

ATTACHMENT F

JULY 30, 2007

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

RE: 60 DAY UPDATE ON PRE- NEGOTIATION AGREEMENT PERIOD WITH THE BAKEWELL COMPANY/CENTURY HOUSING CORPORATION FOR DEVELOPMENT OF HERITAGE SQUARE PROJECT AT 19-25 E. ORANGE GROVE BOULEVARD AND 710-790 N. FAIR OAKS AVENUE

RECOMMENDATION

It is recommended that the Pasadena Community Development Commission ("Commission") direct staff to:

1. Continue the pre-negotiation period with the Bakewell/Century Housing Corporation based on the project concept shown in Exhibit 1, and return to the Commission on September 10, 2007 and;
2. Return to the Commission within 60 days with a defined process for the selection of developers for Commission owned land and suspend any new selection processes until a specific process is in place.

BACKGROUND

At the May 21, 2007 meeting of the Commission staff was directed to refine the project to ensure it meets the needs of the Commission and, with the Bakewell Company/Century Housing Corporation, provide an amended proposal within a 60 day period. During the 60 day pre-exclusive negotiation period, City staff and the developers were to prepare a detailed analysis regarding the feasibility of the project, and include information on the financing of the project, both direct and indirect subsidies, and a list of potential sources and uses of funding.

In order to comply with the Commission direction without impacting the ongoing staff work plan, the City acquired the services of Steven Wraight of the Related Companies (design consultant), and Paul Silvern of Hamilton, Rabinovitz and Alschuler, (financial consultant). Both Mr. Wraight and Mr. Silvern are well respected experts in their fields and did not serve in any capacity during the initial evaluation of the responses to the Heritage Square RFP. Information concerning their background is attached as Exhibit 2.

Staff developed a set of key terms that would be discussed during this period. These terms include the following:

1. Determine the optimal product mix. This includes discussion of the number of senior vs. family units.
2. Determine the optimal affordability mix. A mixture of affordable levels (this includes market, workforce and affordable levels) is desirable, however the majority of the project should remain affordable.
3. Determine the basic design and if town homes can be incorporated into the design with a separation of senior and family units.
4. Clarify the role of the respective members of the development team.
5. Determine ultimate title ownership and affordability covenants.
6. Determine who will be responsible for any remediation required.
7. Determine how the project can be financed and how any potential gaps in the project can be covered including direct and indirect costs. Review whether the project is eligible for 9% or 4% New Market Tax Credits and what experience the development team has in securing credits.
8. Determine when sources of funding become available.
9. Determine who bears the cost and responsibility of demolition.
10. Determine who bears the cost and responsibility of moving the historical building.
11. Provide a completion schedule that takes into account the New Market Tax Credit approval schedule.

During this 60-day period, staff and the developers have been concentrating on questions 1, 2, 3 and 7. Until the amended proposal, which includes a revised development concept and a fiscal feasibility analysis are completed, the remaining questions were not considered to be as critical.

In accordance with City Council direction, a refined concept for the Heritage Square site was developed. This new concept attempted to address the concerns of the Council as to the product mix and the need for additional senior affordable housing, while still ensuring that that the project is financially viable. Overarching these concerns was the need to have a project that would address the critical need for affordable housing in Pasadena.

On July 24, 2007, staff along with the design consultant and representatives of the Bakewell/Century Housing proposal team convened a community meeting to discuss the revised development concept with members of the community. Approximately 30 members of the community attended this session. Most of the comments concerned disability access, parking, emergency services, traffic and some comments were received concerning the massing of the project. Overall, the members of the community were generally supportive of the revised concept.

The revised concept, a rendering of which is attached as Exhibit 1, has the following elements; 136 total units. This unit number represents a slight reduction (5 units) from the total number of units in the initial proposal. This reduction was caused by the need to increase the width of Wheeler Alley per City requirements. Of the 136 units, 89 of the units are designated as affordable senior rental units and 47 are market rate units. Of these 47 units, 15 are designated for family ownership and 32 are market senior condos. The family ownership units will be segregated toward the north end of the project and are designed as town homes. The amended proposal also maintains the community (2,000 square feet) and commercial (20,000 square feet) spaces as called for in the original RFP.

Development Concept

The City retained Steve Wraight of Related Companies to prepare a revised development concept. The revised concept is based on acknowledging the surrounding context of streets, residential and retail uses and the development program which requests a mixed-use project encompassing for-sale condominiums, for families and seniors, affordable senior apartments, street level retail and a community facility. The resultant plan is divided into three distinct "neighborhoods" to address the different nature of for-sale and rental housing.

The North Neighborhood is for-sale, two-story family townhouses. Ten townhouses front Painter or Fair Oaks Avenues but are separated from these public ways by 10 feet of landscaping and a raised porch to define and individualize the entries. The remaining five townhouses face quiet interior courtyards and all homes have private 12'x20' rear patios. The Middle Neighborhood is three-story, senior condominium flats, associated with +-8100 square feet of street-oriented retail. The 32 senior condominiums have a visitor entrance from Fair Oaks which enjoys a view into the central courtyard and easy access to the elevator core. The primary orientations for the condominiums is toward the central courtyard or Fair Oaks (from above retail), with a minimum number facing the senior rentals across an open space garden. Both housing types have well-scaled, landscaped courtyards.

The South Neighborhood encompasses 89 senior apartments of two and three story flats above retail and four-story flats on grade, as well as, 11,900 square feet of retail. Retail is sited on the corner of Fair Oaks and Orange Grove with a corner public plaza as its focus and is surmounted by 2 floors of apartments which develop a street-friendly mixed-use building at this important corner. The units attach to the four-story building via a bridge/walkway which simultaneously creates an entry path and view to an existing oak tree and interior courtyard. The four-story height exceeds the height limit in the Specific Plan by approximately six feet. This represents a small portion of the overall site. The residential edge of Wheeler Lane is limited to 65 feet. Along Fair Oaks the length of the building is limited to +-120 feet. Visitors to the senior apartments enter through a Fair Oaks lobby which is accented by views to the northern garden space and south to the oak tree plaza. This mix of uses and building scale is further enhanced by the adjacent Community Room.

