

**SUMMARY REPORT PURSUANT TO SECTION 33433
OF THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW
ON THE MASTER DEVELOPMENT AGREEMENT, AND
DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT-SITE A/PHASE 1
BY AND BETWEEN
CONTRA COSTA COUNTY, HOUSING SUCCESSOR TO THE FORMER
REDEVELOPMENT COUNTY, AND PACIFIC WEST COMMUNITIES**

I. INTRODUCTION

California Health and Safety Code, Section 33433 (the “Code”), requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale from its local legislative body after a public hearing. The Code also requires a copy of the proposed Master Development Agreement (MDA), Disposition, Development and Loan Agreement (“DDLA”)-Phase 1, and a summary report that describes and contains specific financing elements of the proposed transaction to be available for public inspection prior to the public hearing. As required by the Code, the following information is included in this summary report:

- The cost of the MDA and DDLA to the redevelopment agency/housing successor, including land acquisition costs, clearance costs, relocation costs, and the costs of any improvements to be provided by the agency;
- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the redevelopment plan;
- The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed MDA/DDLA, i.e., the reuse value of the site;
- 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 agency shall provide as part of the summary an explanation of the reasons for the difference.

This report outlines the salient parts of the MDA and a DDLA for the first of three phases of the development that is to be considered by the Contra Costa County Board of Supervisors. The proposed MDA and the proposed DDLA are by and among Contra Costa County, Housing Successor to the Redevelopment Agency (the "County"), and Pacific West Communities, Inc., an Idaho corporation (the “Developer”). If the MDA is approved by the County, it will authorize development of an approximately seven-acre residential community with a minimum of 384 multi-family residential units and up to 40,000 sq. ft. of commercial/office/library space (the "Development").

Development of the entire site will involve three phases. If the DDLA for the first phase is approved by the County, it will authorize development of 150 (of 384) residential units and a 20,000 sq. ft. public library. The purpose of this analysis is to summarize the cost of these agreements to the County.

This report is based upon information in the proposed MDA and the proposed DDLA and is organized into the following sections:

Section II. Summary of the Proposed Agreement - This section includes a description of the proposed development and the major responsibilities of the County and the Developer.

Section III. Cost of the Agreement - This section outlines the cost of the MDA and the proposed DDLA. It presents the County costs associated with the land conveyance to the Developer.

Section IV. Consideration Received and Reasons Therefore - This section discusses the consideration provided by the Developer and the reasons that the Agency is entering into the MDA and the proposed DDLA.

Section V. Estimated Value of the Interest to be Conveyed - This section summarizes the value of the site to be sold to the Developer. This section summarizes the reuse valuation of the interests to be conveyed to the Developer and the consideration being provided by the Developer. The section indicates that the consideration being provided is not less than the reuse value, and also that it is not less than the estimated value of the County-owned parcels at the highest and best use consistent with the redevelopment plan.

Section VI. Elimination of Blight - This section includes an explanation of why the Development will assist in the elimination of blight.

Section VII. Conformance with Five-Year Implementation Plan - This section describes how the MDA and the proposed DDLA is in conformance with the former Redevelopment Agency's Five-Year Implementation Plan.

II. SUMMARY OF THE PROPOSED AGREEMENT

A. Description of the Project

The proposed Development described in the MDA and the proposed DDLA is a mixed-income residential project on three development sites on the seven-acre site, bound by Bailey Road to the west, State Route 4 to the north, Ambrose Park to the east, and West Leland Road to the south in the unincorporated community of Bay Point, California (the "Property"). The Property is comprised of a total of 45 distinct parcels that have been acquired by the former Redevelopment Agency, now owned by the County. The Developer has applied for entitlements that combine these parcels into three development sites, which correspond to the three phases. The Development includes the following components:

Site A/Phase I- The southern site, bound by Bailey Road, Maylard Street, South Broadway Avenue and West Leland Road approximately 3.61 acres in area. This site includes the assemblage of 23 parcels and is expected to be developed in the first phase. The 23 parcels will be combined into two separate parcels, one for the residential units and parking garage and the other parcel for the public library. Approximately 150 residential units, a 20,000 square foot space for a public library, and 190 (+69 on street) parking spaces is planned for Site A.

