

**SUMMARY REPORT PURSUANT TO HEALTH AND SAFETY CODE
SECTION 33433 ON THE DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN THE COUNTY OF CONTRA COSTA AND
COMMUNITY HOUSING DEVELOPMENT CORPORATION
OF NORTH RICHMOND**

I. Introduction.

The County of Contra Costa (the "County"), acting in its capacity as housing successor to the dissolved Contra Costa County Redevelopment County under Health and Safety Code Section 34176, has prepared a summary report (the "Summary Report") as required by Section 33433 of the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Law"), with regards to the County's execution of a Disposition and Development Agreement ("DDA") by and between the County and Community Housing Development Corporation of North Richmond ("CHDC") for the sale of specified parcels of real property (the "Property") to CHDC and the development of the Heritage Point Development, with 42 affordable multi-family units (the "Development") in the North Richmond Project Area in the unincorporated County. A second phase of the project is contemplated to include an approximately 900 square foot commercial/retail space.

Section 33433, requires that if the County, in its capacity as housing successor, desires to sell or lease property to which it holds title and the property was acquired in whole or in part with property tax increment funds, the County must first secure approval of the proposed sale from the Board of Supervisors after a public hearing. A copy of the proposed DDA and a summary report that describes and contains specific financing elements of the proposed transaction is required to be available for public inspection prior to the public hearing. As contained in the Code, the following information is included in the summary report:

- The cost of the DDA to the County, including land acquisition costs, clearance costs, relocation costs, and the costs of any improvements to be provided by the County;
- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the North Richmond Project Area's Redevelopment Plan;
- The estimated value of the interest to be conveyed in accordance with the uses, conditions and covenants, and development costs required under the proposed DDA, i.e., the fair reuse value of the Property;
- An explanation of why the sale of the property will assist in the elimination of blight; and if the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the

redevelopment plan, then the County must provide as part of the summary an explanation of the reasons for the difference.

II. Summary of Proposed Agreement.

The proposed Development described in the DDA is a residential project with 42 affordable multi-family units. The units are proposed to be rent-restricted with units affordable to households earning 30%, 45% and 50% of area median income.

The former Redevelopment Agency selected CHDC to construct the Development. The salient aspects of the proposed DDA are summarized as follows:

- The County will convey the Property to CHDC in fee on an "as-is" basis.
- In order to render the Development financially feasible, the County will contribute a subsidy to the Development. The County's sources of subsidy are itemized in Section V of this report.
- CHDC will construct forty-two (42) multi-family residential units comprising of a minimum of five (5) units affordable to households earning up to 30% of Area Median Income, thirty six (36) units affordable to households earning up to 45% and 50% of Area Median Income, and one manager's unit.
- The Development will be restricted to Extremely Low and Very Low Income households for an initial term of 57 years (including two year construction time frame). A regulatory agreement will be recorded at the time the Property is conveyed to CHDC.
- Prior to the Close of Escrow, CHDC must have either sufficient funds on hand or loan commitments to fund the construction of the Development.

III. Cost of Agreement

This section presents the total estimated cost of the DDA to the County. Pursuant to California Health and Safety Code Section 33433 (a)(2)(B)(i), the cost of the DDA to the County includes all land acquisition costs, clearance costs, relocation costs, the cost of any improvements to be provided by the County, plus the interest on any loans or bonds to finance the project under the terms of the DDA. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

A. *Estimated Cost*

The estimated total cost to the County is approximately \$9.35 million. The County acquired the Property from the former redevelopment agency through Health and Safety Code Section 34176. As such, no funds from the County's Low and Moderate Income

Housing Asset Funds (established pursuant to Health and Safety Code Section 34176(d)) were used to acquire the Property.

County Costs	Total
Land Acquisition Cost (original purchase price) ¹	\$2,811,500
Holding costs (Property taxes)	\$13,836
Real Estate Staff costs	\$20,410
Clearance and Relocation Costs	\$42,693
County CDGB subsidy	\$2,948,000
County Housing Funds subsidy	\$1,000,000
County Housing Bonds subsidy	\$954,229
County Tax Increment subsidy	\$131,700
County Livable Communities subsidy	<u>\$1,432,830</u>
Total	\$9,355,198

B. Estimated Revenues

A portion of the County’s subsidy to the Development will be structured in the form of a loan to be repaid through residual operating cash flow generated by the Development to the extent available and will accrue interest at approximately 3%/year. It is estimated that over the course of the loan term, the County may receive on the order of \$3 million in loan repayments, expressed on a net present value basis.

CHDC will construct forty-two (42) multi-family residential units comprised of a minimum of five (5) units affordable to households earning up to 30% of Area Median Income, thirty six (36) units affordable to households earning up to 45% and 50% of Area Median Income, and one manager's unit.

It is anticipated that the Development will be exempt from property taxation.

C. Net Cost

The County's estimated costs under the DDA are approximately \$9.35 million. Thus, the County will have a net cost of approximately \$6.35 million (\$9.35 million gross cost less \$3 million in net present value loan payments).

