

INTER-DEPARTMENT MEMORANDUM

Garden Grove Agency for Community Development

To: Matthew Fertil

From: Economic Development

Dept: Director

Dept:

Subject: REPLACEMENT HOUSING PLAN FOR
THE SITE C PROJECT LOCATED ON
THE NORTHEAST CORNER OF
HARBOR BOULEVARD AND TWINTREE
LANE

Date: April 26, 2011

OBJECTIVE

To consider and take action regarding the adoption of a Resolution approving and adopting a Replacement Housing Plan for a proposed project at Site C (located on approximately 5.18 acres at the northeast corner of Harbor Blvd and Twintree Lane).

BACKGROUND

Pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* ("CRL"), in particular Sections 33413(a) and 33413.5, a redevelopment agency is required to replace low or moderate-income housing units destroyed or removed as a result of a redevelopment agency's actions within four years. Replacement obligations may be met on a unit-by-unit basis or on a bedroom-by-bedroom basis. An agency must adopt a replacement-housing plan at least 30 days prior to entering into an agreement that would lead to the destruction or removal of housing units occupied by low or moderate-income households.

DISCUSSION

The attached Replacement Housing Plan was prepared for the purpose of identifying affordable housing units that could fulfill the Agency's replacement obligations that would be incurred if a development and disposition agreement is approved for a project proposed by Land & Design, Inc. (Developer) and the project goes forward subject to the conditions precedent in the agreement. The proposed project calls for the development of approximately three (3) hotels with a maximum of 700 rooms; one (1) approximately 325 - 400 room upscale, full service type hotel, up to two (2) approximately 125 - 300 room limited service/select service/focus service/extended stay/suites type hotels, a maximum of 50,000 sq. ft. conference space, a maximum of 15,000 sq. ft. of restaurant space, a resort pool, and a parking structure (Project). If the Project proceeds, construction of the new development will result in the removal of one (1) recreational vehicle and five (5)

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single-family homes for a total of six (6) "Units" with a combined total of 15 bedrooms. It is the Agency's position that recreational vehicles do not qualify as "housing units" as the term is used in CRL 33413(a) and 33413.5; however in the Replacement Housing Plan the recreation vehicle is included in the reference to "Units."

The Agency plans to meet its replacement housing obligations through surplus replacement bedrooms from the Grove Park Housing Project located on Morningside Avenue and Keel Avenue in Garden Grove. The City entered into an Affordable Housing Agreement (AHA) with JHC Acquisitions, LLC in July 2009 for the acquisition and rehabilitation of 104 units (149 bedrooms) with long-term affordability restrictions of fifty-five (55) years. On March 9, 2010, the Agency approved a Replacement Housing Plan for the Travel Country RV Park that designated 48 bedrooms from the Grove Park Housing Project (33 very low income bedrooms and 15 low income bedrooms) as replacement units for the Garden Grove MXD, LLC Project. Pursuant to the Replacement Plan for the Travel Country RV Park, 101 very low bedrooms were designated as surplus units for future replacement housing obligations.

The following table summarizes how the Agency's obligations are met and exceeded using banked units from the Grove Park Project:

	<i>Very Low Income Bedrooms</i>	<i>Low or Moderate Income Bedrooms</i>
Banked Replacement Units From Grove Park Project	101	0
Replacement Obligation from Proposed Site C Hotel Project	(15)	(0)
Balance of Replacement Units	86	0

The surplus bedrooms/units may be applied to other inclusionary and replacement obligations of the Agency.

FINANCIAL IMPACT

The adoption of the Replacement Housing Plan has no financial impact upon the Agency. The AHA provided for the funding of the Grove Park Project with \$3.8 million in HOME Program funds and 9% federal tax credits.

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RECOMMENDATION

- Adopt the attached Resolution approving and adopting the Replacement Housing Plan for Site C.