Site B/Phase II- Bound by Bailey Road, State Route 4, South Broadway, and Maylard Street is approximately 1.99 acres in area. This site is an assemblage of 14 parcels, including some parcels that were remnants of the eastbound State Route 4 onramp project. The northern parcels also contain the Delta DeAnza Trail. Approximately 184 residential units, 1,200 sq. ft. of commercial space, and 156 (+59 on-street) parking spaces are planned for Site B.

*Site C/Phase III-*The property on the east and south side of South Broadway totals approximately 1.6 acres and is an assemblage of eight parcels. This site abuts Ambrose Park and a single-family residence that was not acquired by the former Redevelopment Agency. This parcel is expected to be developed last. Some of the property may be conveyed over to the Ambrose Recreation and Park District if it has interest. Approximately 50 residential units, and 35 (+27 on-street) parking spaces are planned for Site C. There is a possibility that the unit number could increase, which would be reflected in the DDLA for Site C.

The multi-family units will be rent-restricted with units affordable to extremely low-, very low-, and low-income households earning between 30% and 80% of the Area Median Income (AMI).

Public Improvements, The Development includes realignment of some of the existing internal roadways, which will include (curb, gutter, sidewalks, bike lanes, landscaping, streetlights, and street trees) interior public and private streets to be constructed as part of the Development.

B. County Responsibilities

- The County adopted the Pittsburg/Bay Point BART Station Area Specific Plan to allow for high density Transit Oriented Development.
- Using tax increment monies and bonds, the former Redevelopment Agency acquired all of the properties associated with the development.
- The former Redevelopment Agency relocated tenant of homes that were occupied when property were acquired.
- The County became the Housing Successor for housing assets of the former Redevelopment Agency.
- The County issued a Request for Proposals to find a Developer to carry out the envisioned development of the property.
- The County worked with the Developer to negotiate a Master Development Agreement and will also negotiate three Disposition and Development Agreements for the three phases of the development.
- The County will review and approve Developer's design and construction criteria and Development financing plans.

- The County will convey the entire development site to the Developer in three phases.
- The County will accept the reconveyance of one the library parcel, once the improvements have been completed.
- The County will provide three loans totaling \$4,600,000 (subject to change based on updated appraisal(s)) for the Developer's purchase of the development sites.

C. Developer Responsibilities

The Developer of the project is Pacific West Communities. The three DDLAs will provide for the possible assignment of the development of a particular site to an affiliate of the Developer, which could include limited liability companies and/or limited partnership. It is anticipated that each of the three phases will be owned by three separate limited partnership.

The Developer is responsible for obtaining the entitlements, which include the design for the entire seven-acre site and the subdivision combining the 45 parcels into the three development sites. As a condition precedent to the County's conveyance of the Property to the Developer, the Developer's responsibilities under the proposed DDLA includes the following:

- Complete the land use approval and design review process for the Development.
- Secure all necessary permits and approvals for the Development phase from the County.
- Submit binding commitments to finance the Development phase and close all construction financing.
- Presuming that the above conditions are met, and subject to the specific terms and conditions stated in the proposed DDLA, the Developer will accept conveyance of the subject Property and diligently construct the Development phase, including all required public infrastructure required by Development land use approvals.

III. COST OF THE AGREEMENT

This section presents the total potential cost of the MDA and the proposed DDLA to the County. Pursuant to California Health and Safety Code Section 33433 (a)(2)(B)(i), the cost of this agreement 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 agreements. 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

For the MDA and the proposed DDLA, the costs are as follows:

PWD-Real Property-Services/Appraisals	\$904,013
Abatement/Demolition	\$762,115
Overland Pacific (Relocation Services)	\$133,696
Relocation Benefits	\$285,537
Acquisition Costs (LMIHF)	\$9,565,004
Acquisition Costs (Capital Funds)	\$4,723,500
Interest on bonds	\$8,677,255
Property Taxes	\$113,105
Est. Maintenance (weed abatement)	\$130,226
TOTAL	\$25,294,451

B. Estimated Revenues

The Developer will pay the County a total of \$4,600,00, subject to charge following updated appraisal(s) towards the purchase of the seven-acre project site in three phases.

