBLIC HEARING For - (1) Adoption of a City Council Resolution Making Certain Findings and Approving a Disposition and Development Agreement and the Sale of Property at 4044-4068 Globe Avenue, Culver City to Habitat for Humanity of Greater Los Angeles; and (2) Adoption of a Housing Authority Board Resolution Making Certain Findings and Approving a Disposition and Development Agreement with Habitat for Humanity of Greater for the Construction of 10 Affordable Ownership Units located at 4044-4068 Globe Avenue, Culver City; and (3) Approval of a Budget Amendment Appropriating Housing Set Aside Funds.			
Contact Person/Dept.: Tevis Barnes John Fisanotti		Phone Number: (310) 253-5782 (310) 253-5767	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☐		Date:	
Public Notification Notice by US Postal Service to all property owners/occupants and businesses within a 500 foot radius of the site (approximately 490 recipients) (1/12/2012 and 1/23/2012); and by e-mail to the Master Notification List (1/27/2012) and published on in the Culver City News on January 12, 2012 and January 19, 2012. Meetings and Agendas – City Council (1/27/2012.)			
Department Approval: Sol Blumenfeld: (01/26/12)		City Attorney Approval: Carol Schwab (01/26/12) Agency General Counsel Approval: Murray O. Kane: (01/26/12)	
Chief Financial Officer Approval: Jeff Muir (01/26/12)		City Manager/Executive Director Approval: John M. Nachbar (01/26/12)	
<u>RECOMMENDATION:</u> Staff recommends the City Council: (1) Adopt a resolution pursuant to Section 33433 of the California Health and Safety Code making certain findings and approving a Disposition and Development Agreement and the sale of 4044-4068 Globe Avenue, Culver City, which was purchased by the Culver City Redevelopment Agency with Housing Set Aside Funds (Attachment No. 1); and (2) Approve a budget amendment appropriating \$1,262,500 from the Housing Set Aside Fund (which are now held in one of the City's Special Revenue Fund). A budget amendment requires 4/5ths vote.			

City of Culver City, California
Agenda Item Report

Staff recommends the Housing Authority Board:

- (1) Adopt a resolution making certain findings and approving a Disposition and Development Agreement (DDA) (Attachment No. 3) between the Culver City Housing Authority Board (CCHA Board) and Habitat for Humanity of Greater Los Angeles (Developer) for the sale of 4044-4068 Globe Avenue, Culver City and subsequent development of 10 ownership affordable housing units. (Attachment No. 2)

PROCEDURE:

- (1) Presiding Officer seeks motion from the City Council to receive and file the affidavit of publication of notice and all correspondence received in response to the public hearing notices (Attachment No. 5).
- (2) Presiding Officer calls for a staff report and/or poses questions to staff as desired.
- (3) Presiding Officer opens the public hearing.
- (4) Presiding Officer seeks motion to close the Public Hearing after all audience testimony, including any written testimony, has been presented.
- (5) City Council consider the draft DDA and the proposed sale of the property and arrives at their respective decisions.
- (6) Housing Authority Board consider the draft DDA and the proposed sale of the property and arrives at their respective decisions

BACKGROUND:

General Information:

In 2005, the Culver City Redevelopment Agency purchased the Site comprised of seven surplus properties from the California Department of Transportation (Caltrans) for \$3.1 million with Housing Set Aside Funds. The properties were acquired by Caltrans as part of widening of the 405 Freeway. Caltrans is required to dispose of surplus residential property at less than fair market value to a governmental entity that will use the property for low and moderate income housing purposes.

On June 13, 2011 the City Council and Agency Board approved the Developer to create low and moderate income ownership housing and directed staff to negotiate the terms and conditions of an Exclusive Negotiation Agreement (ENA) for the preparation of a DDA. Additionally, Council directed staff to examine reducing the number of required units to 10.

The City Council approved an Exclusive Negotiation Agreement (ENA) with the Developer on December 5, 2011 related to a proposed DDA for the construction of 10 affordable ownership housing and acquisition of the Site.

