

**SUMMARY REPORT PURSUANT TO
SECTION 33433 OF THE CALIFORNIA HEALTH AND SAFETY CODE

ON THE
AFFORDABLE HOUSING DISPOSITION AND DEVELOPMENT AGREEMENT
BETWEEN THE CITY OF MERCED, ACTING IN ITS CAPACITY AS THE
HOUSING SUCCESSOR TO THE FORMER MERCED REDEVELOPMENT AGENCY,
AND LINC HOUSING CORPORATION**

This Summary Report has been prepared pursuant to Section 33433 of the California Health and Safety Code ("HSC"). Section 33433 requires that before any property acquired in whole or in part, directly or indirectly, with tax increment moneys is sold or leased for development pursuant to the redevelopment plan, the sale or lease shall first be approved by the legislative body by resolution after public hearing.

This Summary Report sets forth certain details of the proposed disposition and development terms between the City of Merced ("City"), acting as the Housing Successor Agency to the Former Merced Redevelopment Agency ("Housing Successor") and Linc Housing Corporation ("Developer"). The City and Developer intend to execute a Disposition and Development Agreement ("Agreement") attached hereto as Exhibit "A". The purpose of the Agreement is to effectuate the Redevelopment Plans for the Merced Gateways Project Area and Project Area No. 2 ("Redevelopment Plans") by developing housing affordable to extremely low income households. Although Assembly Bill x1 26 dissolved the Merced Redevelopment Agency ("Former Agency") effective February 1, 2012, the City elected to retain the authority to perform housing functions previously performed by the Former Agency as permitted by Section 34176.

The Agreement requires the City to sell the real properties to the Developer. The "Properties" or "Sites" are located at:

<i>Table 1</i>	
<i>Address</i>	<i>Assessor's Parcel No. ("APN")</i>
1823 "I" Street	031-074-009
1815 "I" Street	031-074-010
205 West 18th Street	031-074-011
211 W. 18th Street	031-074-012
202 W. 19 th Street	031-074-008

The Properties are comprised of approximately 0.52 acres of vacant land. The Agreement requires the Developer to develop the Sites to include fifty-three (53) multifamily residential rental units and one (1) manager unit, for a total of fifty-four (54) units. Of the fifty-four (54) units, twenty-two (22) units shall be restricted for extremely low to low-income households earning 30% to 60%

of the Area Median Income for Merced County (the "Project"). The Affordable Units shall be restricted for 55-years by an Agreement Containing Covenants Affecting Real Property. The Project will be financed through the sale of the Properties below market rate at \$1.00 per property or \$5.00 total.

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

- I. Salient Points of the Agreement
- II. Cost of the Agreement to the City
- III. Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Redevelopment Plans
- IV. Estimated Reuse Value of the Interests to be Conveyed
- V. Consideration Received and Comparison with the Established Value
- VI. Blight Elimination
- VII. Conformance with the Five Year Implementation Plan

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

A. Description

The Agreement provides for the sale of the Properties from the City to the Developer for \$1.00 per property or \$5.00 total. The Developer will pay a below market rate in exchange for developing fifty-three (53) multifamily residential rental units and one (1) manager unit, for a total of fifty-four (54) units. Of the fifty-four (54) units, twenty-two (22) units shall be restricted for extremely low to low-income households earning 30% to 60% of the Area Median Income for Merced County.

The maximum rent for Affordable Units shall not exceed the affordable rent for "extremely low to low-income households earning 30% to 60% of the Area Median Income households" as defined in Section 50053(b)(1)

and accompanying regulations of HCD, as such law or regulations may hereafter be amended, replaced or renumbered from time-to-time, with allowance for utilities.

The occupancy requirements described in this section shall apply for a period of fifty-five (55) years from the issuance of a final certificate of occupancy.

B. Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Not be in default of any of its obligations under the terms of the Agreement
2. Execute a grant deed, affordability covenants, and other related documents as detailed in the Agreement
3. Deposit the purchase price and all required closing costs into escrow
4. Obtain City approval of sites plans and construction drawings
5. Receive all land use approvals for improvements required by the agreement
6. Obtain and demonstrate proof of financing required to complete required improvements
7. Provide proof of insurance
8. Obtain City approval of final building plans and have building permits ready to issue

C. City Responsibilities

Under the Agreement, the City must complete the following responsibilities:

1. Not be in default of any of its obligations under the terms of the Agreement
2. Execute a grant deed, affordability covenants and other related documents as detailed in the Agreement

II. COST OF THE AGREEMENT TO THE CITY

The City costs related to selling the Properties include the previous acquisition of the Sites and related obligations under the Agreement. The Sites were purchased by the Former Agency with Low and Moderate Income Housing Set Aside Funds between 1998 and 2010 for the purpose of achieving its redevelopment goals of alleviating blight and producing affordable housing. The total acquisition cost was \$546,191 as detailed in Table 2.

Table 2		
<i>Address</i>	<i>Acquisition Date</i>	<i>Price</i>
1823 "I" Street	12/16/1998	\$ 19,050.00
1815 "I" Street	9/5/2008	85,259.45
205 West 18th Street	9/5/2008	85,370.00
211 W. 18th Street	11/24/2009	241,379.50
202 W. 19 th Street	11/15/2010	115,131.57
Total		\$ 546,190.52

Under the Agreement the City will receive \$1.00 for each property or \$5.00 total. The total cost of the Agreement is the difference of \$546,186.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USES PERMITTED UNDER THE REDEVELOPMENT PLANS

An appraisal conducted in July 2022 determined the market value of the Properties to be \$405,000 with a highest and best use of the Sites as higher density apartment units as permitted with the underlying R-4 zoning.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The estimated reuse value of the Properties is approximately \$36.1 million based on a developer pro forma of the total development cost if built as required by the Agreement.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The City recognizes that the sale price of \$1.00 per property or \$5.00 total is below the appraised value of \$405,000. The improvements required by the Agreement will help the City achieve its stated redevelopment goals to increase the supply of affordable housing.

VI. BLIGHT ELIMINATION

The sale of the Properties will assist in eliminating physical and economic blight by increasing the supply of affordable housing in the Project Areas.

VII. CONFORMANCE WITH THE FIVE YEAR IMPLEMENTATION PLAN

Prior to dissolution, Section 33433 Summary Reports described how the sale or lease of property achieved goals identified in the Former Agency's Five Year Implementation Plan. This determination is no longer applicable after dissolution.