C. Net Cost

County Estimated Costs	\$25,294,451
Property Sale	-4,600,000
Net Cost to the County	\$20,694,451

IV. CONSIDERATION RECEIVED AND REASONS THEREFORE

Under the terms of the proposed MDA and proposed DDLA, the purchase price of the Property will be \$4,600,000, which will be divided into three phases. The sales price for each phase is based on the number of units planned for each phase and subject to updated appraisals prior to closing each transaction. Below is the split based on the 2019 appraisal.

Site/Phase	#Units	Pro-rata Sales price
Site A/Phase 1	150	\$1,796,875
Site B/Phase 2	184	\$2,204,167
Site C/Phase 3	50	\$598,958
Total	384	\$4,600,000

Under the terms of the proposed DDLA, the County will provide a loan of the sales price, secured by a deed of trust, and be paid back using residual receipts of the project. A market rate development would pay the same fair market value of the property but would not likely be able to provide more than 15 percent affordable inclusionary units. The project will provide 384 multi-family residential units, 380 of which will be affordable. There will be deed restrictions on the property to ensure 55 years of affordability for future residents.

The Developer will also build the County library, which is a significant value to the community, as well as the County. The construction costs of the library alone have been estimated at \$4.2 million and will be covered by the developer. The existing library is co-located at the Riverview Middle School site and is only open to the public when the school is open. The existing 3,825 square foot space does not have programming, event, study, or classroom space. Since the school was built in the 1950's the technology available to the library is also limited. The new library will be more accessible and will be able to set hours based on community need. The challenges of space and technology will also be addressed with the new library.

V. VALUE OF THE INTEREST TO BE CONVEYED

A. Estimated Value at Highest and Best Use

The most recent appraisal of the property was prepared June 10, 2019. The following factors were used by the appraiser in analyzing the subject property's highest and best use:

- a. physical characteristics;
- b. location;
- c. current zoning and General Plan;
- d. neighborhood and area trends;
- e. supply and demand; and
- f. motivation of the probable purchaser.

There are still 45 residential lots in the Project Site, but those are a holdover from the previous development and not the highest and best use. Developers make their profit from the rental of the finished units, so more units per acre means greater profits. Given the high-density zoning and general plan requirements, the continued demand for housing, and the subject's proximity to BART and the freeway, it is the opinion of the appraiser that the highest and best use of the property is for multifamily residential purposes. The appraised value of the site was \$4,600,000.

B. Reuse Value

Reuse value is defined in California Redevelopment Law as the value of land taking into account legal restrictions on use, intensity, and development standards. The reuse value of the property, thus, is a direct function of the development economics specific to the proposed project. The Project will include rental units to be restricted to households earning less than 30% (38 units); 50% of AMI (38 units); 60% of AMI (230 units); 80% of AMI (74 units) and four unrestricted manager's units. As a result of the legal use restrictions placed on the 380 units, the reuse value of the project will be somewhat less than the fair market value of the site. Per the terms of the DDLA, the Developer will pay the County, \$4,600,000 which will be divided into three phases.

The sales price for each phase is based on the number of units planned for each phase and subject to updated appraisals prior to closing each transaction. Based on these considerations, staff concludes that the total purchase price of \$4,600,0000 is not less than the reuse value of the Property to be conveyed at the use and with the covenants and conditions and development costs authorized by the DDLA and for the interest to be acquired by the Developer.

VI. ELIMINATION OF BLIGHT

The proposed Development, when constructed, will assist in the elimination of blight in the Bay Point Redevelopment Area for the following reasons:

- The proposed development achieves the redevelopment of a single-family area that until 2011 included many substandard structures, which presented a significant source of blight in the area.
- The proposed development increases the density of housing units in close proximity of a BART Station.
- The Development will bring new infrastructure, new economic investment and new high quality residential development to an area that has experienced blight in the form of substandard housing and inadequate infrastructure and currently has repeated occurrences of homeless encampments and illegal dumping.
- The assembly of the parcels that will comprise the Development 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 will provide high quality housing affordable to extremely low- very low-, and low-income households earning between 30 and 80 percent of the area median income.

