

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

From: David C. Moe II, Redevelopment Manager 

Date: May 27, 2008 (CC Meeting of 6/4/08)

Subject: Consider Resolution Approval of Sale of Property Owned by the Redevelopment Agency of the City of Moorpark, located at 782 Moorpark Avenue, 798 Moorpark Avenue and 765 Walnut Street, to The Olson Company, Inc.

BACKGROUND AND DISCUSSION

The Redevelopment Agency of the City of Moorpark ("Agency") assembled a 1.1 acre site, located at 782 Moorpark Avenue, 798 Moorpark Avenue and 765 Walnut Street ("Property"), at a cost of \$1,130,000.00 (includes relocation expenses). The Agency has demolished a number of the improvements on site; however, the buildings along Moorpark Avenue will remain for visual aesthetics from Moorpark Avenue. Staff estimates the total demolition cost to be \$105,000.00. An aerial of the Property is attached as EXHIBIT A. Since the acquisition, the Property has been utilized for a variety of uses by the Agency and City of Moorpark.

The Agency has negotiated a Disposition and Development Agreement with The Olson Company, Inc. ("Developer") to construct 26, owner occupied, residential condo units. The units will have three bedrooms and range in size from 1100-1200 square feet. The project will also include a 19% affordability component. Five of the units will be dedicated for households with income less than 80% of the median income based on family size. Four of the affordable units will be reserved for low income households and one unit will be set aside for a very low income household (50% of median income).

The sale price of the Property is \$965,000.00. The Agency will provide the Developer with a loan in the amount of the sale price of the Property secured by a deed of trust. The Agency will allow the Developer to transfer the loan upon sale of the affordable unit to each first time home buyer. The loan amount for each low income unit will be approximately \$193,000.00. No payments will be owed to the Agency from the first time home buyer and no interest will accrue, as long as the unit remains affordable.

California Community Redevelopment Law ("CCRL") Section 33433 requires that the legislative body approve, by resolution and after a public hearing, any agency sale or lease of property which was acquired with tax increment funds. Said resolution must also include the following three findings:

1. The sale of property will assist in the elimination of blight in the Moorpark Redevelopment Project Area.
2. The sale of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.
3. The property is being sold to the Developer at the fair market price at the highest and best use in accordance with the Moorpark Redevelopment Plan.

Therefore, since the Agency did acquire the Property with tax increment funds, the City Council will need to approve the proposed sale and make the three required findings.

The Section 33433 Summary Report (EXHIBIT B) summarizes the Agency's cost associated with the acquisition, holding and sale of the Property; states that the Property is being sold for the fair market value; and describes how the sale of the Property will assist with the elimination of blight and is consistent with the 2005-2009 Five Year Implementation Plan.

FISCAL IMPACT

This transaction will not impact the City or Agency. The Property was recently appraised by DMD Appraisals, Inc. and is valued at \$900,000.00. The Agency will make a loan to the Developer in the amount of \$965,000.00 to purchase the land from the Agency; no money will exchange hands. Upon the sale of each affordable unit, a second deed of trust will be recorded in favor of the Agency. This is expected to work in the same manner as the City's First Time Home Buyer Program. No interest will be charged to the loan, nor will any payments be required so long as the unit remains affordable. Based on projected market rate sales price and the incomes required of the low and very low income buyers, the Agency will likely have a larger amount potentially due for the five deeds of trust and accompanying notes, than the \$965,000.00 loaned to the developer.

STAFF RECOMMENDATION

- 1) Continue to accept public testimony, and close the public hearing; and
- 2) Approve Resolution No. 2008 - ____ approving sale of Property between the Agency and Developer subject to Disposition and Development Agreement approval by the Agency.

Exhibit "A" Aerial
Exhibit "B" Section 33433 Summary Report
Exhibit "C" Resolution

EXHIBIT A

Moorpark (Moorpark & Everett)



← N

EXHIBIT B



Finance • Redevelopment • Implementation • Planning • Bond Administration • Continuing Disclosure

INFORMATION SUMMARY FOR PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT WITH OLSON URBAN HOUSING, LLC, A DELAWARE LIMITED LIABILITY COMPANY "33433 REPORT"

This summary was prepared for the Moorpark Redevelopment Agency (the "Agency") pursuant to Section 33433 of the California Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code, the "CCRL") with respect to the Disposition and Development Agreement ("DDA") between the Agency and Olson Urban Housing, LLC, a Delaware limited liability company (the "Developer"). The DDA pertains to the development of 26 condominium residential units (the "Project") on an approximately 45,000 square foot site located at the southeast corner of Moorpark Avenue and Everett Street (i.e., 782 and 798 Moorpark Avenue and 765 Walnut Street -- APNs 512-0-062-020, 110 and 120) (the "Site") within the Moorpark Redevelopment Project Area.