Jim DeLaCorte for

GREG BROWN

Real Property Division Manager

Kathleen Angel

By: Kathleen Angel
Economic Development Specialist

Attachment: Resolution Approving Replacement Housing Plan for Site C
(Exhibit A – Replacement Housing Plan)

Recommended for Approval

Matthew Ferial

**Matthew Ferial
Director**

GARDEN GROVE FOR COMMUNITY DEVELOPMENT**AGENCY RESOLUTION NO. _____****A RESOLUTION OF THE GARDEN GROVE AGENCY FOR
COMMUNITY DEVELOPMENT APPROVING A
REPLACEMENT HOUSING PLAN PURSUANT TO HEALTH
AND SAFETY CODE SECTION 33413.5 FOR THE SITE C
PROPOSED PROJECT AND MAKING CERTAIN OTHER
FINDINGS IN CONNECTION THEREWITH**

WHEREAS, the Garden Grove Agency for Community Development ("Agency") is a public body corporate and politic and a community redevelopment agency organized and existing under the California Community Redevelopment Law, Health and Safety Code Sections 33000, *et seq.* ("CRL") and has been authorized to transact business and exercise the powers of a redevelopment agency pursuant to action of the City Council of the City of Garden Grove ("City Council"), a California municipal corporation ("City");

WHEREAS, the City Council originally adopted the Redevelopment Plan for the Garden Grove Community Project by Ordinance No. 1339 on June 26, 1973, and thereafter amended said Redevelopment Plan and Project Area by City Council Ordinance Nos. 1388, 1476, 1548, 1576, 1642, 1699, 1760, 1971, 2035, 2232, 2304, 2455, 2576, and 2709;

WHEREAS, the Redevelopment Plan for the Garden Grove Community Project, as amended, and the Garden Grove Community Project Area, as amended, are referred to, respectively, as the "Redevelopment Plan" and "Project Area";

WHEREAS, the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* ("CRL"), in particular Section 33413.5 thereof, provides, in part:

"Not less than 30 days prior to the execution of an agreement for acquisition of real property, or the execution of an agreement for the disposition and development of property, or the execution of an owner participation agreement, which agreement would lead to the destruction or removal of dwelling units from the low-and moderate-income housing market, the agency shall adopt by resolution a replacement housing plan. For a reasonable time prior to adopting a replacement housing plan by resolution, the agency shall make available a draft of the proposed replacement housing plan for review and comment by the project area committee, other public agencies, and the general public.

The replacement housing plan shall include (1) the general location of housing to be rehabilitated, developed, or constructed pursuant to Section 33413, (2) an adequate means of financing such rehabilitation, development, or construction, (3) a finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution, or that such approval has been obtained, (4) the number of dwelling units housing persons and families of low or moderate income planned for construction or rehabilitation, and (5) the timetable for meeting the plan's relocation, rehabilitation, and replacement housing objectives. A dwelling unit whose replacement is required by Section 33413 but for which no replacement housing plan has been prepared, shall not be destroyed or removed from the low- and moderate-income housing market until the agency has by resolution adopted a replacement housing plan."

WHEREAS, the Agency has authorized the preparation of a replacement housing plan pursuant to the CRL ("Replacement Housing Plan") to be carried out in the event there is destruction or removal of dwelling units from the low-and moderate-income housing market in connection with the proposed assembly, acquisition and potential redevelopment of eight (8) parcels owned by third parties consisting of approximately 5.18 acres located on the northeast corner of Harbor Boulevard and Twintree Lane within the Project Area, which third party properties are adjacent to certain property currently owned by the Agency, which together comprise a proposed development site (referred to as "Site C");

WHEREAS, Site C may become the subject of an agreement for a proposed development that as permitted by current zoning may include the construction of an upscale select service hotel with a maximum of 700 rooms, 50,000 square feet of conference space, 15,000 square feet of restaurant space, a parking structure, a resort pool, and potentially up to two additional limited service hotels (together, "Proposed Project" or "Project");

WHEREAS, the anticipated timeframe for the Proposed Project would be to commence construction in summer or fall of 2012 and complete construction in summer or fall of 2014;

WHEREAS, if the Proposed Project were to proceed to a disposition and development agreement or other contract for development of the Project based on continued negotiations between the representatives of the Agency and Land & Design, Inc., as a potential developer ("Developer"), then the terms thereof would include acquisition of the properties, displacement of residential occupants and businesses, destruction and removal of existing dwelling units that are occupied by low-and moderate-income households, demolition of other existing improvements, and conveyance of such assembled Site C to the Developer;

WHEREAS, in connection therewith the Agency has caused to be prepared the Replacement Housing Plan in compliance with the CRL relating to an agreement, if approved, for such Proposed Project;

WHEREAS, the CRL requires that the Agency consider and approve replacement housing plans;

WHEREAS, in accordance with the CRL, for a reasonable time prior to consideration and action on the Replacement Housing Plan the Agency has made available at the City Clerk's Office a draft of the proposed Replacement Housing Plan for review and comment by the residential occupants of Site C, the general public, and other public agencies (there is no project area committee for the Project Area);

