



The  
**Long Beach  
Housing  
Development  
Company**

## MEMORANDUM

**DATE:** November 21, 2007  
**TO:** Board of Directors  
 The Long Beach Housing Development Company  
**FROM:** Executive Review Committee  
**PREPARED BY:** Michael Betts, Development Project Manager II  
**SUBJECT:** Authorization to Enter into a Disposition and Development Agreement with Brookfield Homes / Brookfield Southland Holdings LLC, for the Atlantic Avenue Workforce Housing Development (CD6)

### RECOMMENDATION

- 1) Authorize the President to negotiate and enter into a Disposition and Development Agreement with Brookfield Homes / Brookfield Southland Holdings LLC for the development of 48 moderate-income attached units on the west side of Atlantic Avenue, between 20<sup>th</sup> and Hill Streets;
- 2) Approve financial gap assistance to the developer in the amount of \$7,010,000; and
- 3) Authorize the President to execute any and all documents necessary to finalize the Disposition and Development Agreement and provide the financial assistance.

**MAKING  
AFFORDABLE  
HOUSING  
HAPPEN**

### BACKGROUND

The Long Beach Housing Development Company (LBHDC) and the Long Beach Redevelopment Agency have completed the acquisition of certain parcels on the west side of Atlantic Avenue between 20<sup>th</sup> and Hill Streets. The LBHDC now holds title to the site, which includes 17 parcels and approximately 100,188 square feet of land area. A map of the project site is attached for your information.

An environmental report indicated that the site of a former gas station, located at 2085 Atlantic Avenue had soil and ground water contamination. Staff has been working with SCS engineers to remediate the contamination, and that work is now complete. Several ground water monitoring wells are required at the site for a period of approximately 12-18 months. This requirement does not impact construction of the project.

AGENDA ITEM NO. 6B

Mailing Address:  
110 Pine Avenue  
Suite 1200  
Long Beach, CA 90802  
Tel 562/570-6949  
Fax 562/570-5921

On May 22, 2007, the LBHDC entered into an Agreement to Negotiate Exclusively with Brookfield Homes / Brookfield Southland Holdings LLC (Developer). Since then, the Developer has been working on a conceptual project, and has prepared a project pro forma, a site plan, and a conceptual design. Staff has reviewed the pro forma and conceptual design, and is recommending that the LBHDC move forward with a Disposition and Development Agreement (DDA).

### **DISPOSITION AND DEVELOPMENT AGREEMENT**

A DDA between the LBHDC and the Developer has been drafted and is currently being reviewed by staff and the Developer. The draft DDA proposes that the LHBDC will be responsible for site acquisition; relocation of displaced persons and businesses; environmental remediation; and for providing any gap financial assistance needed to make the project affordable to qualified moderate-income homebuyers. The draft DDA also proposes that the LBHDC will sell or convey the site to the Developer; record all documents necessary to complete the transaction; and record all regulatory documents necessary to restrict the 48-units for occupancy by qualified moderate-income households for a period of 45-years.

The Developer will be responsible for completing the LBHDC Design Review Process; obtaining construction financing; following the City's Section 3 local hiring and contracting policies; constructing a 48-unit for-sale townhome development in accordance with an approved scope of development; identifying qualified homebuyers; and completing the sale of all 48 units.

### **PROJECT DESCRIPTION AND BUDGET**

The project is proposed to include 48 attached townhome units configured in six courtyard buildings containing 24 two-, 18 three-, and 6 four-bedroom units affordable to moderate-income homebuyers. Moderate-income for a family of four is approximately \$59,000 to 67,000 per year. A conceptual site plan is attached for your information.

Staff and Keyser Marston Associates (KMA) have reviewed the Developer's project pro forma. The pro forma indicates that total development costs are estimated at \$16.6 million, and total sales revenues are at \$9.6 million, leaving a gap of approximately \$7 million. Those figures do not include \$11.3 million in land assembly costs (acquisition, relocation, demolition, remediation) expended by the LBHDC to date. Since revenues from the affordable project are already \$7 million less than projected development costs excluding land assembly costs, the land has virtually no value when developed as proposed. In other words, to make the project feasible and make all 48 units affordable to moderate-income households, the LBHDC would need to convey the site to the Developer at no cost and provide approximately \$7 million in subsidy. KMA's analysis is attached for your information, and the following provides a snapshot of the gap calculation:

A	Land Assembly Costs	\$11,300,000
B	Development Costs	\$16,625,000
C	<i>Subtotal (A+B)</i>	\$27,925,000
D	Revenue (sale of units at maximum affordable prices)	\$9,616,000
E	Gap with Land (C-D)	\$18,309,000
F	Land Gap Already Expended	\$11,300,000
G	Remaining Gap (E-F)	\$7,009,000

It is important to note that the revenue was calculated using only the maximum moderate-income affordable sales prices. Since the LBHDC will carry silent second mortgages, which are basically the difference between the affordable sales prices and the market-rate prices, the homebuyers will eventually repay a large portion of the gap. The following table provides a hypothetical example of the second mortgage assistance that could eventually be repaid to the LBHDC:

	A	B	C
	2-Bedroom	3-Bedroom	4-Bedroom
Market-Rate Price (KMA estimate)	\$476,720	\$590,450	\$734,500
Restricted Maximum Affordable Price	\$189,800	\$207,500	\$220,900
LBHDC Second Mortgage Loan	\$286,920	\$382,950	\$513,600
Number of units	24	18	6
Estimated LBHDC Repayment By Unit Type	\$6,886,080	\$6,893,100	\$3,081,600
Total Estimated LBHDC Repayment (A+B+C)	\$16,860,780		

On November 7, 2007, the Executive Review Committee recommended approval of staff's recommendations.

Attachment A: Map of Project Site  
 B: Conceptual Site Plan  
 C: KMA Pro forma Analysis

ET: PU: MB