

**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 CC915 MERCED, INC**

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 CC915 Merced, Inc. ("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 property located at 73 South "R" Street in Merced, California (APN 059-256-004) (the "Property" or "Site") to the Developer. The Property is comprised of 0.47 acres of vacant land. The Agreement requires the Developer to develop the Site with 20 studio units rented to extremely low income homeless veterans ("Affordable Units") plus 1 manager unit, for a total of 21 units (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 Property below market rate at \$1.00, plus \$4,420,000 in Homekey funds granted to the City and Developer for this Project by the California Department of Housing and Community Development ("HCD").

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 Property from the City to the Developer for \$1.00. The Developer will pay a below market rate in exchange for developing 20 residential studio units restricted for rent to extremely low income households as defined by Section 50106 plus 1 manager unit. The 20 Affordable Units shall be restricted for providing permanent supportive housing for veterans who are “homeless” or “at risk of homelessness” as defined in Part 578.3 of Title 24 of the Code of Federal Regulations (“CFR”), and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases. Of the 20 Affordable Units, 5 units shall be restricted for veterans who are “chronically homeless” as defined in 24 CFR Part 578.3.

The maximum rent for Affordable Units shall not exceed the affordable rent for “extremely low 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. The Developer shall adhere to the requirements of Section 34176.1 and the Homekey Standard Agreement with HCD.

The Project may have additional affordability requirements imposed by the United States Housing and Urban Development VA Supportive Housing (“HUD-VASH”) Program as regulated by Section 8(o)(19) of the United States Housing Act of 1937.

The Agreement identifies milestones for disbursing \$4,420,000 in Homekey funds granted by HCD to the City and Developer for the development of this Project.

B. Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Purchase the Site in accordance with the provisions of the Agreement.
2. Obtain financing for the Project, pursuant to other provisions of the Agreement.
3. Prepare the Site for development, including filling and grading, and other site preparation.
4. Design and construct the Project in accordance with the description above, other terms of the Agreement, and applicable ordinances and laws.
5. Secure all permits and approvals needed for the construction of the project, including any Conditional Use Permits issued by the Merced Planning Commission, approvals of the Design Review Commission, and building permits issued by the City of Merced.

C. City Responsibilities

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

1. Give all appropriate assistance to Developer in securing necessary permits for the project, including coordinating with Developer in presentations to the Design Review Commission, Planning Commission, City Council, or other body involved in permits or approvals for the project.
2. Transfer the Site to the Developer in accordance with the provisions of the Agreement.
3. Respond promptly, as provided in the Schedule of Performance in the Agreement, to submittals from the Developer.
4. Provide all legally allowed assistance in completing any zoning changes that may be necessary for the Project to begin.
5. Complete environmental reviews as needed.

II. COST OF THE AGREEMENT TO THE CITY

The City costs related to selling the Property include the previous acquisition of the Site and related obligations under the Agreement. The Site was purchased by the Former Agency with Low and Moderate Income Housing Set Aside Funds in July 2007 for the purpose of achieving its redevelopment goals of alleviating blight and producing affordable housing. The total acquisition cost was \$201,293.

Under the Agreement the City will receive \$1.00 for the Property.

The total cost of the Agreement is the difference of \$201,292.

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 December 2021 determined the as-is value of the Property to be \$110,000.00 with a highest and best use of the Site as vacant for the development of 3 single family residences with 2 additional auxiliary dwelling units. This is based on the Site's current land use of low density residential. The Site will be rezoned to accommodate the development proposed under the Agreement.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The estimated reuse value of the Property is approximately \$4,330,000 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 is below the as-is appraised value of \$110,000. 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 Property 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.