WHEREAS, the Agency has reviewed the Replacement Housing Plan and considered public comments (both oral and written), if any, and the Agency believes the Proposed Project and implementation of the Replacement Housing Plan are in the best interests of the City and the Agency and the health, safety, and welfare of the Garden Grove community and in accord with the public purposes and provisions of applicable legal requirements; and

WHEREAS, the Agency desires to approve the Replacement Housing Plan and authorize the Agency Director and his designees, to carry out the Replacement Housing Plan, as, if, and when destruction or removal of the dwelling units at Site C occur, if at all, due to implementation of the Project pursuant to an agreement and subject to the conditions therein.

NOW, THEREFORE, BE IT RESOLVED by the Garden Grove Agency for Community Development as follows:

Section 1. The foregoing recitals are a substantive part of this Resolution and fully incorporated herein.

Section 2. The Agency approves the Replacement Housing Plan and authorizes the implementation of such Replacement Housing Plan as, if, and when destruction or removal of the dwelling units at Site C occurs, if at all, due to implementation of the Project pursuant to an agreement and subject to the conditions therein.

Section 3. The Agency Director (and his designee(s)) is hereby authorized to carry out the Replacement Housing Plan.

Section 4. The Agency Director (and his designee(s)) is hereby authorized, on behalf of the Agency, to sign all documents, to make all approvals and take all actions necessary or appropriate to carry out and implement the Replacement Housing Plan. In furtherance of such approval and authorization, the Agency Director is further authorized to the extent necessary during the implementation of the Replacement Housing Plan, if necessary, to provide interpretations and waivers, to cause issuance of warrants, including warrants to pay consulting, legal, and other administrative costs incurred in connection therewith, and to administer the Agency's obligations, responsibilities, and duties to be performed under the Replacement Housing Plan pursuant to the CRL.

Section 5. A copy of the final, approved Replacement Housing Plan shall be placed on file in the Agency Secretary's official records.

Section 6. The Agency Secretary shall certify to the adoption of this Resolution.

EXHIBIT A
REPLACEMENT HOUSING PLAN
(to be attached)

REPLACEMENT HOUSING PLAN

Replacement Housing Plan
For Site C

April 26, 2011

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INTRODUCTION

The Garden Grove Community Redevelopment Agency ("Agency") is currently in negotiations to acquire and assemble eight (8) parcels ("Properties") owned by third parties and located within the Community Project Area in the City of Garden Grove, California. These third party Properties are adjacent to certain property currently owned by the Agency, which together comprise a proposed development site depicted on the attached site map (referred to as "Site C"). At the date of preparation of this Replacement Housing Plan, there is no approved development entitlement, agreement, or other commitment to develop Site C; however, the Agency is currently in negotiations with Land & Design, Inc., as a potential developer ("Developer") of a proposed development thereon. Site C is zoned for hotel, restaurant and other similar commercial uses and proposed development plans may include the construction of an upscale select service hotel with a maximum of 700 rooms, 50,000 square feet of conference space, 15,000 square feet of restaurant space, a parking structure, a resort pool, and potentially up to two additional limited service hotels (together, "Proposed Project"). The anticipated timeframe for the Proposed Project would be to commence construction in summer or fall of 2012 and complete construction in summer or fall of 2014. Implementation of the Proposed Project, if it occurs, would lead to the removal of four businesses, a former recreational vehicle park with one recreational vehicle¹ on the premises and five single-family residences; thus, the Agency has prepared this Replacement Housing Plan for public review and for consideration and action by the Agency pursuant to Section 33413.5 and other applicable laws and regulations.

The California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* ("CRL"), in particular Section 33413.5 thereof, provides, in part:

"Not less than 30 days prior to the execution of an agreement for acquisition of real property, or the execution of an agreement for the disposition and development of property, or the execution of an owner participation agreement, which agreement would lead to the destruction or removal of dwelling units from the low-and moderate-income housing market, the agency shall adopt by resolution a replacement housing plan. For a reasonable time prior to adopting a replacement housing plan by resolution, the agency shall make available a draft of the proposed replacement housing plan for review and comment by the project area committee, other public agencies, and the general public.

