

**OVERSIGHT BOARD TO THE FORMER
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
STAFF REPORT**

DATE: NOVEMBER 20, 2013

TO: THE HONORABLE CHAIR AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

SUBJECT: A CONDUCTING THE PUBLIC HEARING AND APPROVING THE SALE AND DISPOSITION AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND OSBORNE BUILDING AND DEVELOPMENT, INC FOR PURCHASE OF CERTAIN SUCCESSOR AGENCY OWNED PROPERTY LOCATED AT 16208-16216 SOUTH ATLANTIC AVENUE

SUMMARY

Staff respectfully request the Board to concur with the Successor Agency Board's approval on July 30, 2013, the Sale and Disposition Agreement between the Successor Agency and Osborne Building and Development, Inc. in connection with the proposed sale of certain Successor Agency owned property located at 16208 – 16216 South Atlantic Avenue in the City of Compton.

BACKGROUND

In accordance with its strategic and aggressive efforts to stimulate private sector investment into the community to expand the City's tax base, the Successor Agency to the Community Redevelopment Agency (Agency) has continuously sought out prestigious and accomplished developers as partners in the redevelopment of Compton. These efforts are components of the efforts to transform the City of Compton's physical, economic, and social fabric into a vibrant, commercial retail center and destination place for new housing and moderate income residents.

These policy objectives were established based on the City Council approved Community Redevelopment Agency's: (a) Five-Year Implementation (Strategic) Plan approved by the Commission in January 2010; (b) 2010 Tax Allocation Bond program approved by the Commission in May 2010; (c) Property Acquisition, Disposition and Development Strategic Plan, approved by the Commission on March 8, 2011 and the City's adopted Smart Growth Road Map/Plan in November 2010.

In furtherance of this economic development effort, the Successor Agency has received a proposal from Osborne Building and Development, Inc., an established and successful housing

developer. Osborne Development recently completed a residential housing project in the City of Santa Monica and several other residential projects over the past few years including projects in cities of Inglewood, Los Angeles and Big Bear Lakes.

STATEMENT OF THE ISSUE

Osborne Building and Development, Inc. proposes to develop thirteen (13) detached townhome units at the property located at 16208-16216 S. Atlantic Avenue. The scope of the project would include six (6) 3 bedroom/2.5 baths and seven (7) 4 bedroom/2.5 bathroom units each having a 2 car attached garage; energy efficient appliances such as tank-less water heaters; forced air/heat; granite counter tops in the kitchen and bathrooms; laminate wood flooring throughout the homes; private front yards; smart house with Cat 5 wiring, security and intercom systems. The purchase price for the homes will be within the Los Angeles County Area Moderate Income levels, which range between \$210,000 to \$260,000 dollars per home.

The developer is proposing to provide the following amenities for the project: Open space recreation area with stainless steel BBQ grill/pit; picnic table and benches for the residents of the development. The project will also provide four (4) guest parking spaces.

The Agency has presented the preliminary site plan to the City's Planning department for their conceptual review and we have received comments that will be incorporate into the developer official plan check submittal as part of the City's Entitlement and Development review process.

FEASIBILITY ANALYSIS

Based on a feasibility analysis conducted by the Agency's consultant Jones Lang Salle, the highest and best use for the site is residential. In the context of the foregoing, the reuse land value for this site (1.25 acre) is determined at approximately Three Hundred and Ninety Thousand dollars (\$390,000) per square foot value of \$13.46 per square foot.

The Agency through its 2010 Tax Allocation Bonds has committed \$1.5 million dollars to the development for the retention of the moderate-income affordability covenants attached to each unit to reduce the homes to a moderate-income level for First-Time Homebuyers that will purchase the homes. These bond funds were approved by the Urban Community Development Commission under resolution #1,808. Furthermore, these funds have been identified in the Successor Agency's Due Diligence Review (DDR) Report as "Restricted funds". As such as, restricted funds are not available to be remitted back to the State Department of Finance under the "claw back" provisions of Assembly bill 1484.