IV. Estimated Highest and Best Use Value

This section presents an analysis of the fair market value of the Property at its highest and best use.

¹ The original purchase price for the Property included the value of improvements that were subsequently demolished. The current value of the Property is estimated at \$530,655 (see Section IV).

The highest and best use of a property is that use that generates the highest property value and is physically possible, financially feasible, and legally permitted. The value at highest and best use is based solely on the value created and not on whether or not that use carries out the redevelopment goals and policies for the County as set forth in the DDA. The fair market value of the property at its highest and best use has been estimated by a local real estate broker at \$530,655, or \$15 per square foot for the 35,377 square foot site. The broker’s opinion was based on comparable land sales in the local market within the past nine months.

V. Estimated Fair Re-Use Value

This section summarizes the fair reuse value of the interests to be conveyed to CHDC and the consideration being provided by CHDC. This section explains the principal conditions and covenants that CHDC must meet in order to comply with the Redevelopment Plan (the “Plan”) and indicates that the consideration being provided is not less than the reuse value. The DDA contains specific covenants and conditions designed to ensure that the conveyance of the Property will be carried out in a manner to achieve the County’s objectives, standards, and criteria under the Plan. Based on a financial feasibility analysis of the proposed Development, the County concludes that the fair reuse value of the Property is *negative* \$6.99 million. In other words, the Development would not be financially feasible without a County subsidy of \$6.99 million.

Reuse value is defined as the highest price in terms of cash or its equivalent that a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the DDA.

The development costs for the Development are estimated to be approximately \$26.4 million. Total development costs consist of: (1) land acquisition costs; (2) direct construction costs; (3) indirect soft costs (engineering, architecture, permits and fees, legal and accounting, taxes and insurance, developer fee, marketing, contingency); and (4) financing costs.

Development Costs	Total
Land Acquisition Costs	\$530,655
Direct Construction Costs	\$17,342,143
Indirect & Financing Costs	<u>\$8,552,256</u>
Total	\$26,425,054

Permanent sources of funds for the Development consist of a combination of permanent debt, tax credit equity, Developer contributions, and County subsidies:

Sources of Funds	Amount
Permanent Loan (Tranche A)	\$1,909,000
Permanent Loan (Tranche B)	\$5,557,000
Tax Credit Equity	\$9,778,786
Deferred Developer Fee	\$1,199,345
GP Equity/Sponsor Loan	\$983,509
County CDBG	\$2,948,000
County Housing Fund	\$1,000,000
County Housing Bonds	\$954,229
County Tax Increment	\$131,700
County Livable Communities Fund	\$1,432,830
County Land Contribution (current value)	<u>\$530,655</u>
Total Project Sources	\$26,425,054

Based on the area median income figures for Contra Costa County as determined by the State of California Department of Housing and Community Development, the total subsidy, or feasibility gap, of the Development can be allocated among the units as follows:

Income Level	Development Cost	Subsidy/Gap
Extremely Low	\$2,258,552	\$643,645
Very Low	\$23,564,222	\$6,024,119
Manager's Unit	<u>\$602,280</u>	<u>\$329,650</u>
Total	\$26,425,054	\$6,997,414

VI. Compensation which CHDC will be required to Pay

The County's loans will be repaid from a share of residual receipts generated by the Development. The compensation to be received by the County for the Property under the terms of the Agreement is estimated to be approximately \$3 million, expressed on a net present value basis.

VII. Explanation of the Difference (if any) between the Compensation to be paid to the County under the DDA and the Fair Market Value of the Property

Under Section 33433, if the compensation received for the Property is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the Plan, then the County must provide as part of this Summary Report an explanation of the reasons for the difference.

The County is providing subsidies totaling \$6.99 million, including the value of the Property, in order to render the Development financially feasible. The net present value of future payments the County will receive is estimated at approximately \$3 million. The

primary reason the County is not expected to receive full repayment for its financial contribution is that the Development's rents will be restricted for Extremely Low and Very Low Income households for a term of 55 years.

VIII. Effect on Blight Elimination

The proposed Development, when constructed, will assist in the elimination of blight in the North Richmond Project Area in the following ways:

- The Development will provide 42 units of affordable multi-family units restricted to Extremely Low and Very Low Income households for a term of 55 years; thereby increasing, improving, or preserving the supply of quality affordable housing in the community.
- The assembly of the parcels that will comprise the Development site, some of which were of an irregular shape and inadequate size and in multiple ownership such that development has been hindered for many years, will achieve a result that could not be achieved by the private sector acting alone.
- The prevalence of depreciated values and impaired investments.
- The Development will bring new infrastructure, new economic investment and new high quality residential development to an area that currently experiences significant manifestations of blight in the forms of substandard housing, inadequate infrastructure, inappropriate land uses, high criminal activity, lower incomes and high unemployment.
- Revitalization of the North Richmond Project Area.