City of Culver City, California
Agenda Item Report

Comprehensive Housing Strategy

In March 2008, the Culver City Redevelopment Agency (Agency) reviewed and approved the implementation of Years 1-2 of the Comprehensive Housing Strategy (CHS)¹ in order to prioritize affordable housing project development to address the Regional Housing Needs Assessment requirement and allocate funding.² The approval of the DDA for the Globe project will bring the total of approved affordable housing units to 54.

DISCUSSION:

Site Description

The Globe site consists of seven lots and is zoned R-2, Residential Two Family which allows the development of up to two residential dwelling units per lot. The geometry of the lots created by the freeway and Edison easements resulted in a substandard depth or width for some of the lots. Consequently, it will be necessary to process the project application through a Comprehensive Plan.³ A 16.27 foot, non-buildable easement runs along the easterly property line which reduces the developable area to 27,369 sq. ft. The west, north and south sides of the Globe site are bound by single-family homes.⁴

Project Description

The proposed Project consists of 10 for-sale traditionally designed, affordable single-family townhome units consistent with the property's R-2 Zoning (Project). The townhomes will be 3 bedrooms/2 bathrooms. All townhomes will be two stories with the living space on the first floor and the bedrooms on the second floor. One of the townhomes 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 Leadership in Energy and Environmental Design (LEED) Silver residential standard and will be at least 10% more efficient than Title 24 requirements.

The driveways are configured to prevent the removal of street trees and to retain as much street parking as possible. The current number of street parking available is 13 spaces. The proposed design will result in the loss of 2 street parking spaces reducing the number to 11. A covered carport or attached garage that accommodates two side-by-side parked cars will be supplied to each townhome. Conditions, Covenants, and Restrictions (CCRs) will be imposed on each unit requiring that the areas designated for parking must be maintained at all times to allow for the parking of one car to prevent the use of street parking. The project design will also include trash receptacle storage areas discouraging use of carports and garages for storage of trash containers.

Staff was directed by City Council on December 5, 2012 to pursue a Preferential Parking District for Globe Avenue and surrounding streets. The Public Works, Engineering Division is currently investigating the boundaries of the district and the hours of restriction. This

City of Culver City, California
Agenda Item Report

item is projected to be presented for City Council approval in February, 2012. The Developer is investigating the cost to purchase the enforcement signs on Globe Avenue which will be negotiated as part of the DDA.

Income and Affordability Restrictions:

Five of the townhomes will be sold to low-income buyers (50%-80% of Area Median Income or up to \$68,300 for a household of 4 persons) and 5 of the townhomes will be sold to moderate-income buyers (less than 120% of Area Median Income or up to \$76,800 for a household of 4 persons). Each townhome will carry a 45-year affordability covenant per California Redevelopment Law (California Health and Safety Code 33334.3 (f) (1) (B)).

Public Outreach:

A lengthy public outreach process commenced in 2009. The most recent community meeting was held on January 12, 2012 to obtain public input on the preliminary project design and planning.⁵ The next community meeting is scheduled for February 9, 2012. The Developer will also invite the Council and Globe residents to tour their projects and meet Habitat homeowners. City staff from Housing, Redevelopment, Planning, Code Enforcement and Building Safety conducted a tour of the Developer's Lawndale Project on June 24, 2011. The project was overall impressive and no concerns were noted.

Developer Description:

Habitat for Humanity International is the largest non-profit home builder in the United States. The organization's most noted volunteer and spokesperson is former President Jimmy Carter. Habitat for Humanity of Greater Los Angeles (Habitat) was formed on July 1, 1990 and has constructed and rehabilitated over 360 homes in Los Angeles County and 300 homes internationally. Based on a philosophy of involving the local community in their projects, the Developer engages over 10,000 volunteers annually. Habitat has raised \$30 million dollars in private donations and sponsorships and been awarded \$50 million dollars in Federal, State and local funding. Currently, they hold approximately \$18 million in assets. Uniquely, the Developer also acts as a mortgage lender and provides in-house no-interest mortgages to very-low and low-income home buyers. Through their in-house mortgage lending program, 200 mortgages have been issued with a default rate of less than 1% within the past 20 years. The revenue from these loans is used to fund additional loans.

