SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 52201
ON
THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN
THE CITY OF RICHMOND
AND
SAA-EVI RICHMOND PARTNERS, LLC

The following Summary Report has been prepared pursuant to California Government Code Section 52201. The report sets forth certain details of the proposed Disposition and Development Agreement (DDA) to convey City-owned property in downtown Richmond, referred to as the 12^{th} and Macdonald Mixed-Use Project (Project). The DDA is proposed between the City of Richmond and SAA-EVI RICHMOND PARTNERS, LLC, a Delaware limited liability company.

INTRODUCTION

Pursuant to AB 1X26, which took effect June 29, 2011, the decision of the California Supreme Court in *California Redevelopment Association et al., v. Ana Matosantos, et al.* (Case No. S194861), AB 1484, which took effect June 27, 2012, and other subsequent legislation (all, collectively, the Dissolution Act), the Richmond Community Redevelopment Agency was dissolved effective February 1, 2012. Pursuant to the authority provided in Health and Safety Code Section 34173, the City Council of the City of Richmond (City) determined that the City would become the Successor Agency to the Richmond Community Redevelopment Agency (Agency) and upon dissolution of the Redevelopment Agency certain rights, duties, and obligations previously vested with the former Redevelopment Agency, under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), were vested in the City as the Successor Agency to the Redevelopment Agency. Pursuant to Health and Safety Code Section 34173(g), the Successor Agency is a separate public entity from the City.

Health and Safety Code Section 34191.5(b) required the Successor Agency to prepare a Long-Range Property Management Plan (LRPMP) that addressed the disposition and use of the real properties of the former Redevelopment Agency. The Oversight Board of the Successor Agency to the Dissolved Richmond Community Redevelopment Agency (Oversight Board) approved the LRPMP and the State of California Department of Finance (DOF) issued a letter dated December 2015 approving the LRPMP. The LRPMP included several properties that were subject to existing enforceable obligations and were designated to be retained by the Successor Agency until such obligations were complete. The site that is the subject of this report is one of those properties that is subject to an enforceable obligation, as more fully described below.

California Government Code Section 52201 requires that before any property of a former Redevelopment Agency acquired with tax increment monies is sold or leased for development, the sale or lease must first be approved by the legislative body after a public hearing. A copy of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction must be available for public inspection prior to the public hearing. The following information is to be included in the summary report:

1. 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 agreement;
2. The estimated value of the interest to be conveyed or leased, determined at the highest and best use permitted under the redevelopment plan;
3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement (i.e., the reuse value of the site);
4. An explanation of how the sale or lease of the property assists in the elimination of blight and provides housing for Very Low-, Low-, or Moderate-Income persons; and
5. The purchase price or sum of the lease payments that the lessee is 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 must provide as part of the summary an explanation of the reasons for the difference.

In accordance with Government Code Section 52201, this report outlines the salient parts of the Disposition and Development Agreement (DDA) proposed to be entered into by and between the City of Richmond (City) and SAA-EVI Richmond Partners, LLC (Developer). This report is being prepared due to the fact that tax increment monies were used to acquire the real property which is the subject of the DDA. This report is based upon information in the proposed DDA and is organized into the following six sections:

I. **Summary of the Proposed DDA** – This section includes a description of the property, the proposed development and the major responsibilities of the Successor Agency and the Developer.

II. **Cost of the DDA to the Successor Agency** – This section outlines the cost of the DDA to the Successor Agency for costs that have been funded with tax increment funds. It presents the terms of the property conveyance, and sets forth the net cost of the DDA to the Successor Agency.

III. **Estimated Value of the Interest to be Conveyed** – This section summarizes the value of the Site to be sold or leased to the Developer.

IV. **Consideration Received and Reasons Therefore** – This section describes the value of the payments to be made by the Developer to the Successor Agency.

V. **Elimination of Blight** – This section explains how the project eliminates blighting conditions.

I. SUMMARY OF THE PROPOSED DDA

A. Description of the Site and the Proposed Project

Site

The Site (Site) is generally bounded by Macdonald Avenue, 11th Street, 13th Street and Nevin Avenue and is located in the City of Richmond's historic corridor.

The Site is comprised of Agency Parcels, the City Garage Parcel, and City Streets totaling approximately 3.8 acres (which includes Agency Parcels, City Garage Parcel, and City Streets). The Site is currently vacant with the exception of the City Garage Parcel on the northern half of the block, which is improved with a 228-space public parking garage.

The Agency owns additional property adjacent to the Site (Option Site), a portion of which is currently improved with a surface parking lot containing approximately fifty-eight (58) spaces and the remainder of which is vacant land. As further described in the DDA, upon the timely completion of development of the Site, the Developer has the option to develop the Option Site within 36 months.