The Fair Oaks Avenue composition increases from the low residential scale of Painter Street, with the two-story townhouses, rising through the three-story mixed-use condominiums to the central 4-story height and then descends to the appropriately scaled mixed-use corner at Orange Grove Boulevard.

The Orange Grove and Fair Oaks retail area is served by +43 street-level parking spaces, accessed from Wheeler Lane, with the remaining retail parking provided in a subterranean garage. Senior apartment parking shares the ramp with the retail but achieves separation and security by a resident controlled security gate. Condominium parking is also in a subterranean garage but it is completely separated from the retail and apartment parking by use of separate ramps. The parking structures are configured to accommodate the existing oak tree, as well as, allow for landscaping to grow from earth and not from planters which are typically set on top of a concrete slab, as is often found in infill/mixed-use projects.

Financial Feasibility

The City retained the services of Hamilton Rabinovitz and Alschuler (HR&A), to conduct a preliminary evaluation of the financial feasibility of the revised development concept. HR&A has extensive experience providing policy and financial analysis for affordable and market rate housing to public agencies, non-profit developers and for profit developers, in California and elsewhere around the nation. This includes a variety of services to the Los Angeles County Community Development Commission on its competitive affordable housing loan programs. The firm also has experience working for Pasadena previously on development-related public finance issues.

HR&A first reviewed the March 9, 2007 Bakewell/Century Housing proposal and Keyser Marston Associates' (KMA) financial feasibility critique of that proposal. HR&A generally concurred with the KMA methodology, including the development cost, income and residual land value calculation approaches used in that evaluation. HR&A worked closely with Century Housing Corporation to develop preliminary financial feasibility models for the housing components in the revised development concept, and prepared its own analysis for the retail component. HR&A concludes that, on the basis of the information available at this time, the revised development concept would result in a total financial gap of about \$1.2 million, assuming the land is made available by the City at no cost and after including the equity that might be derived from New Market Tax Credits (NMTC) which could be used to offset the development's cumulative financial gap, as previously recommended by KMA.¹ The basis for this conclusion is summarized in Table 1.

¹ While a very promising resource, more detailed analysis of the NMTC potential will be required if the City Council decides to pursue this development concept, because it is a complicated financing structure and timing of equity pay-in could be an issue. For example, depending on the construction loan specifics, it is possible that the City (or another funding source) may be required to defer fees or make a bridge loan during construction, which would be taken out by the NMTC equity at permanent loan closing.

**Table 1
Summary of Financial Feasibility Analysis for the
Heritage Square Revised Development Concept**

	Affordable Housing (89 Units)	Market Rate Housing (47 Units)	Retail Component (20,000 SF GLA)	TOTAL
Available Resources ¹	\$ 20,673,893	\$ 20,308,250	\$ 4,583,095	\$ 45,565,238
Less: Total Development Cost	\$ (22,054,027)	\$ (22,485,454)	\$ (5,214,377)	\$ (49,753,858)
Surplus/(Financial Gap)	\$ (1,380,134)	\$ (2,177,204)	\$ (631,282)	\$ (4,188,620)
Plus: New Market Tax Credits Equity				\$ 3,000,000
Surplus/(Remaining Financial Gap) ²				\$ (1,188,620)

¹ Includes total sources of funds for affordable units; net sale proceeds for for-sale units; and supportable investment for the retail component.

² Assumes land at no cost

Sources: HR&A, Inc.; Century Housing Corp.; Keyser Marston Associates.

The feasibility analysis for the revised development concept includes detailed estimates and projections of development costs by project component, annual operating costs for each component, net operating income for the affordable component, and net sales proceeds for the for-sale component, and supportable private investment for the commercial component.² For the affordable housing component, the analysis includes reasonable assumptions about a number of non-City financial resources that should be available to help finance the 89 units of affordable housing for seniors. These sources include equity derived from the Federal government's four percent Low Income Housing Tax Credit program, tax-exempt bonds authorized by the State, the State's Multifamily Housing Program, Los Angeles County's City of Industry Fund, the Federal Home Loan Bank Board's Affordable Housing Program, private bank loans, and deferred developer fees. This combination of funding sources is commonly used for housing developments in which the units are all affordable to very low- and low-income households (i.e., 30%-50% x Area Median Income). The unit mix and affordability assumptions were specifically selected to maximize scoring under the intensely competitive affordable loan programs. Total development cost for this component is estimated to total \$22.1 million (about \$248,000 per unit), not including land. Reasonably foreseeable financing sources sum to \$20.7 million.

² The financial models for the housing components were prepared by Century Housing Corporation based on detailed discussions with HR&A, and they have also been reviewed by City staff. The model for the retail component was prepared by HR&A, based on a framework developed by KMA. Copies of the models are not included here due to the summary nature of this staff report, but can be made available if requested by the City Council.

The total project financial gap needs to be reduced by about \$1.2 million. Some of the ways this reduction might be accomplished include:

- Closer analysis of whether it is possible to reduce the hard construction costs (about \$170 per square foot assumed) and subterranean parking costs (about \$25,000 per space assumed).
- Changing the mix of units, such as adding moderate, workforce or market rate rentals and/or reducing the number of for-sale units.
- Closer analysis of whether it is possible to achieve a higher rental rate for the retail space (\$2 per square foot per month assumed), although aiming for a higher rate may limit the kinds of tenants available to the development.
- As a last resort, the Commission might consider reducing or waiving City fees on the for-sale units because they are part of a predominantly affordable housing development, especially the Arts Fee, Residential Impact Fee and the Construction Tax, which together account for nearly two-thirds of the fees applicable to the for-sale units. City fees for market units are approximately \$35,000 per unit.