1. Cost of Project to Agency:

The DDA requires the Developer to purchase the Site for \$965,000, which is in excess of the Site's appraised value. In addition to purchasing the Site for more than its appraised value, the DDA requires the Developer to set-aside five (5) of the 26 condominium residential units for the Agency's affordable housing program. The Agency's costs to acquire the Site, relocate the tenants and demolish the existing structures are estimated to be \$1,235,000. In addition to receiving \$965,000 from the sale of the Site, the Agency previously received \$7,500 of rental income from the Site. Consequently, the Agency's overall cost of making the Site available for development is approximately \$262,500 (\$1,235,000 less \$965,000 and less \$7,500 = \$262,500). As explained below in Section 1 g., Offsetting Revenue, this financial differential does not represent a subsidy to the Project. The above conclusions are based upon the following data:

- a. **Land Acquisition Cost:** On July 20, 2001, the Agency acquired APN 512-0-062-120 (approximately 7,452 square feet) from Laszlo B. Kovacs for approximately \$225,000. On June 9, 2004, the Agency acquired APN 512-0-062-020 (approximately 22,500 square feet) from the County of Ventura for approximately \$471,000. On September 22, 2006, the Agency acquired APN 512-0-062-110 (approximately 15,000 square feet) from the Area Housing Authority of the County of Ventura for approximately \$419,000. Therefore, the sum of the purchase prices for the three parcels is \$1,115,000 (note: for ease of presentation, all acquisition costs were rounded up to the nearest thousand). Further, the Agency exclusively used its Low- to Moderate-Income ("LMI") Housing Funds to acquire the Site.

- b. **Clearance Costs:** The proposed DDA obligates the Agency to demolish and clear the structures currently located on the Site. Agency staff and its construction experts have inspected the improvements on the Site and have determined that the Agency requires approximate \$105,000 to carryout this work.
- c. **Relocation Costs:** The Agency has caused the relocation the residential tenants previously occupying the Site. In doing so, the Agency provided \$6,000-worth of relocation payments to the tenants. In addition, the Agency incurred approximately \$9,000-worth of relocation consultant expenses. Therefore, the Agency's total expenses attributable to relocation were approximately \$15,000.
- d. **Improvement Costs:** The Agency has not incurred any improvement costs.
- e. **Finance Costs:** None
- f. **Other Costs:** None
- g. **Offsetting Revenue:** The sum of the above costs (i.e., items "a" through "f") is \$1,235,000, which represents the Agency's current total investment in the Site. These costs are offset by the \$965,000 sales price of the Site and by \$7,500 of rental income. Therefore, the total offsetting revenue is \$972,500. The difference between costs and offsetting revenues is \$262,500, which represents the Agency's net costs to make the Site available for development. Notwithstanding, it is important to state that since the Site is being sold to the Developer for more than its appraised value, the Agency's costs in excess of sales and rental income revenues do not represent a subsidy to the Project. On the contrary, the cost differential is primarily derived from two factors that are unrelated to the Project, i.e., 1. acquiring improved land and selling vacant land (in doing so the Agency paid more for developed land and incurred costs in relocating tenants and in demolishing substandard structures in order to remove blight from the neighborhood); and 2. the parcels comprising the Site were acquired at a time during which residential real estate values were greater on an overall basis than in the current market.

2. Estimated value of interest to be conveyed or leased, determined at highest and best use permitted by the Redevelopment Plan:

In order to determine the estimated value of the interest to be conveyed, staff engaged the services of Dale Donerkiel, SRPA, SRA and California Certified General Real Estate Appraiser ("Appraiser") as an expert, third party real estate appraiser. The Appraiser was requested to value the Site as though vacant (i.e., assuming that the structures had already been demolished) and free from any environmental contamination. In other words, the appraisal assumes that the Agency will demolish all of the structures on the Site and rectify Site environment issues (if any). The DDA mirrors these assumptions. Consequently, the Appraiser determined the value of the Site, as if it were vacant, to be

\$900,000 or approximately \$20.00 per square foot of land. The date of value is May 2, 2008. The appraisal is on file with the Agency.

3. Estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants and development costs required by the sale or lease:

Pursuant to the DDA, the Developer will purchase the Site for \$965,000, which is more than its full fair market value.

4. The purchase price or sum of the lease payments which the lessor will be required to pay during the term of the lease:

Pursuant to the DDA, the Developer will purchase the Site for \$965,000, which is more than its full fair market value.

5. Explanation of the reason (if applicable) why the sales price or lease rate paid to the Agency may be less than market value of the property as determined at its highest and best use:

Not applicable. The sale price of the Agency parcels is above fair-market value.

6. Explanation of why the sale or lease of the property will assist in the elimination of blight:

This DDA is part of a project designed in part to eliminate blight in the Moorpark Redevelopment Project Area. The current improvements on the Site are both economically obsolete and exhibit conditions of physical degradation. Pursuant to the DDA, the Agency is obligated to remove the improvements which will eliminate the existing blighting conditions. The proposed DDA will facilitate the development of 26 condominium residential units of which five (5) will be reserved for the Agency's affordable housing purposes. Therefore, the Project will result in eliminating blight that exists in a portion of the Moorpark Redevelopment Project Area, specifically on the Site, and will cause new development activity, including construction job creation and the creation of five (5) new affordable housing units.

