SUMMARY REPORT PURSUANT TO SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON AN
AFFORDABLE HOUSING DISPOSITION AND DEVELOPMENT AGREEMENT
(CORONA 2ND STREET FAMILY APARTMENTS)
BY AND BETWEEN
THE CITY OF CORONA HOUSING AUTHORITY,
THE CITY OF CORONA,
AND
SECOND STREET FAMILY LP

The following Summary Report has been prepared pursuant to the requirements imposed by California Health and Safety Code Section 33433 (Section 33433). The report sets forth certain details of the proposed Affordable Housing Disposition and Development Agreement (Agreement) by and between the City of Corona Housing Authority (Authority), the City of Corona (City) and Second Street Family LP, a California limited partnership (Developer).

In 2019, the City and the Authority, acting as the Housing Successor to the former Redevelopment Agency of the City of Corona (Housing Successor), purchased approximately 5.0 acres of property generally located at the intersection of West 2nd Street and South Buena Vista Avenue (Authority Property) (Assessor Parcel Numbers (APN): 118-270-053, 118-270-055 and 118-302-030).[1] A portion of the purchase price was funded with Housing Successor funds provided by the Authority.

The Authority and City are proposing to convey an approximately 4-acre portion of the Authority Property to the Developer (Family Site). The Family Site consists of APNs: 118-270-052, 118-270-053, 118-302-030, and a portion of 118-270-055. The detailed legal description can be found in Exhibit A of the Agreement.

The Agreement provides for the Authority to sell the Family Site to the Developer for a purchase price equal to $4 million or the Family Site's appraised fair market value. The Developer proposes to construct and operate a 115-unit apartment project that will be subject to long-term income and affordability covenants (Family Project). One hundred fourteen (114) of the units will be restricted to Extremely Low Income, Very-Low Income and Low Income households, and one unit will be reserved for an on-site manager. In addition, the City and Authority will provide financial assistance to the Developer per the requirements imposed by the Agreement.

[1] Two parcels are located at the southwest corner of West 2nd Street and South Buena Vista Avenue. One parcel is located at the southeast corner of West 2nd Street and South Buena Vista Avenue.

Due to the fact that the Authority Property was purchased in part with Housing Successor Agency funds, the proposed conveyance of the Family Site is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the proposed disposition transaction.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement. A copy of the Agreement is attached to this Report as Exhibit "A," and also on file with the Housing Authority and available for inspection at the office of the City Clerk, located at 400 South Vicentia Avenue, Suite 310, Corona, California, 92882 during regular business hours 8:00 a.m. to 5:00 p.m. Monday through Friday.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

I. **Salient Points of the Agreement**: This section summarizes the major responsibilities imposed on the Authority, the City, and the Developer by the Agreement.

II. **Cost of the Agreement to the Authority/City**: This section details the total cost to the Authority/City associated with implementing the Agreement.

III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Property's Zoning**: This section estimates the values of the interests to be conveyed or leased determined at the highest uses permitted under the requirements imposed by the zoning in place on the Family Site.

IV. **Estimated Reuse Value of the Interests to be Conveyed**: This section summarizes the valuation estimate for the Family Site based on the required scope of development, and the other conditions and covenants required by the Agreement.

V. **Consideration Received and Comparison with the Established Value**: This section describes the compensation to be received by the Authority/City, and explains any difference between the compensation to be received and the established value of the Family Site.

VI. **Blight Elimination**: This section describes the existing blighting conditions on the Family Site, and explains how the Agreement will assist in alleviating the blighting influence.

VII. **Conformance with the Implementation Plan**: This section describes how the Agreement achieves goals identified in the Former Redevelopment Agency's adopted Implementation Plan.

I. SALIENT POINTS OF THE AGREEMENT

A. Project Description

The following describes the scope of development for the Family Project:

1. The Family Project will include 115 apartment units which will be constructed in four (4) three-story residential buildings with the required parking provided in a surface parking lot.

2. The Family Project's unit mix is as follows:

   a. Six (6) studio units;

   b. Eighteen (18) one-bedroom units;

   c. Forty-six (46) two-bedroom units; and

   d. Forty-five (45) three-bedroom units.

3. The Family Project's affordability mix is summarized as follows:

   a. Twelve (12) units must be restricted to 30% Households, inclusive of one (1) studio unit that will be designated as a HOME-ARP unit;

   b. Twelve (12) units must be restricted to 50% Households, inclusive of one (1) three-bedroom unit that will be designated as a HOME-ARP unit;

   c. Seventy-seven (77) units must be restricted to 60% Households;

   d. Thirteen (13) units must be restricted to 70% Households; and

   e. One (1) three-bedroom unit will be unrestricted and reserved for an on-site property manager.