Process Review

Recently, the City Council received an independent review of the developer selection process for Heritage Square. There were several conclusions. One was that Developer Selection Committee (DSC) relied heavily on community sentiment and less on technical analysis in their evaluation of the proposals received in response to the Heritage Square RFP. Because of this, the efficiency of the DSC recommendation has been called into question as a technical review. That review may be better used as community input. The independent review did not find issues with staff's technical review.

Additionally, the review concluded that the Community Development Committee did not have sufficient time to conduct a detailed analysis of the City Manager's recommendation. Should the Commission decide to approve an amended proposal in the future, the Commission might consider directing the Community Development Committee or some other advisory body to review the amended proposal without time constraints and return to the Commission with a recommendation.

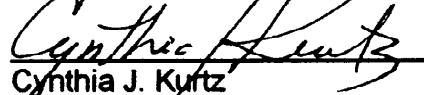
Finally, the independent review noted that the City has conducted very few solicitations for developers for Commission owned property. As a result, there are not in existence clearly defined procedures for the selection of developers for Commission owned properties. As the level of land acquisitions increase and based upon the issues which have arisen in the Heritage Square process, it is patently clear that a well-defined process must be developed for the selection of developers for future projects with Commission approval. It would be the intention of staff to develop such procedures and policies for the Commission's review.

Until such procedures are in place, it is the recommendation of staff that no new selection processes occur.

FISCAL IMPACT

Council has approved a City Commission contribution to the project of the value of the land which is currently valued at approximately \$13.4 million dollars.

Respectfully submitted,



Cynthia J. Kurtz
Chief Executive Officer

Prepared and approved by:



Brian K. Williams
Assistant City Manager

ATTACHMENT G

Joint Statement Regarding Tom Scott Villages @ Heritage Square

This statement is presented jointly on behalf of The Bakewell/Century Housing Partnership (The Bakewell Company of California, LLC & Century Housing Corporation).

On January 17, 2007 the partnership known as Bakewell/Century submitted a proposal to bring a first class mixed use development to the residents of Pasadena. Hundreds if not thousands of man hours have gone into insuring that this project would not only be good for the residents of the Northwest but also good for all of Pasadena and its residents. Throughout this process we have competed honorably and earnestly and with the best of intentions.

However, since the time we began this process Century Housing and its Board of Directors have decided to take a look at its overall business strategy and have decided to move the company back to its original business practices and concentrate on providing financing for affordable housing rather than continue in the development business.

While the delays in this process have affected our decision not to go forward as part of the Heritage Square Development Team, this decision is part of a global restructuring of the company and in no way should be seen as a criticism of the City of Pasadena, our partners The Bakewell Company or this process in general. Although Century is withdrawing from other developments as well, we are confident that all of the projects we have been involved with will still be completed and these communities will ultimately be afforded the quality developments that are so desperately needed.

As for Tom Scott Villages @ Heritage Square specifically, it is our understanding that our partner The Bakewell Company intends to continue moving forward, working with city staff to define this development, work out the remaining financing issues and hopefully at the September 10th meeting enter into an exclusive negotiating rights agreement to bring this project to fruition. Furthermore, we have discussed with The Bakewell's the possibility of Century remaining involved in the project on the financing side of the affordable housing units. While nothing is locked in at this point, given our new company direction, working with The Bakewell's and their team on the financing remains a very real possibility for Century on this project.

Century Housing has committed to providing The Bakewell Team all of the information and resources that we have put together to date to continue moving this process forward and we wish everyone involved in this process the best of luck and trust that our withdrawing from the project does not hinder the

continuing negotiations of bringing this desperately needed project to the residents of Northwest Pasadena.

From this point forward Danny J. Bakewell, Jr. – President and Chief Operating Officer of The Bakewell Company will be the contact person regarding this project and if there are any further question please feel free to contact him at (323) 291-6803.

Sincerely,
Century Housing Corporation &
The Bakewell Company

Property Disposition Summary Procedures-City and Commission

City		Commission (PCDC)
Sale	Surplus	Not Applicable-No stated procedures for surplus property Note: Under Calif. Redevel. Law, PCDC has authority to acquire/sell property for a variety of purposes. Disposition of PCDC property governed by California Redevelopment Law (Health & Safety Code) and individual redevelopment plans e.g. West. Asset Plaza, Fair Oaks Ren. Plaza, Lincoln/Mtn. sites
	Other (Non-Surplus)	
Lease	Surplus	Not Applicable-No stated procedures for surplus property Note: Under Calif. Redevel. Law, PCDC has authority to acquire/sell property for a variety of purposes. Disposition of PCDC property governed by California Redevelopment Law (Health & Safety Code) and individual redevelopment plans e.g. Plaza Las Fuentes, Paseo Colorado, Sheraton Hotel
	Other (Non-Surplus)	

Definitions

Surplus Real Property is defined as real property of the City not needed for the purpose for which it was acquired or for any other public purpose. A sale includes a lease of City-owned property for a term in excess of 15 years.

Other (Non-Surplus) Real Property is defined as real property of the City needed or sold for the purpose for which it was acquired or for any other public purpose.

Attachments

1. City Surplus Property Sale Procedures (Municipal Code Section 4.02)
2. City Leasing Procedures (Various Municipal Code Sections)
3. Municipal Code (Community Development Commission Purpose and Functions) Chapter 2.10
4. Article 11 California Community Redevelopment Law (Health and Safety Code Sections 33430-33449)

NOTE: All transactions are subject to the prohibition on a gift of public funds and require findings that the transaction is in the public interest.