7. Economic benefits of the Project:

Based on the appraisal, it is anticipated that the Project will add approximately \$9 million worth of new assessed value to the redevelopment project area. Based on this additional assessed value estimate, it is anticipated that the Project will generate approximately \$90,000 of additional gross tax increment (i.e., prior to tax sharing) revenue during its first taxable year. Utilizing a 2% per year growth factor, over its first ten years it is anticipated that the Project will generate approximately \$985,000 of gross tax increment revenue. Inclusive of the Low- to Moderate-Income Housing Fund, the Agency currently receives approximately 58% of the gross tax increment revenue. With respect to the current illustration, the Project could generate over \$571,000 of net tax increment revenues to the Agency over its first ten years of occupancy. Of this amount, approximately \$374,000 would be attributable to the Agency's general fund while

\$197,000 would be attributable to the Agency's LMI Housing Fund. These additional tax increment revenues will assist the Agency in removing blight within the Moorpark Redevelopment Area as well as promoting economic development, job creation and affordable housing projects and programs.

In addition, the Project will include the creation of five (5) new affordable housing units. Of this amount, four (4) units will be affordable for families of lower income (i.e., whose combined family income does not exceed 80% of Ventura County's adjusted median income) and one (1) unit will be affordable for a family of very low income (i.e., whose combined family income does not exceed 50% of Ventura County's adjusted median income). Pursuant to the DDA, the Developer will reserve five (5) of the Project's condominium units for the Agency's affordable housing program. In that regard, the Agency intends to use the proceeds of sale of the Site to provide subordinate purchase money deferred loans to eligible buyers of the affordable units. In addition to evidencing these loans with a promissory note, they will be secured with a deed of trust and the Agency's affordability requirements will be further memorialized in a Regulatory Agreement and Declaration of Covenants and Restrictions.

Certification: I certify that this report complies with the reporting requirements of Section 33433 of the CCRL. Further, I do not have a present or perspective interest in the Site, the Project or the parties to the DDA. My engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the Agency, reports provided by its consultants or as otherwise noted herein. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to the DDA change after the date provided below, then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.

Respectfully Submitted,
URBAN FUTURES, INC.

BY 

STEVEN H. DUKETT, Managing Principal

Dated: May 23, 2008

Exhibit C

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, APPROVING THE SALE OF PROPERTY OWNED BY THE MOORPARK REDEVELOPMENT AGENCY TO THE OLSON COMPANY, INC. AND FINDING SALE CONSISTENT WITH CALIFORNIA REDEVELOPMENT LAW SECTION 33433

WHEREAS, the City Council of the City of Moorpark, adopted the Redevelopment Plan for the Moorpark Redevelopment Project on July 5, 1989, by Ordinance No. 110, in accordance with the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*); and

WHEREAS, the Moorpark Redevelopment Agency ("Agency") purchased the properties located at 798 Moorpark Avenue, 782 Moorpark Avenue and 765 Walnut Street ("Property") with tax increment funds; and

WHEREAS, California Community Redevelopment Law ("CCRL") Section 33433 requires that the City Council approve, by resolution and after a public hearing, any Agency sale or lease of property which was acquired with tax increment funds; and

WHEREAS, Section 33433 of CCRL requires that the City Council include the following findings in the resolution approving the sale or lease of Agency property purchased with tax increment:

1. The sale of property will assist in the elimination of blight in the Moorpark Redevelopment Project Area.
2. The sale of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.
3. The property is being sold to the Developer at the fair market price at the highest and best use in accordance with the Moorpark Redevelopment Plan; and

WHEREAS, notice was published in the Ventura Star once a week for two weeks prior to the public hearing; and

WHEREAS, on June 4, 2008, the City Council conducted a public hearing to take public comment on the proposed sale of Agency owned property; and

WHEREAS, the proposed sale will assist with the elimination of blight in the Moorpark Redevelopment Project Area; and

WHEREAS, the proposed sale is consistent with the adopted 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL; and

WHEREAS, the Property has been appraised and the fair market price, at its highest and best use in accordance with the Moorpark Redevelopment Plan, has been established; and

WHEREAS, on June 4, 2008, the City Council reviewed the proposed sale and determined that it is consistent with Section 33433 of the CCRL.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council approves the sale of Agency owned property to The Olson Company, Inc. subject to approval of the Disposition and Development Agreement by the Agency.

SECTION 2. The City Council determines the proposed sale is consistent with Section 33433 of the CCRL and the following findings are made:

1. The sale of property will assist in the elimination of blight in the Moorpark Redevelopment Project.
2. The sale of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.
3. The property is being sold at the fair market price at the highest and best use in accordance with the Moorpark Redevelopment Plan.

SECTION 3. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

Resolution No. 2008 - _____
June 4, 2008
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PASSED AND ADOPTED this 4th day of June, 2008.

Patrick Hunter, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk