SUMMARY REPORT PURSUANT TO GOVERNMENT CODE SECTION 52201 ON THE PURCHASE AND SALE AGREEMENT BY AND BETWEEN THE CITY OF HAYWARD, RCD GP IV, LLC, AND PARCEL GROUP 8 L.P.

I. Introduction.

The City of Hayward (the "City"), has prepared a summary report (the "Summary Report") as required by Section 52201 of the Government Code, with regards to the City's proposed execution of a Disposition and Development Agreement ("DDA") by and between the City, RCD GP IV, LLC, a California limited lability company (the "Company") and Parcel Group 8, L.P., a California limited partnership (the "Partnership"), for the sale of 2.36 acres of real property, 1.54 acres of which are located within the City of Hayward (the "City Housing Parcels") and 0.82 acres of which are located within unincorporated Alameda County (the "County Housing Parcels") generally located at Grove Way and Foothill Boulevard (collectively, the "Housing Sites" or "Property") to the Company, and the Company will subsequently transfer fee title to the County Housing Parcels and a leasehold title to the City Housing Parcels to the Partnership.

Government Code Section 52201, authorizes the City, to sell or lease property to which it holds title for the purpose of creating economic opportunity. The City must first secure approval of the proposed sale from the City Council after a public hearing. A copy of the proposed DDA and a summary report that describes and contains specific financing elements of the proposed transaction is required to be available for public inspection prior to the public hearing. As contained in the Code, the following information is included in the summary report:

- The cost of the DDA to the City, including land acquisition costs, clearance costs, relocation costs, and the costs of any improvements to be provided by the City, plus the expected interest on any loans or bonds to finance the agreement;

- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the general plan and zoning;

- The estimated value of the interest to be conveyed in accordance with the uses, conditions and covenants, and development costs required under the proposed DDA, i.e., the fair reuse value of the property;

- An explanation of why the sale of the property will assist in the creation of economic opportunity;

- If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the City must provide as part of the summary an explanation of the reasons for the difference.

In addition to the authority granted to it under Government Code Section 52201, the City is also acting pursuant to authority granted to it under Government Code Section 37350, which provides that a city may purchase, lease, receive, hold, and enjoy real and personal property and control and *dispose* of it for the common benefit.

II. Summary of Proposed Agreement.

Under the DDA, the City will convey the Housing Sites to the Company, the Company will subsequently transfer fee title to the County Housing Parcels and a leasehold title to the City Housing Parcels to enable the Partnership to: (1) develop up to 96 units of multifamily rental affordable housing on the City Housing Parcels (the "City Housing Improvements"); and (2) rehabilitate at least eleven (11) units of naturally occurring affordable housing located on the County Housing Parcel (the "County Housing Improvements", and collectively with the City Housing Improvements, the "Improvements")(the "Proposed Project").

The salient aspects of the proposed DDA are summarized as follows:

- The City commits to transfer Affordable Housing Site to the Company to facilitate the transfer to the Partnership and the construction of the Proposed Project.

- The City will convey the Housing Sites to the Company in fee in its "as-is" condition.

- The Company will pay the City $0 for the Housing Sites.

- The Company the subsequently transfer fee title to the County Housing Parcels and a leasehold title to the City Housing Parcels to the Partnership.

- The Partnership will construct the City Housing Improvements and rehabilitate the County Housing Improvements.

- The City is providing $2,000,000, consisting of the City's Inclusionary Housing Fee proceeds to assist the Partnership. Under the DDA, the City has the sole discretion to increase the City Loan by an amount of up to Two Million Six Hundred Forty-Five Thousand One Hundred Sixty-One Dollars ($2,645,161) consisting of Local Housing Trust Fund funds if such funds are allocated to the City from the State Department of Housing and Community Development.

- The City Loan will have a term of 57 years and will bear simple annual interest rate of 3.0%.

- Repayment of the City will be from residual receipts calculated as the project's annual cash flow after payment of debt services and operating expenses approved by the City.

- The Proposed Project will be subject to and must comply with the requirements of the City's Inclusionary Housing Ordinance.