4. The Affordable Incomes and Rents will be restricted as follows:

   a. The Affordable Incomes are based on the Area Median Income (AMI) as published by the United States Department of Housing and Urban Development (HUD).

   b. The Affordable Rents will be determined and calculated pursuant to the lesser of those allowed by the Tax Credit Regulatory Agreement and California Health and Safety Code (H&SC) Section 50053(b).

c. For the HOME-ARP units, during the HOME-ARP Term, the HOME-ARP incomes and rents will be limited to those published by HUD for the HOME-ARP Program.

5. All units will be income restricted in perpetuity. However, the HOME-ARP Term for the two (2) HOME-ARP units will be set at 15 years

6. The affordability terms are set forth in the Regulatory Agreement, which will be recorded as a senior encumbrance against the Family Site.

B. Authority/City Responsibilities

The Agreement requires the Authority/City to accept the following responsibilities:

1. The Authority shall sell the Family Site to the Developer for the purposes of constructing and operating the Family Project.

2. The purchase price will be set at $4 million or equal to the appraised fair market value of the Family Site established prior to the Close of Escrow. The Authority/City will loan the purchase price to the Developer with the following terms (Land Loan):

   a. The loan amount will be set at the amount of the final purchase price;

   b. The Land Loan will have a 55-year term;

   c. The Land Loan will have a 1% simple interest rate; and

   d. The Land Loan will be repaid from 50% of the Family Project's residual receipts payments after both the Fee Deferral Loan and the HOME-ARP Loan have been repaid in full.

3. The City will loan the Developer up to $2 million to pay for the cost of certain development impact fees levied against the Family Project (Fee Deferral Loan). The Fee Deferral Loan will have the following terms:

   a. The Fee Deferral Loan will have a 55-year term;

   b. The Fee Deferral Loan will have a 1% simple interest rate; and

   c. The Fee Deferral Loan will be repaid from 50% of the Family Project's residual receipts payments. The Fee Deferral Loan will be in first priority repayment position ahead of the other City/Authority Loans.

4. The City will provide the Developer with a loan of up to $530,000 in HOME-ARP funds (HOME-ARP Loan) with the following terms:

a. The HOME-ARP Loan will have a 55-year term;

b. The HOME-ARP Loan will have a 1% simple interest rate; and

c. The HOME-ARP Loan will be repaid from 50% of the Family Project's residual receipts payments after the Fee Deferral Loan has been repaid in full.

5. The Authority will provide the Developer with a loan of up to $7.54 million in Low and Moderate Income Housing Asset Funds (Project Loan) with the following terms:

   a. The Project Loan will have a 55-year term;

   b. The Project Loan will have a 1% simple interest rate; and

   c. The Project Loan will be repaid from 50% of the Family Project's residual receipts payments after the Fee Deferral Loan, the HOME-ARP Loan, and the Land Loan have been repaid in full.

6. The Authority shall cooperate and use reasonable good faith efforts to assist the Developer in the Lot Line Adjustment process.

7. The Authority agrees to not place any matters of record against the Family Site (other than those permitted by the Agreement) prior to the Close of Escrow, without the prior written consent of the Developer.

8. The Authority authorizes the Developer to submit Tax Credit/Tax-Exempt Bond applications to the California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) in the Second 4% Tax Credit Round of 2024, as well as all CDLAC/TCAC funding rounds in 2025. If the Developer is not awarded a Tax Credit/Tax-Exempt Bond allocation in 2025, the Authority's Executive Director may authorize the Developer to submit applications through the final Tax Credit reservation round in 2026. However, the Executive Director may condition this extension based on the Developer covenanting that it shall not knowingly submit an application for Tax Credits in 2026 for any other development project in the Inland Empire CDLAC/TCAC geographic region in any round of the CDLAC/TCAC application cycle that the Developer applies for Tax Credits for the Family Project.

C. Developer's Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. The Developer must purchase the Family Site from the Authority/City at the purchase price stipulated in the Agreement.

2. The Developer must accept the Property As-Is.

3. The Developer must develop the Family Project in accordance with the Scope of Development (Exhibit H) and the Schedule of Performance (Exhibit N).

4. The Agreement is premised on the Developer applying and obtaining funding from the following sources:

   a. In 2024 and 2025, the Developer should apply for a reservation of Tax Credits and Tax-Exempt Bonds awarded by TCAC and CDLAC.

   b. If the Developer does not obtain a reservation of Tax Credits/Tax-Exempt Bonds by the end of 2025, the Developer may request that the Authority allow the Developer to apply for Tax Credits and/or Tax-Exempt Bonds in 2026.

5. The Developer shall complete the process for the Lot Line Adjustment prior to the Close of Escrow.

6. The Developer shall obtain all the required land use approvals, entitlements and permits necessary for the development of the Family Project.