HOUSING NEEDS ANALYSIS

Market Analysis:

Staff has researched and performed detailed housing market analysis of the City of Compton. This market analysis provides a review, comparative trend analysis relative to the pricing for

both new construction and existing housing stock that has been listed and sold within the City. As such, this analysis allows staff to extrapolate the sales price for the homes.

The market analysis suggests that for a new construction housing product, the average sales price for a similar detached single family home with an average of 1,600 square feet is \$250,000 to \$300,000. As a result, the developer is proposing sales price of \$280,000 dollars for each home.

Housing Stock Analysis:

The following information provides a compelling need for the City to develop and implement an action plan to address the deficiency in the City's available and immediate housing stock to meet the needs of the City's growing population.

A.) Age of Housing Stock:

Currently, over 70% percent of the City of Compton existing housing stock is over 45 years old. Due to the City's disproportionate amount of aging and deteriorating housing stock, a lot of homes are in need of rehabilitation, substandard and therefore a need for new housing stock is necessary to mitigate these housing issues. See 3.2.7

B.) Overcrowding:

According to statistical data as of 2000, more than 39% of the City's existing housing stock was considered overcrowded. "An overcrowded unit is one which there is more occupants than rooms available". A typical overcrowded house is where there are 1.51 persons per room. Studies have shown that overcrowding may be a factor of poor affordability of quality housing stock within a community. Thus necessitating the City encourages and develops policies for the construction of new affordable housing units in the City. See 3.2.8

C.) Population Growth and Age:

Facts: a) The City's population has had an average growth rate of 7% over the past 20 years from 1990 – 2010; however the City's housing stock has only increased at a rate of 2.5% over the same 20 year period. (U.S. Census Bureau, 1980, 1990, 2000 and DOF 2009).

b) The Agency's approved Five-Year Implementation Plan (January 2010) identified approximately 244 housing units that need to be developed in the city over the next five (5) years.

D.) Action Item: Develop policies, goals, objectives and a strategic plan to attract high quality affordable housing to meet the population growth issues and demands of the City.

A. City of Compton - Housing Element (Current and Draft General Plan 2030)

a. Housing Goal# 2: The City of Compton will implement the following:

- i. Increase its efforts with private housing developers to increase the availability of market rate housing for homeowners and renters
- ii. Implement land use policies which allow for a range of residential densities, including single family, townhomes, apartments and condominiums.
- iii. Encourage private sector production of for sale and rental housing for special needs groups: low-income, the elderly (seniors), disabled persons, large families, Female head of household and homeless.
- iv. Promote the development of senior housing and low and moderate income housing by providing density bonuses and other incentives in Section 65915 of CGC.
- v. Assisting residential developers in locating suitable land for housing development
- vi. City will locate higher density residential development in close proximity to public transportation, municipal services, and recreation
- b. Housing Goal# 3 : Increase the amount of Homeownership in the City
 - i. Creates a sense of neighborhood pride and care about the community
 - ii. Provide affordable finance purchase options for moderate income families
 - 1. Mortgage down-payment assistance
 - 2. Low-interest loans
 - 3. Mortgage Revenue Bond financing

ECONOMIC BENEFITS

The subject property is located off Atlantic Avenue, a major arterial thoroughfare in the City. The development of a high quality Affordable Housing in this area would encourage additional private sector investment into the area. The subject site is adjacent to a mobile-home park and this new development could potentially encourage the owner of the mobile-home park to make improvements to the mobile-home park as well.

The project will provide several economic benefits to the City, such as:

1. The City will receive increased property tax revenue, because the property currently does not participate in the property tax roll as public land. Once the development is completed, the project is estimated to have a value of approximately \$5 Million dollars of new private investment” into the City of Compton.
2. The City’s General Fund would receive an estimated \$300,000 in one-time development permit fees.
3. The City of Compton, acting as the Successor Housing Agency would receive \$390,000 in land sales proceeds for implementation of housing related activities eligible under the California Redevelopment Law.

