SUMMARY REPORT PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433 ON A AFFORDABLE HOUSING DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN POMONA HOUSING AUTHORITY, AND JHC-ACQUISITIONS, LLC A CALIFORNIA LIMITED LIABILITY COMPANY

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The Summary Report sets forth certain details of the proposed Affordable Housing Disposition and Development Agreement (Agreement) between the Pomona Housing Authority (Authority), in its capacity as the Pomona Housing Successor, and JHC-Acquisitions, LLC (Developer). The Agreement requires the Authority to convey the parcel located at 592 West Mission Boulevard (Site) totaling 1.43-acres to the Developer for the development of an apartment project including 57 income-restricted apartment units (Project).

In 2012, the City of Pomona (City) designated the Authority as the Housing Successor for the former Pomona Redevelopment Agency (Agency). The Agency used proceeds from the issuance of the Tax Allocation Housing Bonds (Taxable Bonds), which are supported by low/mod housing set-aside property tax increment revenue, to purchase the Site in October 2010. The Site was transferred to the Authority on February 1, 2012 per the Housing Asset Transfer list as was approved by the State of California's Department of Finance. The Authority approved an Exclusive Right to Negotiate Agreement in March 2019 with the Developer to develop an affordable housing project on the Site.

The purpose of the Agreement is to implement the Authority's objective of improving and increasing the supply of affordable housing in the City of Pomona. Due to the funding source used to purchase and develop the Site, the proposed conveyance of the Site to the Developer is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the disposition transaction for the Site.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

I. **Salient Points of the Agreement:** This Section summarizes the major responsibilities imposed on the Developer and the Authority by the Agreement.

II. **Cost of the Agreement to the Authority:** This section details the costs previously incurred by the Agency and Authority, and the additional costs that must be incurred by the Authority to implement the Agreement.

III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Uses Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Redevelopment Plan.

IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Agreement.

V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Authority, and explains any difference between the compensation to be received and the established value of the Site.

VI. **Blight Elimination:** This section explains how the Agreement will assist in alleviating blight in the former Project Area.

VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the adopted AB1290 Implementation Plan.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

Scope of Development

The proposed scope of development can be described as follows:

1. The Site is comprised of approximately 1.43-acres of vacant land and is located within the Midtown Segment of the Corridors Specific Plan, which allows for a variety of commercial development including office, service/support and retail uses as well as mixed-uses such as live-work units, and residential multifamily and attached single-family development. The proposed Project is a legally conforming use.
2. The Project will have a total gross building area (GBA) of approximately 70,433 square feet, or 1.13 FAR. The following breaks out the proposed GBA:

	Square Footages
Gross Living Area	44,725
Community Room / Leasing Area	5,700
Common Area / Circulation	20,008
Total Gross Building Area	**70,433**

3. The building will be three stories and 83 surface parking spaces will be provided.

4. The Project will include the following unit mix:

	Number of Units	Unit Size (Sf)
One-bedroom Units	22	635
Two-bedroom Units	20	807
Three-bedroom Units	15	974
Totals / Averages	**57**	**785**

5. The Developer is proposing to allocate the units to the following income categories:[1]

	1-Bdrm Units	2-Bdrm Units	3-Bdrm Units	Total Units
Extremely-Low Income	4	3	3	10
Very-Low Income	8	1	0	9
Moderate Income	10	16	11	37
Total Units	**22**	**20**	**14**	**56**

6. The Project amenities will include a community center, a community garden, a tot lot, sliding vehicle gate, and a corner plaza.

7. The social services will be provided as follows:

    a. Tri-City will provide case management services to the 10 Mental Health Services Act (MHSA) units;

    b. The Veteran's Administration (VA) will provide the services for the six VASH units; and

    c. The Developer will provide full wrap around services for all of the units, including a service coordinator to meet the TCAC requirements.

Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Developer will purchase the Site from the Authority, in an "As-Is" condition, for the fair market value of $3,400,000 (Purchase Price). The Purchase Price is equal to the current appraised value.

2. Developer will be solely responsible for constructing and operating the Project buildings and developing the Site in accordance with the Scope of Development and the Schedule of Performance. Developer will also be responsible for all costs and expenses associated with the Project.