7. At least forty-five (45) days prior to the Close of Escrow, the Developer shall submit to the Authority an affirmative housing marketing plan for the Family Project.

8. The Developer shall pay all applicable fees, taxes, charges and costs regarding the Escrow.

9. The Developer must provide the following documents to the Authority prior to the Close of Escrow:

   a. Developer Entity Documents;

   b. A copy of the Construction Contract in substantially final form;

   c. All Insurance Documents;

   d. A copy of the Construction Financing Documents in substantially final form; and

   e. Documents evidencing a commitment from an Institutional Lender to the Developer to provide the Permanent Loan;

10. The Developer shall comply with all applicable laws and approvals.

11. Prior to and during the period of Construction of the Family Project, the Developer shall submit to the Authority written progress reports and/or hold progress meetings when and as reasonably requested by the Authority.

12. The Developer shall prepare and submit to the Authority an Annual Budget no later than 60 days preceding the effective year of such budget.

13. The Developer shall limit the maximum Developer Fee that may be paid from Project sources and/or cash flow to $2.50 million.

14. The Developer shall only use the HOME-ARP funds for eligible activities as defined in the HOME-ARP regulations.

15. The Developer will distribute any Cost Savings from the Family Project as set forth in Section 6.8 of the Agreement.

16. The Developer shall comply with all State and/or Federal Prevailing Wage Laws.

17. The Developer shall comply with the insurance requirements set forth in the Agreement.

II. COST OF THE AGREEMENT TO THE AUTHORITY/CITY

The Authority and City purchased the Authority Property for $2,004,650, or $11 per square foot of land area. Eighty-three percent (83%) of the Authority Property is attributed to the Family Site that will be utilized for the Family Project. Based on this pro rata share of property area, the Family Site is allocated $1.66 million of the Authority/City purchase price.

The Authority/City intends to provide loans totaling up to $14.06 million to the Developer. It is anticipated that the $14.06 million in Authority/City Loans will be fully repaid by the end of the loan terms (55 years).

However, given that the debt service on residual receipts loans is completely dependent on the cash flow produced by the Family Project over time, it is too speculative to predict the net present value of the debt service payments that will be made over the term of the Authority/City Loans.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

Section 33433 requires the Authority/City to identify the value of the interests being conveyed at the highest and best uses permitted under zoning in place on the Family Site. The valuation must be based on the assumption that near-term development is required, but the valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Authority/City.

An appraisal prepared by Kinetic Valuation Group on August 7, 2024 estimates the market value of the Family Site at $4.03 million.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Authority's financial consultant, prepared a reuse valuation analysis of the Family Project based on the financial terms and conditions imposed by the Agreement. The KMA analysis concluded that the fair reuse value of the Family Site is negative $10.06 million. This means that the Family Site needs to be conveyed at no cost plus $10.06 million in financial assistance needs to be provided in order to make the scope of development required by the Agreement financially feasible.

It is important to note that this reuse value is predicated on the assumption that the Family Project will receive the 4% Tax Credits and Tax-Exempt Bonds. If these funding sources are not received by the Family Project, the fair reuse valuation conclusion will need to be re-evaluated.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement imposes extraordinary controls on the Family Project. The impacts created by these requirements reduce the value of the Family Site from $4.03 million at the highest use permitted under the current zoning, to the established fair reuse value of negative $10.06 million.

The Agreement treats the $14.06 million Authority/City Loans as a Residual Receipts Loans that must be repaid out of the cash flow generated by the Family Project over time. At the end of the loan terms, the Developer must repay any outstanding balance on the Authority/City Loans. Given that the repayment proceeds received by the Authority will be greater than the established fair reuse value of negative $14.06 million, it can be concluded that the Authority/City is receiving fair consideration for the interests being conveyed to the Developer.

VI. BLIGHT ELIMINATION

The Family Project includes 114 units that will be subject to long-term income and affordability covenants. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low- or moderate-income persons satisfies the blight elimination criteria imposed by Section 33433. Furthermore, the conveyance of the Family Parcel will assist in the elimination of blight by allowing for the redevelopment of a vacant property. Thus, the Family Project fulfills the blight elimination requirement.

VII. CONFORMANCE WITH IMPLEMENTATION PLAN

The proposed Agreement is consistent with the Ten-Year Affordable Housing Compliance Plan adopted pursuant to Health and Safety Code Section 33490, as the proposed Family Project meets the following objectives:

1. Increase the number of housing units for families at various affordability levels needed by the community.

2. Revitalize vacant and underutilized lots.

3. Maintain high quality residential development standards to ensure the establishment of livable neighborhoods with lasting safety and aesthetic value.

4. Assure that housing opportunities are available to all persons without regard to race, color, ancestry or national origin, religion, or marital status.