The replacement housing plan shall include (1) the general location of housing to be rehabilitated, developed, or constructed pursuant to Section 33413, (2) an adequate means of financing such rehabilitation, development, or construction, (3) a finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution, or that such approval has been obtained, (4) the number of dwelling units housing persons and families of low or moderate income planned for construction or rehabilitation, and (5) the timetable for meeting the plan's relocation, rehabilitation, and replacement housing objectives. A dwelling unit whose replacement is required by Section 33413 but for which no replacement housing plan has been prepared, shall not be destroyed or removed from the low- and moderate-income housing market until the agency has by resolution adopted a replacement housing plan."

¹ It is the Agency's position that the recreational vehicle does not qualify as a "housing unit" as that term is used in Health and Safety Code section 33413(a) and/or 33413.5. This Replacement Housing Plan assumes, without waiving any arguments by the Agency to the contrary, that the removal of the recreational vehicle triggers the obligations set forth in Health and Safety Code section 33413(a) and 33413.5; in this Replacement Housing Plan, the recreational vehicle travel trailer is included in what is referred to as "Units."

The purpose of this Replacement Housing Plan and the following analysis is to identify replacement housing units that could fulfill the Agency's obligation to replace the low or moderate income units that would be removed in the event that the Agency approves an agreement with the Developer and the Proposed Project proceeds subject to the certain conditions precedent in such agreement, if approved.

In compliance with Section 33413.5 of the CRL, this Replacement Housing Plan includes the following:

- the general location of replacement housing units;
- the means of financing the replacement housing;
- a finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution;
- the number of dwelling units housing persons and families of low or moderate income planned for construction planned for construction and rehabilitation;
- the timetable for meeting the replacement housing obligations.

REPLACEMENT HOUSING OBLIGATIONS

Construction of the Proposed Project would require the destruction and removal of six (6) dwelling units ("Units").² The data used in this analysis that pertains to household income levels and the number of bedrooms is derived from interviews conducted by the Agency's professional consultant Overland Pacific & Cutler, Inc. in March 2011. The interviewers were successful in reaching four of the residential households and one recreational vehicle occupant on the Proposed Project site (five of the six households.) One residential household did not respond to a letter requesting an interview or to business cards requesting the occupant contact OPC left on their door, and they were unavailable each time the interviewer attempted to contact them on site or via telephone. The interviewers learned from speaking with neighbors that this household is owner-occupied. This Replacement Housing Plan assumes, based on limited information available without a direct interview of any member(s) of such household, that the non-responding household is a moderate income household. The impacts created by the proposed removal of six (6) low and moderate income housing Units are described in the table below that presents the replacement obligations by bedroom type and income levels:

² See footnote 1.

SITE C- EXISTING UNITS

<i>Type of Unit</i>	<i>Units</i>	<i>Bedrooms</i>	<i>Income Level (by bedrooms)</i>		
			<i>Very Low Income</i>	<i>Low Income</i>	<i>Moderate Income</i>
Studio	1	1	1	0	0
One Bedroom	0	0	0	0	0
Two Bedroom	1	2	0	0	2
Three Bedroom	<u>4</u>	<u>12</u>	<u>3</u>	<u>6</u>	<u>3</u>
Total	6	15	4	6	5

Construction of the Proposed Project would require the demolition of 15 bedrooms of which 4 are very low-income, 6 are low-income, and 5 are moderate-income. Therefore, replacement bedrooms must be allocated as shown in the next table:

REPLACEMENT OBLIGATION

<i>Type of Unit</i>	<i>Very Low Income</i>	<i>Low Income</i>	<i>Moderate Income</i>
Studio	1 bedrooms	0 bedrooms	0 bedrooms
One Bedroom	0 bedrooms	0 bedrooms	0 bedrooms
Two Bedroom	0 bedrooms	0 bedrooms	2 bedrooms
Three Bedroom	3 bedrooms	6 bedrooms	3 bedrooms
Total	4 bedrooms	6 bedrooms	5 bedrooms

REPLACEMENT HOUSING UNITS

The replacement housing units provided by the Agency must be subject to long-term income and affordability covenants (45 years for ownership housing and 55 for rental units) as provided in Section 33413, *et seq.* Replacement housing units must include at least the same number of bedrooms as the Units that were removed from the low to moderate income housing stock. The obligation can be fulfilled with fewer Units than were removed as long as an equal or greater number of bedrooms are provided in the replacement housing units. Under the CRL, replacement housing units can be newly constructed units or substantially rehabilitated units and an agency may allocate "banked" or surplus units from another replacement housing plan or project that includes or included replacement housing units.