Habitat will be the building contractor for the project and the organization will utilize volunteer labor in the construction of the homes. Additionally, the families selected to live in the house will be required to contribute 500 sweat equity hours (250 sweat equity hours for single or disabled households) toward the construction of their home and/or other Habitat for Humanity homes.

City of Culver City, California
Agenda Item Report

Cooperation Agreements

On January 15, 2011, the Culver City Redevelopment Agency and the City of Culver City entered into a Cooperation Agreement For Payment of Costs Associated With Certain RDA Funded Capital Improvements and Affordable Housing Projects ("Agency-City Cooperation Agreement"), which provides for the Agency's payment of costs incurred by the City to bring about the redevelopment of the Culver City Redevelopment Project Area, to accomplish various tasks set forth in the Redevelopment Plan and the Implementation Plan, and to increase, improve and preserve the community's supply of affordable housing.

On January 9, 2012, the City of Culver City approved a resolution pursuant to Assembly Bill No. 26 (2011-2012 1st Ex. Sess.) designating the Culver City Housing Authority to receive the assets and perform the housing functions previously performed by the Culver City Redevelopment Agency. Additionally, on January 9, 2012 the Culver City Housing Authority approved a resolution accepting the transfer of the housing assets and functions of the Culver City Redevelopment Agency.

Furthermore, the City and the Authority have prepared a Cooperation Agreement for Payment of Costs Associated With Certain Redevelopment Agency Funded Low and Moderate Income Housing Projects to provide for the Housing Authority's implementation of low and moderate income housing projects and programs and to make payments by the City to the Housing Authority for the cost of the Housing Authority to carry out the terms and conditions of the above Cooperation Agreement..

33433 Summary Report

The sale of the Site is subject to Article 11, Section 33430 et. seq. of the California Health and Safety Code, which requires: (1) a Notice of Public Hearing published for two weeks in the local paper; (2) a report pursuant to Section 33433 prepared and available to the public; a copy of the proposed sale. The summary report pursuant to Section 33433 is Attachment No. 3 and determines that the proposed sale of the Site to the Developer will assist in the elimination of blight and will provide housing for low and moderate income persons.

Environmental Determination

Pursuant to California Environmental Quality Act (CEQA) guidelines, initial review of the Project by staff established that there are no potentially significant adverse impacts on the environment and the Project has been determined to be exempt from CEQA pursuant to Sections 15192, 15194, and 15195 of the CEQA Guidelines (affordable housing and residential infill exemptions) and Categorically Exempt pursuant to Section 15332, Class 32 (In-Fill Development Projects). The project is consistent with applicable policies of the Low Density Two Family General Plan designation and R2, Residential Two Family Zoning regulations. Furthermore, the

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

project site is substantially surrounded by urbanized and residentially developed uses and so it has minimal potential as a habitat for endangered, rare or threatened species. Also, the approval of the project would not result in any significant impacts relating to traffic, noise, air quality, or water quality. A Notice of Exemption will be filed with the Los Angeles County Clerk's office upon approval of the above subject resolutions.

FISCAL ANALYSIS:

The Agency expended \$3.1 million to purchase the Site from Caltrans in 2005. The development costs for the project are estimated at \$3.4 million, which equals approximately \$336,000 per unit or \$249 per square foot of gross building area .

Based on an analysis conducted by the City's financial consultant, Keyser Marston Associates, Inc. (KMA), the Project requires the Developer to purchase the Site from the City for a sale price of \$751,000. In addition, the Project requires \$1.26 million in direct public financial assistance to achieve financial feasibility. The \$1.26 million in direct financial assistance, plus the \$751,000 in land costs, will be treated as a loan to the Developer. This equates to a \$2.01 million City loan, which will be converted into second trust deed mortgages to the home buyers as each unit is sold.

The Developer will obtain a \$1.4 million conventional construction loan and anticipates receiving \$75,000 in WISH Program funds offered by the Federal Home Loan Bank. In addition, the Developer is committing to receiving \$600,000 in Corporate/Faith Sponsorships grants that are awarded from Habitat for Humanity International from cash donations. In addition to the Corporate/Faith Sponsorship provided by Habitat for Humanity International, the Developer will outreach to local businesses/agencies to secure donation of materials, cash and volunteer builders. 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 assistance. The Cal Home Program provides up to \$60,000 per unit for units being sold to low income home buyers.