VII. Conformance with the Five-Year Implementation Plan

California Redevelopment Law required the adoption of an Implementation Plan that includes the Agency's goals and objectives, as well as the specific programs and expenditures proposed for each Project Area during the next five years. The Implementation Plan also must explain how the planned improvements will eliminate blight and implement the low- and moderate-income housing requirements. The most recent Implementation Plan prepared by Contra Costa County was for the period of FY 2009/10 to 2014/15. The Implementation Plan has not been updated because of the 2012 dissolution of redevelopment. The project fulfills the following *goals* identified in the most recent Implementation Plan:

- *Provide major infrastructure improvements in order to serve Bay Point's existing residents and businesses, and to accommodate future growth;*

- *Improve and expand the type and quality of community facilities.*
- *Encourage and support public private partnerships that address community needs;*

The project includes the construction of a new library for the Bay Point community. The library will be built by the developer and then conveyed back to the County upon completion. The new space will allow for the relocation of the existing library, which is co-located on a middle school site, into a new and larger space. The value to the County for the library improvements is \$4.2 million, which will be borne by the developer, through the public private partnership.

- *Upgrade the existing residential neighborhoods by rehabilitating existing housing units, and by facilitating infill housing construction, developing neighborhood parks, and improving neighborhood infrastructure;*
- *Implement the Pittsburg/Bay Point BART Station Specific Plan;*
- *Continue efforts to improve the attractiveness of Bay Point at the community entrances and at the waterfront;*
- *Continue efforts to improve the Willow Pass Road, Bailey Road, and Port Chicago Highway corridors;*

The Orbisonia Heights neighborhood included low density residences, with an average built in 1944. In addition, some of the residences were in substandard condition and several of the parcels were vacant. New construction will result in an increase in the number of residential units from 32 occupied units in 2007 to 384 units.

The project is just south of the Highway 4/Baily Road interchange and across the street from the major entrance to the Pittsburg/Bay Point BART Station. The new construction will provide quality development at this highly travelled entrance to the community.

The Pittsburg/Bay Point BART Station Areas Specific Plan was developed to revitalize the area and leverage the regional transportation investment within the area. The plan recognizes the unique opportunity to increase public transit ridership and reduce traffic congestion by constructing high-density transit-oriented development in the area.

- *Stimulate the construction of new affordable housing.*

Four of the units will be unrestricted manager units and the remaining 380 units will be subject to long-term affordable housing deed restrictions that limit the income of eligible households and the maximum rent that can be charged on the units. All units will initially be restricted by a regulatory agreement between the Developer and the Tax Credit Allocation Committee (TCAC) for a period of not less than 55 years. The following chart indicates the number of units in each income category for the 55 years of the regulatory period.

% of AMI	Income Category	# of Units
30% AMI	Extremely Low	38
50% AMI	Very Low	38
60% AMI	Very Low	230
80% AMI	Low	74
Unrestricted manager units		4
TOTAL UNITS		384

The Project will include rental units to be restricted to households earning less than 30-percent (38 units); 50-percent of AMI (38 units); 60-percent of AMI (230 units); 80-percent of AMI (74 units) and four unrestricted manager's units. The difference between the market rents and affordable rents is a result in an annual reduction of rents of approximately \$2.9 million per year. The provision of 380 affordable units and the relocation of the library is a substantial value to the community. In addition, the provision of 380 affordable units will help the County in addressing the Regional Housing Needs Allocation of 7,610 units in the 6th cycle Housing Element to the unincorporated County. The following tables show the number of units, by affordability level and phase.