The Agency plans to meet 100% of its replacement obligation through banked units from the Grove Park Housing Project ("Grove Park") located on Morningside Avenue and Keel Avenue in Garden Grove. JHC-Acquisitions, LLC entered into an Affordable Housing Agreement ("AHA") with the City of Garden Grove in July 2009 to acquire, rehabilitate, and subsequently operate and manage Grove Park as long-term affordable rental housing with covenants of 55 years. Grove Park consists of 104 units in 13 two-story apartment buildings, each of which contains eight (8) housing units and all of the Grove Park apartment units are covenanted for 55 years for use and occupancy by low income and very low income (including extremely low income) households. The Grove Park Project has been funded already by the City of Garden Grove from \$3.8 Million sourced from HOME Program funds and from 9% federal tax credits. The AHA requires rehabilitation to be completed July 2, 2011 and the project is being completed in phases and the last phase is underway and close to completion such that all of the 13 multi-family properties that comprise the Grove Park project will have been substantially rehabilitated and ready for occupancy and/or re-occupancy

within the schedule set forth in the AHA. In connection with proceeding with the Grove Park Project and as set forth in JHC-Acquisitions, LLC's approved application and allocation of 9% tax credits, the project did not require the approval of the voters pursuant to Article XXXIV of the California Constitution. The regulatory agreement recorded in connection with the Grove Park AHA expressly provides, and JHC-Acquisitions, LLC agrees therein, that the units in Grove Park be made available for rent or purchase to the persons and families of low or moderate income displaced by the Agency (or the City or the Garden Grove Housing Authority) and that such displaced households and families be given priority in renting units at Grove Park. The following table presents the unit and affordability mix of the Grove Park affordable housing project:

GROVE PARK HOUSING PROJECT

<i>Type of Unit</i>	<i>Units</i>	<i>Bedrooms</i>	<i>Income Level (by bedrooms)</i>		
			<i>Very Low Income</i>	<i>Low Income</i>	<i>Moderate Income</i>
One Bedroom	72	72	67	5	0
Two Bedroom	16	32	28	4	0
Three Bedroom ³	<u>15</u>	<u>45</u>	<u>39</u>	<u>6</u>	<u>0</u>
Total	103	149	134	15	0

As shown above, Grove Park consists of 149 affordable bedrooms, of which 134 are very low-income, 15 are low-income, and 0 are moderate-income. In February 2010, the Agency approved the Replacement Housing Plan for the Travel Country RV Park and Leda Lane Properties that allocated 33 very low income bedrooms and 15 low income bedrooms from Grove Park towards the replacement obligations, if any generated by the removal of dwelling units⁴ identified in the plan and designated 101 very low-income bedrooms as surplus replacement housing bedrooms. The table below summarizes how replacement obligations of the Proposed Project are met and exceeded using banked replacement units and replacement bedrooms from Grove Park:

	<i>Very Low Income</i>	<i>Low Income</i>	<i>Moderate Income</i>
Banked Replacement Units from Grove Park	101 bedrooms	0 bedrooms	0 bedrooms
Replacement Obligation from Site C	(15 bedrooms) ⁵	(0 bedrooms)	(0 bedrooms)
Surplus/(Deficit)	86 bedrooms	0 bedrooms	0 bedrooms

³ There will be one (1) 3-bedroom manager unit that is not subject to affordability restrictions and, therefore, has not been included in the analysis.

⁴ This Replacement Housing Plan for the Travel Country RV Park and Two Leda Lane Properties assumes, without waiving any arguments by the Agency to the contrary, that the removal of the recreational vehicles triggers the obligations set forth in Health and Safety Code section 33413(a) and 33413.5.

⁵ Includes low and moderate income bedrooms.

The surplus 86 very low income bedrooms identified above are designated as bedrooms that may be included in the Agency's replacement housing bank (and/or inclusionary housing bank) and applied towards future housing obligations pursuant to CRL Section 33413(a), Section 33413(b), Section 33490, and related provisions of the CRL. The timetable to complete such replacement housing has already been satisfied because the Grove Park units are now covenanted as replacement housing banked and available as replacement housing if the Proposed Project proceeds and the subject Units are destroyed or removed from the low to moderate income housing market.

EXHIBIT A
PROPOSED PROJECT SITE

EXHIBIT A-1

EXHIBIT A
PROPOSED PROJECT SITE