4. Attracting new Moderate Income families (Household Income of \$65,000) into the City of Compton, which will help the City to attract national credit retailers and restaurants into the City.
 1. Increase the City of Compton's – Median Household Income Levels (See 3.2.9)
 1. FY 2000: \$48,474 and FY 2010:\$50,000
 2. Increase of disposable income into the City's Economic Tax base

The developer anticipates that the project will be completed within approximately 24 months from date of approval.

DEVELOPMENT IMPACT ANALYSIS

Public Safety:

- 1.) Physical Blight (Eliminate):
 - a. The removal of blight, the rededication of underutilized land for a specific high-use purpose, improved aesthetic appearance of an area will tend to deter criminal activity. The reason being that new development creates an increase of pedestrian and auto traffic into the area and increased security and lighting, which presents a less attractive environment for criminal activity to be present.
- 2.) Compton Fire Department:
 - a. Staff has contacted the City's Fire Department regarding this type of development proposal. The Fire Department has indicated that the project must have a minimum 26' wide street access and sprinkler homes for each unit. Also, once the project is resubmitted through the City's development review process additional comments maybe provided if necessary.

City's Infrastructure:

- 1.) Public Works Department: The Public Works Department will comment on the project as part of the City's development entitlement process.
- 2.) Compton Water Department: The Compton Water Department will comment on the project as part of the City's development entitlement process.
- 3.) Planning Department: Agency staff has met with the Planning staff and received their initial comments on the project, which will be incorporated into the official plan check submittal as part of the City's Entitlement and Development review process. Planning staff has indicated that the existing General Plan and the City's Draft General Plan 2030 does allow for this use on the subject site. The Planning staff indicated they will review the project and provide additional comments once the project has been officially submitted for review.

Additionally the proposed project would incorporate the City Council approved Smart Growth principles that encourage a vibrant sustainable architectural design. The Smart Growth goals and objectives outcomes from this development include.

- Removal of blight and enhanced the existing neighborhood and improve property values and encourage additional private investment within the area.
- Establish urban design standards that guide high-quality sustainable design that is reflective of the character of the community.

FISCAL IMPACT

There is no negative fiscal impact to the City's General Fund with the approval of this resolution.

Through the City's development permit fee process, staff has estimated that the City's General Fund would receive \$300,000 in fees for this project.

Osborne Building and Development, Inc. is proposing to purchase the site from the Successor Agency for \$390,000 dollars. The proceeds from the sale of this property will be retained by the City of Compton (acting as the Successor Housing Agency to the Community Redevelopment Agency), for use to implement the housing activities and projects of the former Community Redevelopment Agency.

The use of the sales proceeds from this project are restricted in accordance with the Health and Safety Code Section 34176(d) which states that "...any funds generated from housing assets...shall be maintained in a separate Low and Moderate Income Housing Asset Fund...Funds in this account shall be used in accordance with applicable housing related provisions of the Community Redevelopment Law".

The Successor Agency has funds allocated in its 2010 Tax Allocation Bond – Series A housing proceeds for this project and to assist First Time Homebuyers for this development. These funds are available in the amount of \$1,500,000 dollars that are available in account number 3070-91-0000-4266.

The current balance in this account is \$6,100,000 dollars. These bond funds will be available for use once the Successor Agency receives a Finding of Completion from the DOF.

RECOMMENDATION

Staff respectfully request that the Board approve the proposed purchase by Osborne Building and Development, Inc. of certain Successor Agency owned property located at 16208-16216 South Atlantic Avenue in the City of Compton.

DR. KOFI SEFA-BOAKYE
REDEVELOPMENT MANAGER

G. HAROLD DUFFEY
EXECUTIVE DIRECTOR

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY FOR THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON CONDUCTING THE PUBLIC HEARING AND APPROVAL OF THE SALE AND DISPOSITION OF CERTAIN SUCCESSOR AGENCY OWNED PROPERTY LOCATED AT 16208-16216 S. ATLANTIC AVENUE TO OSBORNE BUILDING AND DEVELOPMENT COMPANY FOR RESIDENTIAL DEVELOPMENT

WHEREAS, in its aggressive effort to stimulate private sector investment into the community to expand the City's tax base, the Successor Agency to the Community Redevelopment Agency (Agency) has continuously sought out prestigious and accomplished developers as partners in the rebuilding of Compton; and

WHEREAS, in furtherance of this economic development effort, the Successor Agency solicited and received a proposal from Osborne Building and Development Company a renowned developer in the field of affordable residential development; and

WHEREAS, based on a feasibility analysis conducted by the Agency's consultant Jones Lang Salle, the highest and best use for the site is residential. In the context of the foregoing, the reuse land value for this site is projected at Three Hundred and Ninety Thousand dollars (\$390,000). This is a per square foot value of \$13.46 per square foot.