DATE: 9/26/07

File: PropertyDispositionChart

**CITY SURPLUS PROPERTY
SALE PROCEDURES
(Municipal Code Section 4.02)**

- Section X of the City Charter requires the City Council to establish by Ordinance, bidding procedures and methods for the sale or exchange of real property not needed for City purposes.
- Council shall adopt regulations by Resolution pertaining to the conduct of sales, requests for proposals, appraisals, the process of declaring property surplus, public availability to lists of surplus property and giving of public notice and such other facts as are required to dispose of property, which were adopted 10/27/86 as Resolution 5657 and incorporated herein. [P.M.C. Section 4.02.060]
- Surplus Real Property is defined as real property of the City not needed for the purpose for which it was acquired or for any other public purpose. A sale includes a lease of City-owned property for a term in excess of 15 years. [P.M.C. Section 4.02.010]
- Prior to declaring property surplus, Planning & Development Department to determine if any departments are interested in the inactive and potentially surplus parcels and submit recommended surplus properties to the Planning Commission, Utility Advisory Commission and Development Committee, as appropriate. The Committees shall each make their recommendations to the Planning Commission. Then, within 60 days, the Planning Commission and the City Manager will concurrently present their recommendations to the City Council as to which parcels are recommended to be declared surplus. A list of approved surplus properties will be kept in the City Clerk's office. [Surplus Property Regulations]
- After being declared surplus:
 - A. Planning & Development to create Development Standards, considering the zoning and development objectives in the community. [Surplus Property Regulations]
 - B. Obtain one or more appraisals of each parcel. [Surplus Property Regulations]
 - C. Consider whether a long-term lease or sale is most appropriate. If lease is advantageous, percentage rental will be based on customary lease practices in Southern California, adjusted every five years and at a minimum, be increased by the Consumer Price Index. [Surplus Property Regulations]
 - D. Any disposition of real property to be surplus, sold, leased or developed shall be accomplished through a publicly noticed, competitive process available to all interested persons; a comprehensive distribution of information of which will be included. [P.M.C. Section 4.02.011]

- E. City Clerk shall publish a notice inviting bids or proposals in the official newspaper upon Council's determination to sell surplus property. [P.M.C. Section 4.02.050]
 - F. Surplus real property may be sold only after an open and competitive bidding process to the highest bidder, determined on the basis of current value of the consideration to be paid in accordance with the provisions of a public notice inviting bids. [P.M.C. Section 4.02.020]
 - G. Unless an extraordinary and overriding public benefit is identified and obtained in the transaction, the City shall seek the highest monetary return, consistent with the interest of City and community needs. [P.M.C. Section 4.02.011]
- Exceptions for Non-Competitive Offerings:
 - A. Not less than 60 days before a sale, Council makes a special finding after public hearing that an extraordinary and overriding public benefit will be achieved. Such public benefit may relate to public parking, low-cost housing, a public service facility, museum or other cultural or artistic institution, or the economic and public well-being of other properties in the immediate vicinity.
 - B. When exceptions are authorized, the surplus property can be exchanged, staff can negotiate for sale to public agencies and not-for-profit institutions for sale or lease, negotiate with adjacent owners for sale, and may approve the sale for less than the highest possible monetary return. [P.M.C. Section 4.02.030]
- Conveyances not subject to P.M.C. Section 4.02:
 - A. Sale of property having a reasonable value of \$10,000 or less.
 - B. Quitclaim or other release of City interest in real property owned by others for the purpose of clearing title for appropriate compensation for interest and costs of conveyance.
 - C. Quitclaims to record owner from a tax sale to the City.
 - D. Sale or exchange to the United States of America, State, County, school district or other public body.
 - E. Sale of any right to receive electric energy based on reasonable value.
 - F. Sale to adjoining landowner or residential zoned property which is less than ½ the minimum lot area and width required or is found by the Council to be so impaired in configuration as to be independently unbuildable.
 - G. Sale to City's lessee or sublessee, subject to a long-term lease with at least 15 years remaining. [P.M.C. Section 4.02.040]
- City Council may refer to the Planning Commission and the Community Development Commission any unused real property for recommendation, if appropriate, to be declared surplus. If requested, the Commission shall prepare precise development standards for consideration by the Planning Commission, the Community Development Commission and the City Council. [P.M.C. Section 4.02.12]

CITY LEASING PROCEDURES (Various Municipal Code Sections)

- A Lease includes an oral or written lease, tenancy at will, month to month or similar tenancy. [P.M.C. Section 4.80.130]
- The City can lease all or any portion of any real and personal property, including the leasing of property for parking, the leasing of the operation of the property, and the leasing for commercial purposes of surplus space or space which it is not economic to use for parking. [P.M.C. Section 4.60.440]
- Neither the Commission nor the City shall manage or operate surplus space devoted to commercial purposes other than parking vehicles, but shall lease such space to private operators. [P.M.C. Section 4.60.450]
- Possessory interest—If a public agency grants a lease in real property that creates a leasehold or other possessory interest (i.e.: lessee or licensee) in the property to a nonexempt person or entity, the special tax shall be levied on the leasehold and shall to levied on and payable by the leasehold (lessee or licensee). The public agency will cause to be included in the contract a statement that the property interest may be subject to special taxation, which would be payable by the leasehold or possessory interest holder. [P.M.C. Section 4.107.190]

Title 2 ORGANIZATION AND ADMINISTRATION

Chapter 2.10 COMMUNITY DEVELOPMENT COMMISSION

2.10.080 Purpose and functions.

A. The commission was established to allow the city the option of operating and governing its redevelopment agency and housing authority under a single operating entity and board. The purpose of the commission, as a housing authority, is to help provide safe and sanitary housing accommodations for citizens with low income. The commission also administers any federal housing assistance payment program. The purpose of the commission is to exercise any other powers regarding community development which the city council may desire to delegate to the commission subject to such conditions as may be imposed by the city council.