3. Developer shall design, construct and maintain the Project in accordance with all environmental mitigation measures and requirements, if any, of the City's General Plan and Zoning Ordinance, and all permits and entitlements granted to the Developer.

[1] One three-bedroom unit will be unrestricted and reserved for the on-site manager.

4. At completion, 56 of the 57 units will be restricted to Extremely-Low, Very-Low and Moderate Income households at Extremely-Low, Very-Low and Moderate Income rents, as defined by the California Health and Safety Code, and defined in the Regulatory Agreement, for a period of 55 years from the date of issuance of a Certificate of Completion for the Project.

5. Prior to close of escrow, Developer must provide the Authority with the following:

   a. Demonstration that Developer has secured a bona fide award of Tax Credits and Senior Financing in amounts sufficient to provide for development of the Project and in accordance with the amounts and timing provided in the Project Budget/Proforma.

   b. Developer shall have obtained approval from the City for the requested entitlements for all improvements to be constructed on the Site.

   c. Deposited into Escrow the PCO Statement, Grant Deed, Notice of Agreement, Regulatory Agreement, Construction Financing Security Instrument, Land Loan Note, Land Loan Deed of Trust, Subordinate Loan(s) Security Instrument, Subordination Agreement, Subordinate Loan Land Use Restriction Agreements.

   d. Shall not be in material Default in any of its obligations.

   e. Shall have obtained approval by the Authority of the affirmative fair housing Marketing Plan.

6. Developer will satisfy all conditions necessary to ensure that the Project conforms to all applicable CEQA and, if applicable, NEPA requirements.

7. Developer shall submit up to four consecutive applications to the California Tax Credit Allocation Committee (TCAC) to secure Tax Credit financing, beginning with the March 2020 application round. However, the Developer and Authority have agreed to meet and confer after two unsuccessful rounds.

8. At the Authority’s request, the Owner of the Project must provide a Capital Needs Assessment no more often than every 10 years after Certificate of Completion.

9. The following are limitations placed on fees and expenses during the 55-year Authority Land Loan term when calculating the residual receipts loan payments:

   a. The Limited Partner asset management fee shall be capped at $5,000 per year, increasing with CPI escalations annually;

   b. The General Partner asset management fee shall be capped at $10,000 per year, increasing with CPI escalations annually;

   c. Property Management fees shall be limited to the lesser of 6% of gross income or $65 per unit per unit per month, increasing annually by CPI;

   d. Capital Reserves must be annually set-aside $500 per the 16 special needs units and $250 per non-special needs units;

10. Developer will indemnify the Authority and City in regard to a future prevailing wage determination and environmental remediation responsibilities.

11. Developer must procure and maintain, at its sole cost and expense, satisfactory to the Authority, during the entire term of entry or construction, the following policies of insurance:

    a. Commercial General Liability Insurance;

    b. Worker's Compensation Insurance;

    c. Automobile Liability Insurance;

    d. Builder's Risk Insurance;

    e. Professional Liability (Errors and Omissions) Insurance;

    f. Fire and Extended Coverage Insurance, excluding Earthquake coverage.

Authority Responsibilities

The Agreement imposes the following responsibilities on the Authority:

1. Authority agrees to sell the Site to Developer for the Purchase Price and provide a $3,400,000 Land Loan to the Developer with the following loan terms:

    a. A 55-year loan term from the date on which the Construction Financing Converts to the Permanent Loan;

    b. A 3.00% simple interest rate;

    c. Annual payments of 50% of residual receipts (prorated between the other soft financing sources);

    d. Any outstanding balances will be due and payable at the end of the term; and

    e. Subordinated to the conventional permanent loan.

2. Prior to close of escrow, Authority must provide the Developer with the following:

    a. Deposited into escrow executed Grant Deed, FIRPTA Affidavit, Notice of Agreement, Regulatory Agreement, Subordination Agreement.

    b. Shall not be in Material Default in any of its obligations.

    c. Provided a written approval to the Developer for the Marketing Plan.

3. Authority is to approve any Property Manager that is not the Developer. Authority will also have the ability to require the Developer to hire a third-party management company acceptable to the Authority if there are problems with the management company.

4. If the six VASH vouchers are not approved for the Project or are not renewed in the future, the Developer can increase the affordability restrictions so that Low Income Households can rent the six units at the Low Income Affordable Rent.

