



City of Huntington Beach

File #: 20-1432

MEETING DATE: 2/18/2020

REQUEST FOR CITY COUNCIL/HOUSING AUTHORITY ACTION

SUBMITTED TO: Honorable Mayor/Chair, and City Council/Board Members

SUBMITTED BY: Oliver Chi, City Manager/Executive Director

PREPARED BY: Ursula Luna-Reynosa, Director of Community Development

Subject:

Authorize and direct the City Manager/Executive Director to execute a Purchase and Sale Agreement, in a form approved by the City Attorney, for acquisition of real property located at 17631 Cameron Lane by and between the City of Huntington Beach and Shigeru Yamada, Trustee of the Shigeru Yamada Living Trust, and Mitsuru Yamada, Trustee of the Mitsuru Yamada Living Trust; Authorize and direct the City Manager to execute an Option Agreement, in a form approved by the City Attorney, to acquire real property located 17642 Beach Blvd. by and between the City of Huntington Beach and Shigeru Yamada, Trustee of the Shigeru Yamada Living Trust, and Mitsuru Yamada, Trustee of the Mitsuru Yamada Living Trust; and approve allocation of funds necessary to complete the transaction to acquire the property located at 17631 Cameron Lane

Statement of Issue:

The City Council/ Housing Authority is asked to authorize the acquisition of real property commonly referred to as 17631 Cameron Lane (the "Property") utilizing restricted funds for the purpose of affordable housing and authorize an option to acquire the adjacent property located at 17642 Beach Blvd. (the "Option Property") for future acquisition for the same purpose.

Financial Impact:

The total acquisition costs for the Property are estimated to be \$3,159,550 consisting of the following: \$3,077,010 (purchase price), \$61,540 (broker commission); \$8,000 (due diligence studies) and \$13,000 (closing costs) (collectively, the "Acquisition Costs").

The Acquisition Costs are proposed to be funded through the City's restricted Low-Moderate Income Housing Asset Fund (Fund 352) (the "LMIHAF"). The LMIHAF represents the former Redevelopment Agency's (the "Successor Agency's") Housing Set-Aside funds, which are restricted for developing affordable housing within the City.

Based on current State Health & Safety Code Section 34176.1(d), and the estimated ~\$4.5 million in LMIHAF dollars that the City is projected to have on hand at the end of FY 2019/20, the City will find itself in an "Excess Surplus" situation, whereby the State will take back all Excess Surplus funds

(estimated at ~\$3 million), unless the City encumbers those dollars by June 30, 2020.

Therefore, in order to avoid having the State take back our local affordable housing dollars, it is recommended that the City Council authorize the purchase of the Property, which will enable the Housing Authority to avoid an Excess Surplus situation, while also allowing the City substantial influence in dictating the terms of any future development on the identified site.

Furthermore, a future purchase and sale agreement for the Option Property won't be executed without sufficient funds identified through a budget amendment which will come to the City Council/ Housing Authority for approval.

Recommended Action:

CITY COUNCIL AND HOUSING AUTHORITY RECOMMENDATION:

A) Authorize and direct the City Manager/ Executive Director to execute a Purchase and Sale Agreement and any additional necessary documents to consummate the transaction, in a form approved by the City Attorney, by and between the City of Huntington Beach/ Housing Authority and Shigeru Yamada, Trustee of the Shigeru Yamada Living Trust, and Mitsuru Yamada, Trustee of the Mitsuru Yamada Living Trust to acquire the Property; and,

B) Authorize and direct the City Manager/ Executive Director to execute an Option Agreement, in a form approved by the City Attorney, by and between the City of Huntington Beach/ Housing Authority and Shigeru Yamada, Trustee of the Shigeru Yamada Living Trust, and Mitsuru Yamada, Trustee of the Mitsuru Yamada Living Trust to acquire the Option Property; and,

C) Appropriate funds of \$3,250,000 from Fund 352 for acquisition of the Property.

Alternative Action(s):

Do not authorize the City Manager/ Executive Director to acquire the Property or the Option Property.

Analysis:

On February 3, 2020, the City Council adopted Resolutions No. 2020-06 and 2020-07 approving General Plan Amendment ("GPA") No. 19-003 (the "Housing Element Amendment"), Zoning Text Amendment ("ZTA") No. 19-006 (Beach and Edinger Corridors Specific Plan Amendment, the "BECSP") and approved the 2019 Housing Element Progress Report. The Housing Element Amendment has identified how the City will address its proportionate share of regional housing needs for all economic segments of the community ("RHNA") for the current cycle, in accordance with Government Code Section 65588. Currently, the City has exceeded all of the RHNA targets with the exception of 413 low and very-low income units. The Housing Element Amendment also contains an affordable housing overlay ("Overlay") within the BECSP that identifies six (6) properties that can accommodate the RHNA shortage. The Overlay allows for by-right development (i.e. no discretionary permits) for projects that provide a minimum of 30% very-low and low income units.

Two adjacent parcels, the Property and the Option Property (located on the eastside of Beach Blvd, between Slater Ave and Warner Ave) (collectively, the “Properties”), were identified as one of the six sites identified as part of the Overlay. The Properties are owned by Shigeru Yamada, Trustee of the Shigeru Yamada Living Trust, and Mitsuru Yamada, Trustee of the Mitsuru Yamada Living Trust (collectively, the “Owners”). The Owners listed the Properties for sale with an asking price of \$3.4 million each. Staff submitted a conditional Letter of Intent to Purchase (Attachment 1) with the following salient terms:

- Purchase Price: Three million seventy seven thousand ten dollars (\$3,077,010) for 34,189 square feet of vacant land;
- Security Deposit: Fifty thousand dollars (\$50,000) non-refundable after the 45-day due diligence (contingency) period expires. If escrow is cancelled prior to expiration of contingency period, then the security deposit shall be returned, in full, to the City;
- Close of escrow: 10-days after the expiration of due diligence period;
- Broker Commission: The City and Sellers will split the 4% commission fee, each paying 2% (\$61,540.20);
- Closing Costs: The City and Sellers have agreed to split closing costs, (estimated City portion is \$13,000);
- Option to Purchase: Sellers will grant the City an option to purchase the Option Property (34,325 square feet) for \$3,089,250. The option to purchase the Option Property shall expire on July 31, 2021. A separate option agreement will be prepared by the City Attorney’s Office with similar salient terms.

If the City Council/Housing Authority authorizes and directs the acquisition of the Properties, staff will coordinate the review of all title matters with the City Attorney’s Office and initiate site assessments. Upon the close of escrow, the City will prepare a Request for Proposal to solicit qualified affordable housing developers to submit proposals to design and construct the developments. By acquiring the site, the City can dictate terms, conditions, including aesthetics and density beyond the requirements set forth in the Overlay.

Environmental Status:

The acquisition of the properties is exempt in accordance with Section 15061(b)(3) of the California Environmental Quality Act (“CEQA”) Guidelines as the purchase will not cause a significant effect on the environment. A future project contemplating the residential development of affordable housing may be exempt in accordance with Section 15194 subject to requirements listed in Sections 15192 and 15194 of the CEQA Guidelines. Such environmental analysis will be conducted once an application is submitted and a project description is defined.

Strategic Plan Goal:

Non-Applicable - Administrative Item

Attachment(s):

1. Letter of Intent dated January 16, 2020