Site A/Phase 1								
Type	AMI Rent level	Number of units	Net Rent (Affordable)	Annual Total	Market Rent*	Number of Units	Annual Total	Rent reduction
Studio	30%	3	\$ 635	\$ 22,860				
Studio	50%	3	\$ 1,092	\$ 39,312				
Studio	60%	14	\$ 1,321	\$ 221,928				
Studio	80%	2	\$ 1,778	\$ 42,672	\$ 1,595	22	\$ 421,080	\$ (94,308)
1BR/1BA	30%	6	\$ 669	\$ 48,168				
1BR/1BA	50%	6	\$ 1,158	\$ 83,376				
1BR/1BA	60%	36	\$ 1,403	\$ 606,096				
1BR/1BA	80%	14	\$ 1,893	\$ 318,024	\$ 1,934	62	\$ 1,438,896	\$ (383,232)
2BR/1BA	30%	4	\$ 796	\$ 38,208				
2BR/1BA	50%	4	\$ 1,383	\$ 66,384				
2BR/1BA	60%	28	\$ 1,677	\$ 563,472				
2BR/1BA	80%	9	\$ 2,265	\$ 244,620	\$ 2,383	45	\$ 1,286,820	\$ (374,136)
3BR/2BA	30%	2	\$ 918	\$ 22,032				
3BR/2BA	50%	2	\$ 1,596	\$ 38,304				
3BR/2BA	60%	12	\$ 1,936	\$ 278,784				
3BR/2BA	80%	4	\$ 2,615	\$ 125,520	\$ 3,196	20	\$ 767,040	\$ (302,400)
2BR/1BA	Manager's	1						
TOTALS			\$ 23,135	\$ 2,759,760		149	\$ 3,913,836	\$ (1,154,076)

Site B/Phase 2							
Type	AMI Rent level	Number of units	Net Rent	Annual Total	Market Rent*	Number of Units	Annual Total Rent reduction
Studio	30%	2	\$ 635	\$ 15,240			
Studio	50%	2	\$ 1,092	\$ 26,208			
Studio	60%	12	\$ 1,321	\$ 190,224			
Studio	80%	4	\$ 1,778	\$ 85,344	\$ 1,595	20	\$ 382,800 \$ (65,784)
1BR/1BA	30%	6	\$ 669	\$ 48,168			
1BR/1BA	50%	6	\$ 1,158	\$ 83,376			
1BR/1BA	60%	36	\$ 1,403	\$ 606,096			
1BR/1BA	80%	10	\$ 1,893	\$ 227,160	\$ 1,934	58	\$ 1,346,064 \$ (381,264)
2BR/1BA	30%	8	\$ 796	\$ 76,416			
2BR/1BA	50%	8	\$ 1,383	\$ 132,768			
2BR/1BA	60%	50	\$ 1,677	\$ 1,006,200			
2BR/1BA	80%	16	\$ 2,265	\$ 434,880	\$ 2,383	82	\$ 2,344,872 \$ (694,608)
3BR/2BA	30%	2	\$ 918	\$ 22,032			
3BR/2BA	50%	2	\$ 1,596	\$ 38,304			
3BR/2BA	60%	12	\$ 1,936	\$ 278,784			
3BR/2BA	80%	6	\$ 2,615	\$ 188,280	\$ 3,196	22	\$ 843,744 \$ (316,344)
2BR/1BA	Manager's	2					
TOTALS		184	\$ 23,135	\$ 3,459,480		182	4,917,480 \$ (1,458,000)

Site C/Phase 3							
Type	AMI Rent level	Number of units	Net Rent	Annual Total	Market Rent*	Number of Units	Annual Total Rent reduction
1BR/1BA	30%	3	\$ 669	\$ 24,084			
1BR/1BA	50%	3	\$ 1,158	\$ 41,688			
1BR/1BA	60%	16	\$ 1,403	\$ 269,376			
1BR/1BA	80%	5	\$ 1,893	\$ 113,580	\$ 1,934	27	\$ 626,616 \$ (177,888)
2BR/1BA	30%	2	\$ 796	\$ 19,104			
2BR/1BA	50%	2	\$ 1,383	\$ 33,192			
2BR/1BA	60%	12	\$ 1,677	\$ 241,488			
2BR/1BA	80%	4	\$ 2,265	\$ 108,720	\$ 2,383	20	\$ 571,920 \$ (169,416)
3BR/2BA	60%	2	\$ 1,936	\$ 46,464			
2BR/1BA	Manager's	1	\$ -	\$ -			
		50	\$ 13,180	\$ 897,696		49	\$ 1,275,240 \$ (377,544)
Total Annual Reduction							\$ (2,989,620)
* Market Rent source: https://www.huduser.gov/portal/datasets/home-datasets/files/HOME_RentLimits_State_CA_2021.pdf							