5. The Authority will have the ability to remove the property manager if there are property management issues.

6. The Authority Regulatory Agreement will be placed on the Property for a term of 55 years from the Certificate of Completion date, and will be subordinated. The Authority Regulatory Agreement will restrict the units as follows:

   a. Not less than four (4) of the 1-bedroom units, three (3) of the 2-bedroom units, and three (3) of the 3-bedroom units are to be restricted to Extremely-Low Income Households;

   b. Not less than eight (8) of the 1-bedroom units and one (1) of the 2-bedroom units are to be restricted to Very-Low Income Households; and

   c. Not less than 10 of the 1-bedroom units, 16 of the 2-bedrom units and 11 of the 3-bedroom units are to be restricted to Moderate Income Households.

II. COST OF THE AGREEMENT TO THE AUTHORITY

The Authority has incurred costs associated with assembling and maintaining the Site. The Authority will be required to incur additional costs to implement the proposed Agreement. These costs are detailed in this section of the analysis.

	Costs Previously Incurred by Authority	Costs to be Incurred by Authority due to Agreement	Total Costs Incurred by Authority due to Agreement
Land Acquisition Costs	$130,803	$0	$130,803
Property Management Costs	0	6,345	6,345
Appraisal Costs	0	3,200	3,200
(Less) Authority Loan Payments[2]	(0)	(9,010,000)	(9,010,000)
Total Net Incurred Costs / (Revenues)	**$130,803**	**($9,000,455)**	**($8,869,652)**

The total net revenues to the Authority is estimated to equal approximately $8.87 million. It is anticipated that the Note, totaling $3,400,000, will be fully repaid by the end of the loan term. However, given that the debt service on the Note is completely dependent on the cash flow produced by the Project over time, it is too speculative to predict the net present value of the debt service payments that will be made over the term of the Note.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

California Health and Safety Code Section 33433 requires the Authority to identify the value of the interests being conveyed at the highest use permitted under the zoning in place on the Site. The valuation must be based on the assumption that the property is vacant, and that near-term

[2] Based on projected nominal loan payment over the 55-year loan period.

development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Authority.

The Site is located in the Midtown Segment of the Corridors Specific Plan and is currently vacant. In an appraisal by Kinetic Valuation Group dated December 5, 2019 value of the Site is $3,400,000. This equates to approximately $55 per square foot of land area and $59,650 per unit.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Authority's financial consultant, prepared a reuse valuation analysis in January 2020 of the Site based on the financial terms and conditions imposed by the Agreement. The KMA analysis concluded that the fair reuse value of the Site is $0. This means that the Site would need to be conveyed to the Developer at no cost to make the scope of development required by the Agreement financially feasible.

It is important to note that the amount of the Authority assistance package identified in the Agreement is predicated on the assumption that the Project will receive competitively awarded 9% Tax Credits. If this source is not received by the Project, the fair reuse valuation conclusion will need to be re-evaluated.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement imposes extraordinary controls on the Property. The impacts created by these requirements reduce the value of the Property from $3,400,000 at the highest use permitted under the Property zoning, to the established fair reuse value of $0.

The Agreement states that the Site will be provided to the Developer, and is to be funded the Authority loan. The Authority Loan must be repaid out of the cash flow generated by the Project over time. At the end of the Authority Loan term, the Developer must repay any outstanding balance on the Authority Note. Given that the repayment proceeds received by the Authority will be greater than the established fair reuse value of $0, it can be concluded that the Authority is receiving fair consideration for the interests being conveyed to the Developer.

VI. BLIGHT ELIMINATION

The Agreement includes placing affordability restrictions on the units for 55 years. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low or moderate income persons satisfies the blight elimination criteria imposed by Section 33433. Thus, the scope of development required by the Agreement fulfills the blight elimination requirement.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The goal and objective identified in the Five Year Implementation Plan for 2007 – 2011 that will be achieved through the implementation of the Agreement is as follows:

- Eliminate and prevent the spread of blight and deterioration, and guide new development to meet the needs of the community as reflected in the City's General Plan.
- Implement the land uses and concepts of the City's General Plan and the City's Zoning Ordinance as may be amended from time to time.
- Make provision for housing as is required to satisfy the needs and desires of various age, income and ethnic groups of the community, maximizing opportunity for individual choice.