Based on the KMA analysis, the market rate sales price of the units is estimated at \$450,000 per unit. To make the homes affordable, the low-income affordable sales price is set at \$212,000 and the moderate-income affordable sales price is set at \$285,300. The Developer will provide first trust deed mortgage loans to the low-income buyers at a zero-interest rate and a 30-year repayment term. The moderate-income buyers will secure first trust deed mortgages from a list of lenders that have established relationships with the Developer.

Agency Financial Assistance	\$1,262,500
Conventional Loan	\$1,462,500
Corporate/Faith Sponsorship	\$ 600,000
<u>WISH</u>	<u>\$ 75,000</u>
Total Project Budget	\$3,400,000

City of Culver City, California
Agenda Item Report

To protect the income and affordability covenants being imposed on the Project, each home will be encumbered with a second deed mortgage. These mortgages will not be subject to interest and principal payment obligations until the homes transfer title. The amounts of the second trust deeds are set at \$238,000 for the low- income home buyers and \$164,700 for the moderate income home buyers, which totals \$2.01 million in second mortgages. The \$2.01 million in second mortgages will be payable to the City if the unit is resold on an unrestricted basis.

As of June 30, 2011, the cash balance of Housing Set Aside funds was \$19.6 million (\$16.6 million held by the City in fund 482 and \$3 million held by the Housing Authority). The subject site, 4044-4068 Globe Avenue, is a real estate asset purchased with the Housing Set Aside Funds and is currently held by the City in fund 482. The Globe Project is identified in the Cooperation Agreement approved by the City in January 2011 and \$2.5 million is earmarked for the Project. There are sufficient funds appropriated in the Fiscal Year (FY) 2011-2012 Budget (48297410) to fund the requested assistance.

MOTION:

That the City Council

1. Adopt a Resolution making certain findings and approving a Disposition and Development Agreement and the sale of 4044-4068 Globe Avenue, Culver City, which was purchased by the Culver City Redevelopment Agency with Housing Set Aside Funds, to Habitat for Humanity of Greater Los Angeles, pursuant to Section 33433 of the California Health and Safety Code; And
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City; and
4. Approve a budget amendment appropriating \$1,262,500 from the Housing Set Aside Funds (which are now held in one of the City's Special Revenue Funds).

A budget amendment requires a 4/5ths vote.

That the Housing Authority Board:

1. Adopt a Resolution making certain findings and approving a Disposition and Development Agreement between the Culver City Housing Authority and Habitat for Humanity of Greater Los Angeles for the 4044-4068 Globe Avenue, Culver City and the subsequent development of 10 affordable ownership residential units; and
2. Authorize Housing Authority Special Counsel to review/prepare the necessary documents; and
3. Authorize the Executive Director to execute such documents on behalf of the Housing Authority.

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

ATTACHMENTS:

1. Proposed City Council Resolution making certain findings and approving a Disposition and Development Agreement and the sale of 4044-4068 Globe Avenue
2. Proposed Housing Authority Resolution making certain findings and approving a Disposition and Development Agreement
3. Draft Disposition and Development Agreement between the Culver City Housing Authority and Habitat for Humanity of Greater Los Angeles
4. Summary Report pursuant to Section 33433
5. Affidavit of Proof of Publication

NOTES:

1. In March 2008, the Agency Board reviewed and approved the implementation of Years 1-2 of the Comprehensive Housing Strategy (CHS). The CHS intends to improve the City's affordable housing stock and meet housing production requirements under the Regional Housing Needs Assessment (RHNA) through the use of Redevelopment Agency Housing Set Aside Funds. The purpose of the Housing Set Aside Fund is to "preserve, improve and increase the supply of affordable housing" (Health and Safety Code Section 33334.2(a)).

Culver City's RHNA requirement over the next 7 years is 504 housing units, with 294 units designated for very-low, low and moderate income households.

The CHS is based on the concept of mixed-income, low-density, scattered site affordable housing developments. Based upon the RHNA requirements, the City must annually develop approximately 17 units of very-low income, 10 units of low-income and 11 units of moderate income housing. During the last RHNA cycle, the City only produced 29% of its allocation of 650 units. Since 2000, the City, on average, only creates 8.1 units of multi-family housing per year and has only created twenty-three (23) units of affordable housing.

