



*City of Arts & Innovation*

# Housing Authority Memorandum

**TO: HOUSING AUTHORITY BOARD** **DATE: MARCH 26, 2019**

**FROM: OFFICE OF HOMELESS SOLUTIONS** **WARD: 6**

**SUBJECT: NOTICED LAND DISPOSITION HEARING – DISPOSITION AND DEVELOPMENT AGREEMENT WITH NATIONAL COMMUNITY RENAISSANCE, INC., DBA LA SIERRA 34, LLC, THAT IS A LAND TRANSACTION ONLY FOR THE DISPOSITION OF APPROXIMATELY 3.75 ACRES OF HOUSING AUTHORITY OWNED PROPERTY LOCATED AT 4350 LA SIERRA AVENUE FOR A FAIR MARKET VALUE OF \$1,400,000 TO FACILITATE THE FUTURE DEVELOPMENT OF THIRTY-FOUR SINGLE-FAMILY HOUSING UNITS INCLUDING SEVEN AFFORDABLE HOME OWNERSHIP OPPORTUNITIES**

## **ISSUE:**

Approve a Disposition and Development Agreement with National Community Renaissance, Inc., DBA La Sierra 34, LLC, that is a land transaction only for the disposition of 3.75 acres of Housing Authority owned property located at 4350 La Sierra Avenue for the fair market value of \$1,400,000 to facilitate the future development of thirty-four single-family homes including seven affordable home ownership opportunities.

## **RECOMMENDATION:**

That the Housing Authority:

1. Conduct a public hearing pursuant to California Health and Safety Code Section 34312.3 for the disposition of 3.75 acres of Housing Authority owned property located at 4350 La Sierra Avenue at a fair market value of \$1,400,000 with land proceeds to be reserved for seven down payment assistance loans offering affordable home ownership opportunities to low income households;
2. Approve a Disposition and Development Agreement (Attachment 2) with La Sierra 34, LLC for the disposition of Housing Authority owned property for fair market value of \$1,400,000 which will be carried as a loan by the Housing Authority, and mandating the future development of thirty-four single-family homes of which seven homes will be made affordable to buyers at a low income, and with loan proceeds being made available of approximately \$200,000 per buyer to facilitate purchase of the affordable units, and
3. Authorize the Executive Director, or his designee, to execute the Disposition and Development Agreement and associated documents, making minor corrections as necessary.

## **COMMITTEE RECOMMENDATION:**

The Development Committee met on July 19, 2018, with Chair Gardner, Vice Chair Perry and Member MacArthur present, to consider the 4350 La Sierra proposal from La Sierra 34, LLC for the fair market disposition of the site for \$1,400,000 for the acquisition of land to facilitate the future development of thirty-four single-family homes including seven of those units (chosen randomly) to be made available for sale to persons earning a low income.

After discussion, the Committee unanimously voted to recommend that the Housing Authority Board approve the aforementioned development proposal, and the land disposition that is the subject of this report.

## **BACKGROUND:**

The Housing Authority purchased the land located at 4350 La Sierra Avenue from the adjacent Good News Church in 2010 with the intent of building a senior housing project on the site. When the senior housing project proposal did not receive state funding, and state law changed to prohibit the City from funding further affordable senior housing units until it diversified its affordable housing portfolio, the project was scrapped and Request for Proposal (RFP) 14-02 was issued for alternative development proposals. The Meta Housing “Citrus” project was selected; however, the project was abandoned due to neighborhood opposition. In 2015, RFP 15-02 was issued and the project was awarded to developer Mary Erikson Housing’s “Villas at La Sierra” single family housing project. Mary Erikson eventually withdrew her proposal.

