

**FIRST AMENDED AND RESTATED SUMMARY REPORT PURSUANT TO  
HEALTH AND SAFETY CODE SECTION 33433 ON THE DISPOSITION,  
DEVELOPMENT, AND LOAN AGREEMENT  
BY AND BETWEEN THE COUNTY OF CONTRA COSTA AND  
AN AFFILIATE OF COMMUNITY HOUSING DEVELOPMENT  
CORPORATION OF NORTH RICHMOND**

I. Introduction.

On May 8, 2017 the County of Contra Costa (the "County"), acting in its capacity as housing successor to the dissolved Contra Costa County Redevelopment Agency under Health and Safety Code Section 34176, approved a summary report (the "Original 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 ("Original 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 "Site") to CHDC and the development of the Heritage Point Development, with 42 affordable multi-family units (the "Development") and 9,000 square feet of commercial and retail improvements (the "Commercial Improvements"), in a unified development in the North Richmond Project Area in the unincorporated County. The County intends to subdivide the Site to facilitate the construction of the Development on a portion of the Site (the "Property") and the Commercial Improvements on the remainder of the Site.

This First Amended and Restated Summary (the "Amended and Restated Summary") amends and restates the Original Summary Report for the consideration of a Disposition, Development, and Loan Agreement (the "DDLA") by and between the County and Heritage Point A/G, L.P., (the "Developer"), a California limited partnership in which a CHDC affiliate is the general partner. The DDLA proposed for consideration supersedes the Original DDA with respect to the construction of the Development, and to reflect the affiliated entity purchase, and the County financing of the Development. The County intends to enter into in a subsequent disposition and development agreement with CHDC (or a wholly owned affiliate) which will amend and restate the Original DDA with respect to the construction of the adjacent Commercial Improvements (the "Amended and Restated DDA").

The purpose of this Amended and Restated Summary is to reflect the changes which have occurred since the Original Summary Report was issued. The major changes are as follows:

- a. The County will enter into the DDLA with the Developer and will convey the Property to the Developer.
- b. The County will provide a total of up to \$7,791,339 in assistance to the Developer

to complete the construction of the Development.

- c. The County will subsequently negotiate and execute the Amended and Restated DDA with CHDC (or a wholly owned affiliate) for the Commercial Improvements. The County will provide an update to this Amended and Restated Summary if necessary at such time.

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 DDLA 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 DDLA 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 DDLA, 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 affordable housing units in the proposed Development described in the DDLA 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. CHDC formed the Developer to facilitate the construction of the Development and to qualify for certain financing. The salient aspects of the proposed DDLA are summarized as follows:

- The County will convey the Property to the Developer 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.
- The Developer 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 a two year construction time frame). A regulatory agreement will be recorded at the time the Property is conveyed to the Developer.
- Prior to the Close of Escrow, the Developer 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 to the County of the DDLA and the estimated costs to the County of the Amended and Restated DDA known at this time. The County will provide an update to this Amended and Restated Summary if necessary. Pursuant to California Health and Safety Code Section 33433 (a)(2)(B)(i), the cost 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 Development under the terms of the DDLA. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the DDLA exceed expenditures.

#### A. *Estimated Cost*

The estimated total cost to the County is approximately \$9.83 million. The County acquired the Site 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 Fund (established pursuant to Health and Safety Code Section 34176(d)) were used to acquire the Site.

| County Costs   | Total       |
|--|-------------|
| Site Acquisition Cost (original purchase price) <sup>1</sup> | \$2,811,500 |
| Holding costs (Property taxes)                               | \$13,836    |
| Real Estate Staff costs                                      | \$20,410    |
| Clearance and Relocation Costs                               | \$42,693    |
| Direct Predevelopment costs                                  | \$30,190    |

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

|                                    |                     |
|------------------------------------|---------------------|
| County CDGB subsidy                | \$2,900,000         |
| County HOME subsidy                | \$51,925            |
| County Housing Funds subsidy       | \$1,790,000         |
| County Housing Bonds subsidy       | \$954,229           |
| County Tax Increment subsidy       | \$131,700           |
| County Livable Communities subsidy | \$1,432,830         |
| <b>Total</b>                       | <b>\$10,179,313</b> |

**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.

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

**C. Net Cost**

The County's estimated costs are approximately \$10.18 million. Thus, the County will have a net cost of approximately \$7.18 million (\$10.18 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 Site at its highest and best use.

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 DDLA and Amended and Restated DDA. The fair market value of the Site 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 by the County and the consideration being provided to the County. This section explains the principal conditions and covenants that must meet under the DDLA and Amended and Restated DDA 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

DDLA contains (and the Amended and Restated DDA will contain) specific covenants and conditions designed to ensure that the conveyance of the Site 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 of the Site, the County concludes that the fair reuse value of the Site is *negative* \$7.44million. In other words, the development of the Site as proposed would not be financially feasible without a County subsidy of \$7.44 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 agreement between the County and the developer.

The development costs for the Site are estimated to be approximately \$26.8 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 Residential  | \$464,325           |
| Land Acquisition Costs - Commercial | \$66,330            |
| Direct Construction Costs           | \$17,342,143        |
| Indirect & Financing Costs          | <u>\$ 9,346,181</u> |
| Total                               | \$27,218,979        |

Anticipated sources of funds for the development of the Site 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                              | \$2,900,000      |
| County HOME                              | \$51,925         |
| County Housing Fund                      | \$1,790,000      |
| 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                    | \$27,218,979     |

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 of the Site can be allocated among the units in the Development as follows:

| Income Level   | Development Cost | Subsidy/Gap      |
|----------------|------------------|------------------|
| Extremely Low  | \$2,353,072      | \$738,165        |
| Very Low       | \$24,244,730     | \$6,704,627      |
| Manager's Unit | <u>\$621,177</u> | <u>\$348,547</u> |
| Total          | \$27,218,979     | \$7,791,339      |

VI. Compensation which the Developer will be required to Pay

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

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

Under Section 33433, if the compensation received for the Site 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 Amended and Restated Summary Report an explanation of the reasons for the difference.

The County is providing subsidies totaling approximately \$7.91 million, including the value of the Site, in order to render the development of the Site 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, and thus the net operating income generated by the Development will be insufficient to support full repayment of the County subsidies.

#### VIII. Effect on Blight Elimination

The proposed development of the Site, when completed, 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 Commercial Improvements will provide needed retail services to the community and the Development.
- The assembly of the parcels that comprise the Site, some of which are 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 development of the Site will be a positive counter to the prevalence of depreciated values and impaired investments in the surrounding area.
- The development of the Site will bring new infrastructure, commercial 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 and commercial enterprises, inappropriate land uses, high criminal activity, lower incomes and high unemployment.
- The Development of the Site will contribute to the revitalization of the North Richmond Project Area.