WHEREAS, Osborne Building and Development Company proposes to acquire the site for \$360,000 dollars and construct thirteen (13) detached townhome units at the property located at 16208-16216 S. Atlantic Avenue. The scope of the project would include six (6) 3 bedroom/2.5 baths and seven (7) 4 bedroom/2.5 bathroom units each having a 2 car attached garage; energy efficient appliances such as tank-less water heaters; forced air/heat; granite counter tops in the kitchen and bathrooms; laminate wood flooring throughout the homes; private front yards; smart house with Cat 5 wiring, security and intercom systems; and

WHEREAS, the purchase price for the homes will be within the Los Angeles County Area Moderate Income levels, which range between \$210,000 to \$260,000 dollars per home. This affordable residual land value will require that each home sold in the project will be restricted to eligible homebuyers with a Moderate Income level between 80% to 120% low-moderate income families; and

WHEREAS, pursuant to resolution #25, dated July 13, 2013, the Board of Directors to the Successor Agency of the Community Redevelopment Agency, approved the proposal and authorized staff to submit to the Oversight Board the proposed purchase by Osborne Building and Development Company certain Successor Agency owned property located at 16208-16216 South Atlantic Avenue in the City of Compton; and

WHEREAS, the Agency through its 2010 Tax Allocation Bonds-Series A Housing funds has committed \$1.5 million dollars to the development for the retention of the moderate-income affordability covenants attached to each unit to reduce the homes to a moderate-income level for First-Time Homebuyers that will purchase the homes. These bond funds were approved by the Urban Community Development Commission under resolution #1,808. Furthermore, these funds have been identified in the Successor Agency's Due Diligence Review (DDR) Report as "Restricted funds". As such as, restricted funds are not available to be remitted back to the State Department of Finance under the "claw back" provisions of Assembly bill 1484.

NOW, THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE CITY OF COMPTON, HEREBY FINDS, DETERMINES, RESOLVE, AND ORDERS AS FOLLOWS:

Section 1. That the above recitals are hereby true and correct and are a substantive part of this resolution.

Section 2. That this resolution is adopted pursuant to Health and Safety Code Section

34177.

Section 3. That the Oversight Board conducts the public hearing and approve the Sale and Disposition agreement between the Successor Agency and Osborne Building and Development Company, LLC for the sale of certain Successor Agency owned property located at 16208-16216 S. Atlantic Avenue in the City of Compton.

Section 4. That there is no negative impact to the City of Compton or the affecting taxing entities with the approval of this resolution.

Section 5. That Osborne Building and Development Company, LLC will purchase the site from the Successor Agency for \$390,000 dollars for residential development.

Section 6. That the officers and staff of the Oversight Board and the Successor Agency are hereby authorized and directed, jointly and severally, to execute the agreement as agreed upon by all parties and to do any and all things which they may deem necessary or advisable to effectuate this resolution.

Section 7. That a certified copy of this resolution shall be filed in the offices of the Executive Director of the Successor Agency.

ADOPTED this ____ day of _____, 2013.

**CHAIRPERSON OF THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

ATTEST:

**SECRETARY TO THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Tanya Ruiz, Secretary to the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Board, signed by the Chairperson, and attested by the Secretary at the regular meeting thereof held on the ____ day of _____, 2013.

That said resolution was adopted by the following vote, to wit:

AYES: BOARD MEMBERS -
NOES: BOARD MEMBERS -
ABSENT: BOARD MEMBERS -

**SECRETARY TO THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**