B. The commission shall have:

1. All the powers, duties and responsibilities of a redevelopment agency set forth in Health and Safety Code § 33000 et seq., as the same may be amended from time to time;
2. All the powers, duties and responsibilities of a housing authority set forth in Housing Authorities Law at Health and Safety Code Section 34310 et seq., as the same may be amended from time to time;
3. Other powers relating to community development which the city council may delegate from time to time;
4. All the powers, duties, responsibilities and rights of the Pasadena redevelopment agency in the capacity of successor to that agency;
5. All the powers, duties, responsibilities and rights of the Pasadena housing authority in the capacity of successor to that authority.

C. The commission may:

1. Sue and be sued;
2. Have a seal;
3. Make and execute contracts and other instruments necessary or convenient to the exercise of its powers;
4. Sell property;
5. Acquire property by purchase, lease, gift or eminent domain;
6. Borrow money for redevelopment purposes;
7. Finance housing, construction and rehabilitation. (Ord. 6820 § 45 (part), 2000; Ord. 6319 § 8, 1989; Ord. 6229 § 2 (part), 1987)

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3. Other powers relating to community development which the city council may delegate from time to time;
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**ARTICLE 11. PROPERTY DISPOSITION, REHABILITATION
AND DEVELOPMENT**

[HEALTH AND SAFETY CODE SECTIONS 33430-33449]

§33430. An agency may, within the survey area or for purposes of redevelopment, sell, lease, for a period not to exceed 99 years, exchange, subdivide, transfer, assign, pledge, encumber by mortgage, deed of trust, or otherwise, or otherwise dispose of any real or personal property or any interest in property.

§33431. Any lease or sale made pursuant to Section 33430 may be made without public bidding but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the county in which the land lies.

§33432. Except as provided in Article 9 (commencing with Section 33410) of this part, an agency shall lease or sell all real property acquired by it in any project area, except property conveyed by it to the community or any other public body. Any such lease or sale shall be conditioned on the redevelopment and use of the property in conformity with the redevelopment plan.

§33433. (a) (1) Except as provided in subdivision (c), before any property of the agency 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. Notice of the time and place of the hearing shall be published in a newspaper of general circulation in the community at least once per week for at least two successive weeks, as specified in Section 6066 of the Government Code, prior to the hearing.

(2) The agency shall make available, for public inspection and copying at a cost not to exceed the cost of duplication, a report no later than the time of publication of the first notice of the hearing mandated by this section. This report shall contain both of the following:

(A) A copy of the proposed sale or lease.

(B) A summary which describes and specifies all of the following:

(i) The cost of the agreement to the agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.

(ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.

(iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

(iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

(v) The report shall be made available to the public no later than the time of publication of the first notice of the hearing mandated by this section.

(b) The resolution approving the lease or sale shall be adopted by a majority vote unless the legislative body has provided by ordinance for a two-thirds vote for that purpose and shall contain a finding that the sale or lease of the property will assist in the elimination of blight or provide

housing for low- or moderate-income persons, and is consistent with the implementation plan adopted pursuant to Section 33490. The resolution shall also contain one of the following findings:

(1) The consideration is not less than the fair market value at its highest and best use in accordance with the plan.

(2) The consideration is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the sale or lease.

(c) (1) Subdivisions (a) and (b) shall not apply to the sale or lease of a small housing project, as defined in Section 33013, if the legislative body adopts a resolution that authorizes the agency to sell or lease a small housing project pursuant to this subdivision. The agency may sell or lease a small housing project pursuant to this subdivision if, prior to the sale or lease, the agency holds a public hearing pursuant to Section 33431. Any agency that has sold or leased a small housing project pursuant to this subdivision shall, within 30 days after the end of the agency's fiscal year in which the sale or lease occurred, file a report with the legislative body which discloses the name of the buyer, the legal description or street address of the property, the date of the sale or lease, the consideration for which the property was sold or leased by the agency to the buyer or lessee, and the date on which the agency held its public hearing for the sale or lease, pursuant to Section 33431.

(2) As used in this subdivision and Section 33413, "persons and families of low- and moderate-income" has the same meaning as that term is defined in Section 50093†.

§33434. If any property acquired in whole or in part from the redevelopment revolving fund is to be sold or leased by the agency, the sale or lease shall be first approved by the legislative body by resolution adopted after public hearing. Notice of the time and place of the hearing shall be published once in the official newspaper of the community at least one week prior to the hearing. The resolution shall be adopted by a majority vote unless the legislative body has provided by ordinance for a two-thirds vote for such purpose.

§33435. Agencies shall obligate lessees and purchasers of real property acquired in redevelopment projects and owners of property improved as a part of a redevelopment project to refrain from restricting the rental, sale, or lease of the property on the basis of race, color, religion, sex, marital status, ancestry, or national origin of any person. All deeds, leases, or contracts for the sale, lease, sublease, or other transfer of any land in a redevelopment project shall contain or be subject to the nondiscrimination or nonsegregation clauses hereafter prescribed.

§33436. Express provisions shall be included in all deeds, leases and contracts which the agency proposes to enter into with respect to the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of any land in a redevelopment project in substantially the following form:

(a) In deeds the following language shall appear--"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) In leases the following language shall appear--"The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself, or any person claiming under or through him or her, establish or

permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts entered into by the agency relating to the sale, transfer, or leasing of land or any interest therein acquired by the agency within any survey area or redevelopment project the foregoing provisions in substantially the forms set forth shall be included and the contracts shall further provide that the foregoing provisions shall be binding upon and shall obligate the contracting party or parties and any subcontracting party or parties, or other transferees under the instrument.

§33437. An agency shall obligate lessees or purchasers of property acquired in a redevelopment project to:

(a) Use the property for the purpose designated in the redevelopment plans.

