



Agenda Item

300 E. Chapman Avenue
Orange, CA 92866

City Council

Item #: 7.3.

4/13/2021

File #: 21-0174

TO: Honorable Mayor and Members of the City Council

FROM: Rick Otto, City Manager

1. SUBJECT

Disposition and Development Agreement by and between the City of Orange and Shelter Providers of Orange County, Inc. to develop six units of affordable housing.

2. SUMMARY

Agreement with Shelter Providers of Orange County, Inc. to sell three adjacent properties located at 617, 625, and 637 West La Veta Avenue to develop six units of affordable housing.

3. RECOMMENDED ACTION

Approve the Disposition and Development Agreement by and between the City of Orange and Shelter Providers of Orange County, Inc.; and authorize the Mayor and City Clerk to execute on behalf of the City.

4. FISCAL IMPACT

The \$700,000 in proceeds from the sale of the properties will be paid over a period of 30 years and will first be used to reimburse the \$514,378 of Gas Tax funds (272) that were used to purchase the properties. Remaining proceeds will benefit the General Fund (100).

5. STRATEGIC PLAN GOALS

Goal 3: Enhance and promote quality of life in the community
c: Support and enhance attractive, diverse living environments.

6. DISCUSSION AND BACKGROUND

Background

The City purchased three contiguous properties at 617, 625, and 637 West La Veta Avenue between 1992 and 1999 for a planned street widening. The widening project never moved forward as the City was not able to acquire the remaining needed property on the open market, and the City Council did not want to use eminent domain to acquire it. The City purchased the properties using \$514,378 in Gas Tax funds and so any proceeds from the sale of the properties must first be used to repay the Gas Tax fund (272).

Government Surplus Process

State law requires that the City follow a certain process when disposing of property. Once the City determines that it has no need for a property, the City must first declare the property as surplus and then formally offer the property for sale to other government agencies and affordable housing developers. If the City receives an offer from another government agency or affordable housing

developer, it is required to enter into good faith negotiations with that entity. Only if no other government agency or affordable developer submits an offer, or if after good faith negotiations the City is not able to reach acceptable terms, then the property may be sold on the open market.

The City Council declared the three properties surplus at its meeting on April 14, 2020. At that time, the City notified other government entities and affordable housing developers of the availability of the properties. Shelter Providers of Orange County, Inc. (HomeAid) was the only entity that submitted a proposal to purchase the properties from the City. As such, the City entered into negotiations with HomeAid for the properties.

Discussion

All three properties have single-family homes that range in size from approximately 800 to 1,000 square feet and are located in the Old Towne Historic District. While the City previously had tenants in each house, all three houses are currently vacant. Also, because the City had planned to demolish the structures as part of the widening project, the houses have extensive deferred maintenance.

HomeAid is a local nonprofit that was founded in 1989 by the Orange County chapter of the Building Industry Association to provide shelter and housing to people that would otherwise be homeless due to circumstances beyond their control. HomeAid has successfully developed 59 housing projects which have added 1,451 shelter beds across the entire homeless Continuum of Care spectrum. These facilities range from emergency housing, to interim housing, and permanent supportive housing. In 2017, HomeAid opened the Family CareCenter in Orange to provide year-round emergency shelter to families in need. The 10,000 square foot shelter has 56 beds and was entirely funded through private donations.

The statewide elimination of redevelopment agencies in 2012 removed an important funding source for affordable housing, requiring creative solutions to fund these projects. HomeAid is proposing to purchase the three properties from the City and to use private donations to restore the houses following the City's historic preservation design standards. The project would also include constructing modest-sized (approximately 700 square feet) accessory dwelling units (ADUs) on each property. The resulting six housing units would be kept affordable for people earning 50% or less of the Area Median Income (AMI) for a period of 55 years. The creation of affordable housing is a vital component of the City's and the region's approach to addressing the needs of individuals who struggle with housing or are experiencing homelessness.

The proposed Disposition and Development Agreement has the following provisions:

- HomeAid will purchase the three properties from the City for \$700,000, which will be paid to the City over 30 years as a residual receipts loan with 0.25% interest.
- The \$700,000 purchase price is confirmed as market value for the properties by the attached appraisal report considering the affordability covenants and the deferred maintenance on the houses.
- HomeAid will rehabilitate the houses to historic preservation design standards and construct three ADUs, one on each property.
- The six housing units will be kept affordable for a period of 55 years for people making 50% AMI or less.
- HomeAid will receive no subsidy from the City for this project.

Recommendation

Staff recommends the City Council approve the proposed agreement to provide six units of affordable housing.

7. ATTACHMENTS

- Disposition and Development Agreement by and between the City of Orange and Shelter Providers of Orange County, Inc.
- Appraisal Report