The five Agency Parcels contained by the Site and the seven Agency Parcels contained by the adjoining Option Site are identified by the Successor Agency to be transferred to the City of Richmond for future development. This action was identified in the Successor Agency's Long-Range Property Management Plan (LRPMP) issued in December 2015.

Developer

The Developer of the Site is SAA-EVI Richmond Partners, LLC (Developer). The Successor Agency, in conjunction with an interdepartmental team of City staff, selected the Developer through a competitive bidding process in 2016.

Project Description

As detailed in Attachment 4 of the DDA (Scope of Development), the Site is to be developed as an urban mixed-use project containing between 128 and 256 apartment units, 20% to 30% of which will be designated as affordable to households earning up to 120% of the Area Median Income (AMI). Additional uses include ground floor commercial , public open space, and private amenities. The DDA also calls for the Developer to construct, install, and maintain streetscape improvements along 11th Street and 13th Street, between Macdonald Avenue and Nevin Avenue, and to renovate the existing 228-space parking garage to current building standards, with 100 spaces reserved for public use. The Developer has agreed to assume responsibility for the operation and maintenance of the parking garage prior to the conveyance of the Site.

Finally, the DDA stipulates that the Developer may occupy the Option Site on the southwest corner of Nevin Avenue and 13th Street on an interim basis for the operation of a beer and food garden. Upon issuance of a Certificate of Completion for the Site, the developer has the option to acquire the Option Site for an additional phase of development, which would require a minimum of 119 residential units.

B. Successor Agency Responsibilities

The Successor Agency's responsibilities under the DDA include the following:

- The Successor Agency will transfer the Site and Option Site to the City for future disposition to the Developer.
- Closing of the land sale is subject to the Developer satisfying a number of conditions including:
  - Providing evidence that the Project's financing is in place;
  - Obtaining entitlements and approvals for the proposed Project;
  - Executing a construction contract with the Project's general contractor;
  - Executing the required First Source Hiring Agreement; and
  - Providing evidence that all insurance requirements have been met.

C. Developer Responsibilities

The Developer is responsible for developing the Project in accordance with the terms of the DDA. The following are among the key responsibilities of the Developer:

- The Developer will build the Project, including between 128 and 256 residential rental units,
- In building the project, the Developer will be responsible for provisions of the First Source Hiring Agreement;
- The Developer will cause the Project's contractor to pay prevailing wages and living wages for the construction of the Project in accordance with state and local requirements;
- The Developer will designate between 20% to 30% of dwelling units as affordable to Moderate Income households. Rental restrictions will be recorded against each of the Moderate Income units in the form of a regulatory agreement requiring that each unit be rented at an affordable cost to households earning no more than 120% of AMI;
- Comply with 1% for Public Art Ordinance;
- Comply with Just Cause For Eviction Protections.

II. COST OF THE DDA TO THE SUCCESSOR AGENCY

This section presents the total cost of the DDA to the Successor Agency.

A. Estimated Cost to the Successor Agency

The Agency previously incurred costs associated with acquiring the Agency Parcels in the 1960s and 1970s. These costs totaled approximately $4.2 million (for real property within the Site and the Option Site), according to the LRPMP.

As a result of the disposition of the Agency Parcels, the Agency is anticipated to incur limited costs associated with the negotiation of the DDA and related due diligence activities. The final amount of these costs will be determined upon the close of escrow.

B. Revenues to the Agency

Per the payment terms set forth in Section 202 of the DDA, the Developer agrees to purchase the Site (both City and Agency Parcels) for $4 million, with $3 million due at the close of escrow, and an additional $1 million promissory note to be paid out in equal installments of $142,857 over seven years beginning with the initial Certificate of Occupancy. Per the DDA, $1 million of the total land payment is attributable to the Agency Parcels, and the remainder, including the $1 million promissory note, is attributable to the City Garage Parcel.

The DDA also establishes payment terms for the acquisition of the Option Site (consisting entirely of Agency Parcels). Should the Developer exercise the option to develop the Option Site, an additional $1 million would be due in full upon close of escrow for this additional phase.

Based on the above payment terms, gross revenues to the Agency are estimated to total up to $2 million and consist of the $1 million land payment for Agency Parcels due upon close of escrow for the Site, and an additional $1 million for the acquisition of the Option Site due upon close of escrow for this optional phase.

Projected Gross Revenues to Agency

Site land payment (Agency Parcels only)	$1 million
Option Parcel land payment	$1 million (if option exercised)
Total	**Up to $2 million**

C. Net Cost to the Agency

The cost to the Agency net of potential revenues will be determined upon the close of escrow. This property is subject to the Master Agreement for Taxing Entity Compensation.

III. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED

Fair Reuse Value

The fair reuse value for the Site is a function of the development program as specified in the terms and conditions of the DDA and the development economics of the specific uses proposed. The DDA requires the Developer to: (1) acquire the Site; (2) construct the agreed-upon Project within the time frame set forth in the DDA, e.g., land speculation is not allowed; (3) fulfill the affordable housing obligation; (4) pay prevailing wages for construction of the Project; and (5) renovate and operate the parking garage and reserve 100 spaces for public use.

Based on the specific terms and conditions in the DDA, the Agency has determined that the fair reuse value of the Site is $4 million, with $1 million attributable to the Agency Parcels and $3 million attributable to the City Garage Parcel. The fair reuse value of the Option Site is determined to be $1 million.

Value at Highest and Best Use

The estimated value of the interest being conveyed to the Developer if sold by the Agency at its highest and best use allowed was estimated by an independent appraisal dated June 2018. The appraisal estimated the aggregate value of both the Site and the adjoining Option Site at $6.4 million (if valued as vacant residential land, without consideration of the specific terms and conditions of the DDA). Based on land area, the highest and best use value of the Site attributable to the Agency Parcels is $3.8 million, plus $1.5 million for the Option Site.

IV. CONSIDERATION RECEIVED AND REASONS THEREFORE

The consideration being paid to the Agency is not less than the reuse value recognizing that a major investment must be made to reuse the Site in accordance with the terms and conditions of the DDA and that speculation is not allowed. The reasons for the difference in the reuse value and the fair market value at highest and best use include the requirements that the Developer build the Project within the time frame set forth in the DDA, e.g., land speculation is not allowed; fulfill the affordable housing obligation; and pay prevailing wages for construction of the Project.

Development for this site is being guided by the Richmond General Plan 2030, the Zoning Ordinance Update, and Plan Bay Area to meet local initiatives and State mandates. The 12th and Macdonald site is required by these guidelines to maximize its proximity to the Richmond Multi-Modal Station by facilitating transit-oriented development. The Richmond General Plan 2030 designates the 12th and Macdonald site as a “Major Activity Center” – community hubs that provide a mix of housing, office, and retail uses, generate revenue and jobs, and serve as the focal point of cultural, commercial, and social activities.

The proposed development is consistent with the site’s designation as a Plan Bay Area Priority Development Area (PDA). Plan Bay Area is a state-mandated, integrated long-range transportation, land-use, and housing plan that supports a growing economy, provides more housing and transportation choices, and reduces transportation-related pollution in the nine-county San Francisco Bay Area. PDAs are sites connected to transit, jobs, and services; these sites facilitate a locally supported, compact, and efficient growth pattern that meets State GHG reduction targets and provides adequate housing for the growing population of Richmond and the greater Bay Area. Facilitating infill development in the PDA also moves Richmond towards meeting its share of the Regional Housing Needs Allocation dictated by Plan Bay Area.

The Agency has determined that this specific project as described in the DDA offers the best complementary uses for other land uses in the Downtown 10-A Successor Agency Project Area. The Project will enhance the area by increasing the supply of affordable rental housing, and enhance pedestrian activity through the development of ground floor retail. Therefore, the Project will further the overall goals of the Agency’s Downtown 10-A Plan adopted by the Agency to revitalize the downtown core.

V. ELIMINATION OF BLIGHT

The Site is located in the Downtown Redevelopment Project Area 10A (10A Project Area). The goals and objectives of the Redevelopment Plan include, among others, elimination of vacant buildings, revitalization of underutilized sites, and creation of jobs and private investment in the Project Area consistent with the policies and standards of the General Plan for the City of Richmond.

Numerous properties within several blocks of this site exhibit various forms of blight. Underdeveloped lots, dilapidated residential and commercial structures and high commercial vacancies make up a large percentage of the 10-A Project Area.

To reinforce and enhance the vitality of the downtown as a public and commercial center for Richmond, the Agency has established a variety of programs to revitalize and encourage private development in the area. Programs include streetscape improvements, public art, façade improvement grants, transportation upgrades, and residential and commercial projects. The revitalization efforts include the development of cultural, art, entertainment, commercial, and residential components.

The Successor Agency has determined that the Site is ideal for a high density mixed use project to implement the Agency's Macdonald Avenue Revitalization Program and build on the momentum created by the Transit Village development.

The Project will assist in the removal of blight by increasing the supply of housing downtown on an underutilized Site, strengthening the 10-A Project Area as a first-class residential and retail location in Richmond, and providing momentum for additional private investment in the Downtown Area.

These efforts will increase employment, both during the construction phase and thereafter. In addition, the City's General Fund will receive increased sales taxes, business taxes, utility user fees, and an increase in property tax payments.

The City is entering into the DDA in order to achieve the shared objectives of the City and the Agency to stimulate further mixed-use development in downtown Richmond and remove blight in the Downtown Area.