(b) Begin the redevelopment of the project area within a period of time which the agency fixes as reasonable.

(c) Comply with the covenants, conditions, or restrictions that the agency deems necessary to prevent speculation or excess profit-taking in undeveloped land, including right of reverter to the agency. Covenants, conditions, and restrictions imposed by an agency may provide for the reasonable protection of lenders.

(d) Comply with other conditions which the agency deems necessary to carry out the purposes of this part.

§33437.5. It is the intent of the Legislature that property acquired from a redevelopment agency pursuant to a redevelopment plan not be the subject of real estate speculation.

§33438. The agency may provide in the contract that any of the obligations of the purchaser are covenants or conditions running with the land, the breach of which shall cause the fee to revert to the agency.

§33439. The agency shall retain controls and establish restrictions or covenants running with land sold or leased for private use for such periods of time and under such conditions as are provided in the redevelopment plan. The establishment of such controls is a public purpose under the provisions of this part.

§33440. Except as provided in Article 9 (commencing with Section 33410), this part does not authorize an agency to construct any of the buildings for residential, commercial, industrial, or other use contemplated by the redevelopment plan, except that, in addition to its powers under Section 33445, an agency may construct foundations, platforms, and other like structural forms necessary for the provision or utilization of air rights sites for buildings to be used for residential, commercial industrial, or other uses contemplated by the redevelopment plan.

§33442. An agency may sell, lease, grant, or donate real property owned or acquired by the agency in a survey area to a housing authority or to any public agency for public housing projects.

§33443. Property acquired by an agency for rehabilitation and resale shall be offered for resale within one year after completion of rehabilitation, or an annual report shall be published by the agency in a newspaper of general circulation published in the community listing any rehabilitated property held by the agency in excess of such one-year period, stating the reasons such property remains unsold and indicating plans for its disposition.

§33444. In undertaking rehabilitation of structures pursuant to this part, every redevelopment agency shall, on or before February 15th of each year, commencing with February 15, 1963, render a report to the Legislature setting forth in detail the activities of the agency involving rehabilitation, including, but not limited to, each of the following:

- (a) Expenditure of public funds.
- (b) Number and kinds of units rehabilitated.
- (c) Disposition of rehabilitated units.

§33444.5. An agency may establish a program under which it loans funds to owners or tenants for the purpose of rehabilitating commercial buildings or structures within the project area.

§33444.6. (a) Within a project area and as part of an agreement that provides for the development or rehabilitation of property that will be used for industrial or manufacturing purposes, an agency may assist with the financing of facilities or capital equipment, including, but not necessarily limited to, pollution control devices.

(b) Prior to entering into an agreement for a development that will be assisted pursuant to this section, the agency shall find, after a public hearing, that the assistance is necessary for the economic feasibility of the development and that the assistance cannot be obtained on economically feasible terms in the private market.

§33445. (a) Notwithstanding Section 33440, an agency may, with the consent of the legislative body, pay all or a part of the value of the land for and the cost of the installation and construction of any building, facility, structure, or other improvement which is publicly owned either within or without the project area, if the legislative body determines all of the following:

(1) That the buildings, facilities, structures, or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located, regardless of whether the improvement is within another project area, or in the case of a project area in which substantially all of the land is publicly owned that the improvement is of benefit to an adjacent project area of the agency.

(2) That no other reasonable means of financing the buildings, facilities, structures, or other improvements, are available to the community.

(3) That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements will assist in the elimination of one or more blighting conditions inside the project area or provide housing for low- or moderate-income persons, and is consistent with the implementation plan adopted pursuant to Section 33490.

(b) The determinations by the agency and the local legislative body pursuant to subdivision (a) shall be final and conclusive. For redevelopment plans, and amendments to those plans which add territory to a project, adopted after October 1, 1976, acquisition of property and installation or construction of each facility shall be provided for in the redevelopment plan. A redevelopment agency shall not pay for the normal maintenance or operations of buildings, facilities, structures, or other improvements which are publicly owned. Normal maintenance or operations do not include the construction, expansion, addition to, or reconstruction of, buildings, facilities, structures, or other improvements which are publicly owned otherwise undertaken pursuant to this section.

(c) When the value of the land or the cost of the installation and construction of the building, facility, structure, or other improvement, or both, has been, or will be, paid or provided for initially by the community or other public corporation, the agency may enter into a contract with the community or other public corporation under which it agrees to reimburse the community or other public corporation for all or part of the value of the land or all or part of the cost of the building, facility, structure, or other improvement, or both, by periodic payments over a period of years.

(d) The obligation of the agency under the contract shall constitute an indebtedness of the agency for the purpose of carrying out the redevelopment project for the project area, which indebtedness may be made payable out of taxes levied in the project area and allocated to the agency under subdivision (b) of Section 33670, or out of any other available funds.

(e) In a case where the land has been or will be acquired by, or the cost of the installation and construction of the building, facility, structure or other improvement has been paid by, a parking authority, joint powers entity, or other public corporation to provide a building, facility,

structure, or other improvement which has been or will be leased to the community, the contract may be made with, and the reimbursement may be made payable to, the community.

(f) With respect to the financing, acquisition, or construction of a transportation, collection, and distribution system and related peripheral parking facilities, in a county with a population of 4,000,000 persons or more, the agency shall, in order to exercise the powers granted by this section, enter into an agreement with the rapid transit district which includes the county, or a portion thereof, in which agreement the rapid transit district shall be given all of the following responsibilities:

(1) To participate with the other parties to the agreement to design, determine the location and extent of the necessary rights-of-way for, and construct, the transportation, collection, and distribution systems and related peripheral parking structures and facilities.

(2) To operate and maintain the transportation, collection, and distribution systems and related peripheral parking structures and facilities in accordance with the rapid transit district's outstanding agreements and the agreement required by this paragraph.