Regional Housing Needs Assessment Goals for Culver City

Number of Units	Income Category	% of Area Median Income*	Max. Income Limits+
129	Very-low	50	\$42,150
80	Low	80	\$68,300
85	Moderate	120	\$76,800
211	Above Moderate (Market)	Above 120	Unrestricted

***2011 Los Angeles Median Income = \$63,000**

+Income Limits based upon a household size of four (4) persons

2. 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 three sites identified under Years 1-2 of the CHS.

The housing production sites approved for implementation under Years 1 -2 of the CHS are depicted in the chart below. These sites have the potential to yield 71 units which include 54 units designated for very-low, low and moderate income households. On July 26, 2010, the Agency Board approved

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

an Affordable Housing Agreement for the development of the 4043 Irving Site. This project will yield 28 units of housing with 12 units of affordable housing. On March 21, 2011, the Board approved a Disposition and Development Agreement (DDA) for the development of 32 units of very-low, low and moderate income affordable housing units and 10,700 sq./ft. of commercial space with Los Angeles Housing Partnership.

CHS – Years 1 – 2

SITE	UNITS	HOUSING TYPE	AFFORDABILITY
4044-4068 Globe Avenue	10	Townhomes/ Ownership	5 moderate 5 low
4043 Irving Place*	28	Rental Housing Units	16 market 9 moderate 3 low
11042- 11056 Washington Blvd.	33	Mixed-use/Rental	12 moderate 6 low 14 very low 1 manager
Total	71		16 market 1 manager 26 moderate 14 low 14 very low

3. Per Section 17.560 of the Zoning Code, a Comprehensive Plan allows for more effective project design in response to site features, including oddly configured or substandard lots. The Comprehensive Plan provides a description of development standards, preliminary site plans with the intent to allow flexibility in the project design in order to create a harmonious environment with surrounding uses.
4. The total easement is comprised of a 16.27 foot easement for the freeway retaining/sound wall footing and ten feet power line easement for Southern California Edison).
5. The Advisory Committee on Redevelopment (ACOR) reviewed the project on January 8, 2009 and March 5, 2009. Public meetings on the project demolition were held on March 16, 2009, and October 5, 2009. The selection of the developer was presented to Council on June 13, 2011. For each of the above activities, public notices were transmitted to all residents and businesses within a 500 foot radius of the Globe Site. The above meetings produced the following public comments:
 - Twelve units is too dense for the neighborhood
 - Ten units is still too dense for the neighborhood
 - Additional driveways would eliminate street trees
 - Additional driveways would decrease street parking in front of Globe Site
 - Desire to establish a preferential parking district to discourage parking intrusion from adjacent commercial uses

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

- Tandem parking garages will not be used
- Only moderate income units
- The homes should be finished in stucco to match the majority of homes across the street from the site

As note in the above Project Description, the project design preserves all the streets, eliminates tandem on-site parking, reduces the Project density from the originally proposed 12 to 10 units, and results in the loss of only 2 on-street parking spaces. Additionally, the Developer is investigating a siding material that has the same texture as stucco.

⁶ **Estimated Project Development Cost and City Financial Assistance are depicted below:**

Units	Total Development Cost	Financial Assistance
10	\$3,364,000	\$1,262,500
Per Unit Cost		
10	\$336,000	\$126,250
Per Sq./ Ft. Cost (based on GBA=13,500)*		
10	\$249	\$94

***Gross building area**

⁷ **Market Value**

Buyer	Market Value*	Affordable Price	Silent Second	Total
Low Income	\$450,000	\$212,000	\$238,000	\$450,000
Moderate	\$450,000	\$285,300	\$164,700	\$450,000

***Affordable Price + Silent Second = Market Value**

⁸ **Second Trust Deeds Mortgages (silent second)**

\$238 X 5 = \$1,190,000 (moderate income second trust deed mortgage)

+

\$164,700 X 5 = \$823,500 (low income second trust deed mortgage)

=

\$2,013,000