REDEVELOPMENT AGENCY AGENDA REPORT

City of Anaheim
COMMUNITY DEVELOPMENT DEPARTMENT

DATE: JUNE 10, 2008
FROM: COMMUNITY DEVELOPMENT DEPARTMENT
SUBJECT: APPROVAL OF PARTIAL TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY AND BROOKFIELD OLIVE STREET LLC

ATTACHMENT (Y/N): YES ITEM # 08

RECOMMENDATION:
That the Governing Board, subsequent to a joint public hearing, adopt that certain Resolution of the Governing Board of the Anaheim Redevelopment Agency approving (i) an agreement re: Partial Termination of Disposition and Development Agreement, (ii) an Agency Reimbursement Agreement, and (iii) a Disposition and Development Agreement all with Brookfield Olive Street LLC, and making certain findings in connection therewith.

BACKGROUND:
On March 28, 2006, the City Council approved the Disposition and Development Agreement (“DDA”) between the Anaheim Redevelopment Agency (“Agency”) and Brookfield Olive Street LLC (“Brookfield”). Under the terms of the DDA, Brookfield would develop 339 for-sale town homes, including 34 units affordable for moderate income households earning below 120% of Orange County Median Income. Brookfield has acquired the first phase (“Phase I”) of approximately eight acres from the Agency and two acres from a third party, and is currently developing the site (see Attachment 6). Phase I consists of 170 units of which 91 units have been completed or are currently under construction, and 47 have been sold, including 10 affordable units.

DISCUSSION:
Since approval of the DDA in 2006, the housing market has undergone significant changes that have negatively impacted this development, and created a situation in which Brookfield has had to drastically reduce home prices and offer significant incentives in order to generate sales. The Agency has also continued to assist Brookfield by marketing the development and qualifying affordable income buyers. Despite these combined efforts, Brookfield has requested modifications to the terms and conditions for Phase II.

We are recommending an amendment of the existing DDA with respect to the Phase II, and entering into a new DDA specific to Phase II. As part of the partial termination, the Agency will reimburse Brookfield $1,155,000 for specific items related to the relocation of tenants and building demolition, including their original $500,000 deposit. In addition, the Agency will pay Brookfield approximately $950,820 to acquire an approximately 20,670 s.f. portion of the site from Brookfield to be developed as a public street. With respect to Phase I, construction will continue, and all provisions and conditions shall remain in full force and effect.
The new DDA would reduce the size of the Phase II site to 3.94 acres. The revised project will be reduced from 169 units to 94 units, for a total unit count of 264 for Phase I and II. The portion of Phase II that will no longer be a part of the Brookfield site will be added to a mixed-income apartment development that will be part of a future RFP to be solicited at a later date by Agency staff (see Attachment 6).

The Agency will sell 3.94 acres to Brookfield for $5,495,820, which is fair market value, as determined by an MAI appraisal. Under the terms of the new DDA, Brookfield will make a non-refundable advance payment of $2,105,820. The balance of $3,390,000 will be paid on per unit basis upon issuance of building permits.

The Agency’s Real Estate Economist, Keyser Marston and Associates, prepared an economic analysis of the transaction. The total cost of the 3.94-acre site to the Agency is $9,593,400, for acquisition, financing and other related costs. Total revenues to the Agency will be $18,444,000, which includes a Tax Increment projection of $12,948,000 and land sale of $5,495,820. The net revenue to the Agency is $8,850,600.

In addition, staff requests approval of a Reimbursement Agreement for public improvements as part of the Colony Park Neighborhood. These public improvements include: necessary grading to create Public Park and streets, construction of Melrose, Kroeger and Water Streets, as well as landscaping and street lights on Olive and South Streets. If approved, the Reimbursement Agreement will allow the Agency to pay for the various street improvements as they are constructed by Brookfield. The total cost of the improvements is estimated to be $2,745,000 with a 10% contingency.

The Agency has been providing affordable housing assistance for the overall project and a majority of the funds allocated have been committed. Staff is recommending that additional funds be committed to this project as follows: Set-Aside - $630,000; HOME - $500,000; and CalHome - $600,000 (CalHome funds are subject to allocation from the State). All funds would be designated for low-income households. If these funds are not needed, they will be reallocated to other projects.

**IMPACT ON BUDGET:**

There is no impact on the General Fund.

Respectfully submitted,     Concur:

Bertha Chavoya     Elisa Stipkovich
Housing Services Manager    Executive Director

**Attachments:**
1. DDA Deal Points
2. Resolution
3. Agreement Re: Partial Termination of Disposition and Development Agreement (Olive Street Single-Family Residential Development)
4. Disposition and Development Agreement (Colony Park Phase II)
5. Reimbursement Agreement
6. Site Map