(g) (1) Notwithstanding any other authority granted in this section, an agency shall not pay for, either directly or indirectly, with tax increment funds the construction or rehabilitation of a building that is, or that will be used as, a city hall or county administration building.

(2) This subdivision shall not preclude an agency from making payments to construct, rehabilitate, or replace a city hall if an agency does any of the following:

(A) Allocates tax increment funds for this purpose during the 1988-89 fiscal year and each fiscal year thereafter in order to comply with federal and state seismic safety and accessibility standards.

(B) Uses tax increment funds for the purpose of rehabilitating or replacing a city hall that was seriously damaged during an earthquake that was declared by the President of the United States to be a natural disaster.

(C) Uses the proceeds of bonds, notes, certificates of participation, or other indebtedness that was issued prior to January 1, 1994, for the purpose of constructing or rehabilitating a city hall, as evidenced by documents approved at the time of the issuance of the indebtedness.

§33445.3. Notwithstanding any other provision of law, the California City Redevelopment Agency shall not directly support the activities of, or pay for any part of the land or any building, facility, structure, or other improvements that specifically benefit, the California City Museum and Restoration Facility.

§33445.5. (a) If the governing board of a school district finds that conditions of overcrowding, as defined by subdivision (a) of Section 65973 of the Government Code, exist in one or more attendance areas within the district that serve pupils who reside in housing, located within or adjacent to a project area, and that the conditions of overcrowding result from actions taken by the redevelopment agency in implementing the redevelopment plan, the governing board may transmit a written copy of those findings, together with supporting information, materials, and documents, to the redevelopment agency. The redevelopment agency shall conduct a public hearing within 45 days after receiving the findings to receive public testimony identifying the effects of the redevelopment plan on the impacted attendance area or areas and suggesting revisions to the plan as adopted or amended by the legislative body that would alleviate or eliminate the overcrowding in the attendance area or areas caused by the implementation of the redevelopment plan. The redevelopment agency shall send written notice of the public hearing to, and at the hearing receive public testimony from, any affected taxing entity. After receiving that testimony at the hearing, the agency shall consider amendments of the plan necessary to alleviate or eliminate that overcrowding and may recommend those amendments for adoption by the legislative body.

(b) Section 33353 does not apply to an amendment of the plan proposed pursuant to subdivision (a) when both of the following occur:

(1) The amendment proposes only to add significant additional capital improvement projects to alleviate or eliminate the overcrowding in the attendance area or areas caused by the implementation of the plan.

(2) The amendment will delete capital improvement projects that are equivalent in financial impact on any affected taxing entity or otherwise modify the plan in a way that the agency finds there will be no additional financial impact on any affected taxing entity as a result of the amendment.

(c) Any funds received by a school district from a redevelopment agency to alleviate or eliminate the overcrowding in the attendance area or areas caused by implementation of a redevelopment plan as the result of a public hearing conducted pursuant to subdivision (a) shall be used only for capital expenditures.

(d) The governing body of a school district shall not make the findings permitted by subdivision (a) with respect to any project area more than once.

(e) This section applies only to redevelopment plans adopted prior to January 1, 1984.

§33445.6. (a) If the governing board of a fire protection district finds that it is suffering a financial burden or detriment as a result of actions taken by the redevelopment agency in implementing the redevelopment plan, the district board may transmit a written copy of those findings, together with supporting information, materials, and documents, to the redevelopment agency. The redevelopment agency shall conduct a public hearing within 45 days after receiving the findings to receive public testimony identifying the effects of the redevelopment plan on the fire protection district and suggesting revisions to the redevelopment plan as adopted or amended by the legislative body that would alleviate or eliminate the financial burden or detriment in the area or areas caused by the implementation of the redevelopment plan. The redevelopment agency shall send written notice of the public hearing to, and at the hearing receive public testimony from, any affected taxing entity. After receiving that testimony at the hearing, the agency shall consider amendments of the plan necessary to alleviate or eliminate the financial burden or detriment in the area or areas caused by the implementation of the redevelopment plan. The agency may recommend those amendments for adoption by the legislative body.

(b) Section 33353 does not apply to an amendment of the plan proposed pursuant to subdivision (a) when both of the following occur:

(1) The amendment proposes only to add significant additional capital improvement projects to alleviate or eliminate the financial burden or detriment caused by the implementation of the plan.

(2) The amendment will delete capital improvement projects or otherwise modify the plan in a way that the agency finds will result in no additional financial impact on any affected taxing entity.

(c) Any funds received by a fire protection district from a redevelopment agency to alleviate or eliminate the financial burden or detriment caused by implementation of a redevelopment plan as a result of a public hearing conducted pursuant to subdivision (a) may be used for any lawful purpose of the district.

(d) The district board of a fire protection district shall not make the findings permitted by subdivision (a) with respect to any project area more than once.

(e) The agency may recover its actual costs of complying with the procedural requirements of this section from the fire protection district.

(f) This section applies only to redevelopment plans adopted prior to January 1, 1977.

§33446. The governing board of any school district may enter into an agreement with an agency under which the agency shall construct, or cause to be constructed, a building or buildings to be used by the district upon a designated site within a project area and, pursuant to such agreement, the district may lease such buildings and site. Such agreement shall provide that the title to such building or buildings and site shall vest in the district at the expiration of such lease, and may provide the means or

method by which the title to the building or buildings and the site shall vest in the district prior to the expiration of such lease, and shall contain such other terms and conditions as the governing board of the district deems to be in the best interest of the district. Such agreements and leases may be entered into by the governing board of any school district without regard to bidding, election, or any other requirement of Article 9 (commencing with Section 15701) of Chapter 2 of Division 11 of Part 3 of the Education Code†.