In August 2017, the Housing Authority issued RFP 17-04, requesting a “village feel” housing project with an integrated vocational component. The City received two responses to the RFP, and analyzed the proposal with a committee formed of Housing Authority and Planning staff members, as well as two members from the neighborhood immediately adjacent to the project site. The proposal from La Sierra 34, LLC was judged to be most responsive to the RFP and was consistent with the development patterns of the existing neighborhood. La Sierra 34, LLC proposed a 32-unit single family homeownership housing complex with Spanish and Mission designed homes on a cul-de-sac pattern ranging in size from 1,785 to 2,142 Sq. Ft. Interspersed in the project will be seven units of homeownership opportunities available to families earning at-or-below 80% of the Area Median Income.

Through the winter 2017, La Sierra 34, LLC conducted due diligence and research on their site proposal. On December 7, 2017, La Sierra 34, LLC met with community members at the La Sierra Senior Center to present their site proposal. Comments were received regarding mitigation of building height and parking.

In March 2018, staff was notified by La Sierra 34, LLC that they believed the City mandated parking requirements needed for the vocational element of the project endangered project design and would have negative impacts on potential project residents. Staff halted the project for due diligence and reexamined the proposal to see if it was still viable and consistent with the spirit of RFP 17-04. Upon consulting with the Planning Division, staff concluded that the deletion of the vocational element was in the best interests of project design, traffic flow, and walkability for the potential project and alerted La Sierra 34, LLC to redesign the project. La Sierra 34, LLC redesigned the project to be a 34 unit housing project, keeping the design elements and seven

affordable units. Additional buffer and common areas were added to the project design. The revised site proposal was presented to community members on April 26, 2018 where comments were received regarding parking lanes, units that were too large, and fire access. Additional comments were received with the Project and presented at an additional public meeting on February 7, 2019.

## **DISCUSSION:**

La Sierra 34, LLC proposes a 34 unit homeownership project including seven affordable units. Access to the site will be from La Sierra Avenue through redesigned street medians so that traffic is directed appropriately. The access to Good News Church will be separated from the Project and redesigned to ease access for parishioners as a cost to the Project. The site will be designed as tight cul-de-sacs that maximize residential and common area space.

Project exteriors will be of a Mission and Spanish architecture, with representations presented below. A barbeque area and child play area will be offered as Project amenities.



Spanish



Spanish



Bungalow



Bungalow

## **Proposed Financing**

As proposed, La Sierra 34 LLC will pay the fair market value of the Project site, currently estimated at \$1,400,000, which will be carried by the Housing Authority as a loan at 6.7% interest. When the project is constructed, La Sierra 34 LLC, through a homeownership affiliate Neighborhood Partnerships Housing Services (NPHS), will make the land proceeds and interest capital available to buyers of the seven affordable units as “silent second” loans that will assure that all units sold within the Project were market value transactions. The City will receive a Note and Deed of Trust for land sale proceeds for all seven affordable units. There is no additional subsidy required from the Housing Authority for Project completion under the current finance design.

The City will record affordability covenants for 45 years on all seven affordable units. If sold during the affordability period, affordable units will participate in a tiered “recapture” of funds that

will allow the Housing Authority to recycle proceeds from home sales into assistance for successive owners.

It is estimated that market rate units will sell for approximately \$450,000 while affordable owners will pay approximately \$250,000 with “silent second” assistance of an additional \$200,000 provided with the land proceeds and interest capital through NPHS. The estimated total development cost for the completed project is approximately \$14 million.

It should be noted that this staff report covers a land transaction only. The Project must comply with the findings of a separate entitlement and land use process (subject to its own process, public hearings, and a separate votes of the City Planning Commission and City Council), that will take between 6-9 months to complete.

**FISCAL IMPACT:**

The City will receive a note for the approximately \$1,400,000 in Project land proceeds which will be recycled into “silent second” loans to assist the seven affordable buyers.

Prepared by:	Emilio Ramirez, Office of Homeless Solutions Director
Certified as to	
availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Moises Lopez, Deputy City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Concurs with:



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Mike Gardner  
Councilmember

**Attachments:**

1. Project Site Design
2. Disposition and Development Agreement
3. Presentation