§33447. In addition to any other authority contained in this division and subject to the requirements of this section, taxes levied in a project area and allocated to the agency as provided in subdivision (b) of Section 33670 may be used as provided thereby anywhere within the territorial jurisdiction of the agency to finance the construction or acquisition of public improvements meeting the following criteria, as determined by resolution of the agency:

(a) The public improvements will enhance the environment of a residential neighborhood containing housing for persons and families of low or moderate income, as defined in Section 50093†, including very low income households, as defined in Section 50105†.

(b) The public improvements will be of benefit to the project area. That determination shall be final and conclusive as to the issue of benefit to the project area.

(c) Public improvements eligible for financing under this section shall be limited to the following:

- (1) Street improvements.
- (2) Water, sewer, and storm drainage facilities.
- (3) Neighborhood parks and related recreational facilities.

This section shall be applicable to redevelopment projects within the City of Paramount for which the redevelopment plan authorizes tax-increment financing pursuant to Section 33670, whether the redevelopment plan is adopted prior or subsequent to January 1, 1978. Financing of public improvements pursuant to this section shall be authorized by the redevelopment plan or by resolution of the agency. Any ordinance or resolution implementing this section shall specify the public improvements to be financed thereunder.

As a condition to financing public improvements as provided in this section on or after January 1, 1983, the redevelopment agency of the City of Paramount shall establish a Low and Moderate Income Housing Fund, and, with respect to any project made subject to this section, shall deposit in that fund not less than 20 percent of that portion of revenues allocated and paid to the agency pursuant to subdivision (b) of Section 33670 on and after January 1, 1983, which is not required to pay the principal of, or interest on, bonds or other indebtedness of the agency issued or incurred prior to that date. Moneys deposited in the Low and Moderate Income Housing Fund pursuant to this section shall be used pursuant to Article 4 (commencing with Section 33330).

The Legislature finds and declares that effective redevelopment within the City of Paramount requires the existence of adequate public services and facilities for persons residing in the surrounding community, including persons employed by industry which is located in a redevelopment project, and that public improvements of the types specified in this section are particularly needed in the low- and moderate-income neighborhoods of the City of Paramount in order to encourage stability and prevent decline which could have serious negative impact on redevelopment, as well as necessitate additional redevelopment. Because of the unusually compelling need in the City of Paramount and because of the impracticability of financing all required improvements by other means, it is the intent of the Legislature in enacting this section to augment the powers of the redevelopment agency of the City of Paramount to permit the use of tax-increment revenues in the manner and for the purposes prescribed by this section.

§33448. In a county with a population of 4,000,000 persons or more, or in a city of 500,000 persons or more, an agency may, with the consent of the legislative body, acquire, construct, and finance by the issuance of bonds or otherwise a public improvement whether within or without a project area consisting of a transportation collection and distribution system and peripheral parking structures and facilities, including sites therefor, to serve the project area and surrounding areas, upon a determination by

resolution of the agency and the legislative body that such public improvement is of benefit to the project area. Such determination by the agency and the legislative body shall be final and conclusive as to the issue of benefit to the project area.

The agency shall, in order to exercise the powers granted by this section, enter into an agreement with the rapid transit district which includes the county or city, or a portion thereof, in which agreement the rapid transit district shall be given all of the following responsibilities:

(a) To participate with the other parties to the agreement to design, determine the location and extent of the necessary rights-of-way for, and construct the transportation, collection, and distribution systems and related peripheral parking structures and facilities.

(b) To operate and maintain such transportation, collection, and distribution systems and related peripheral parking structures and facilities in accordance with the rapid transit district's outstanding agreements and the agreement required by this paragraph.

§33449. Notwithstanding Section 33440, or any other provision of law, an agency may, inside or outside any project area, acquire land, donate land, improve sites, or construct or rehabilitate structures in order to provide housing for persons and families of low or moderate income, as defined in Section 41056†, and very low income households, as defined in Section 41067†, and may provide subsidies to, or for the benefit of, such persons and families or households to assist them in obtaining housing within the community.

Except as otherwise authorized by law, nothing in this section shall empower an agency to operate a rental housing development beyond such period as is reasonably necessary to sell or lease the housing development.

This section shall apply to all redevelopment project areas for which a redevelopment plan has been adopted, whether the redevelopment plan is adopted before or after January 1, 1976.

<p style="text-align:center">ARTICLE 12. AMENDMENT OF REDEVELOPMENT PLANS [HEALTH AND SAFETY CODE SECTIONS 33450-33458]</p>

§33450. If at any time after the adoption of a redevelopment plan for a project area by the legislative body, it becomes necessary or desirable to amend or modify such plan, the legislative body may by ordinance amend such plan upon the recommendation of the agency. The agency recommendation to amend or modify a redevelopment plan may include a change in the boundaries of the project area to add land to or exclude land from the project area. Except as otherwise provided in Section 33378, the ordinance shall be subject to referendum as prescribed by law for the ordinances of the legislative body.

§33451. Before recommending amendment of the plan the agency shall hold a public hearing on the proposed amendment.

§33452. (a) Notice of the hearing shall be published pursuant to Section 6063 of the Government Code† prior to the date of hearing in a newspaper of general circulation, printed and published in the community, or, if there is none, in a newspaper selected by the agency. The notice of hearing shall include a legal description of the boundaries of the project area by reference to the description recorded with the county recorder pursuant to Section 33373 and of the boundaries of the land proposed to be added to the project area, if any, and a general statement of the purpose of the amendment.

(b) Copies of the notices published pursuant to this section shall be mailed by first-class mail, to the last known assessee of each parcel of land not owned by the agency within the boundaries referred to in subdivision (a), at his or her last known address as shown on the last equalized assessment roll of the county; or where a city assesses, levies, and collects its own taxes, as shown on the last equalized assessment roll of the city; or to the owner of each parcel of land within these boundaries as the ownership is shown on the records of the county recorder 30 days prior to the date the notice is