- The Company and the Partnership have agreed to record a Regulatory Agreement under which the Partnership will restrict: (a) 96 units of the Development (except the Manager's Units) including two (2) Very Low Income Units, seventeen (17) Low Income Units, forty (40) 50% Income Units, and thirty-six (36) 60% Income Units for a term of 55 years; and (b) 4 units will be restricted to very-low income households in perpetuity. Under the Regulatory Agreement the Partnership has also agreed to restrict at least eleven (11) of the naturally occurring housing units to 60% Income Households (the "Additional Restricted Units") as part of the County Housing Improvements.

- The Partnership must comply with all government entities' regulatory and administrative processes related to the land use approvals required for the Development.

- The Partnership must obtain building permits for the Development in accordance with the timeline set forth in the Development Schedule attached to the DDA

- The Partnership shall pay all contractors and subcontractors engaged to construct the Development California Labor Code Section 1720 prevailing wages.

- The Partnership is prohibited from any form of discrimination on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry, or source of income, in the hiring, firing, promoting or demoting of any person engaged in the construction of the Development.

- The Partnership must undertake the rehabilitation of the County Housing Improvements with a goal of not displacing any of the current residents of the County Housing Improvements.

- To the extent that development of the Affordable Development results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, then Partnership shall comply with all applicable local, state, and federal statutes and regulations, (including without limitation California Government Code Section 7260 et seq., and accompanying regulations) with respect to relocation planning, advisory assistance, and payment of monetary benefits.

- Partnership must submit evidence that the financing and funding identified in the financing plan will be available for disbursement prior to the close of escrow for the construction of the Housing Sites.

III. Cost of Agreement

This section presents the total estimated cost of the DDA to the City. Pursuant to California Government Code Section 52201 (a)(2)(B)(i), the cost of the DDA to the City includes all land acquisition costs, clearance costs, relocation costs, the cost of any improvements to be provided by the City, plus the interest on any loans or bonds to finance project under the terms of the DDA. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

The Caltrans agreement requires that the City make a repayment of $0 purchase price for the Housing Sites.

The City's holding costs for the properties is de minimis.

The City has or expects to incur approximately $25,000 to $50,000 on internal staff costs and approximately $50,000 and $75,000 on third party costs, including; broker fees, legal fees, consulting fees, and other fees associated with the negotiation of the DDA and associated land transfer documents.

The City does not expect to incur any relocation costs associated with the transfer of the Housing Sites. If any relocation obligations arise, the Partnership has agreed to provide to pay for any relocation costs incurred as a result of the implementation of the DDA.

IV. Estimated Highest and Best Use Value of the Interest to be Conveyed

Section 52201 requires the City to identify the value of the interest being conveyed at the highest use permitted under the general plan and zoning in place on the property. The valuation must be based on the assumption that the Property is vacant, and that near-term development is required. The highest and best use of a property, is that use of the property that generates the highest property value and is physically possible, financially feasible, and legally permitted. The valuation does not take into consideration any extraordinary use, quality, and/or income restrictions being imposed on the development by the City. The value at highest and best use is based solely on the value created and not on whether or not that use carries out the development goals and policies for the City as set forth in the DDA.

This section presents an analysis of the fair market value of the properties to be conveyed at its highest and best use. This section explains the value of the properties to be sold to the Partnerships and the consideration being provided by the Partnerships. The section indicates that the consideration being provided is not less than the highest and best use value of the properties being conveyed.

The City and Caltrans obtained an appraisal for the property in its existing condition with its current land use designations which valued the property at approximately $6,220,000. The purchase price of $0 being paid by the Partnerships is based on the parties negotiation of the Property value taking into account the appraised value of the properties that are being conveyed as well as the impact on value of the properties resulting from the a use consistent with the Proposed Project.

V. Estimated Fair Re-Use Value of the Interest to be Conveyed

In calculating the fair re-use value, re-use value is defined as the highest price in terms of cash or its equivalent which a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the DDA. The DDA covenants, conditions, or restrictions on the use of: (1) the Housing Sites are contained in the Regulatory Agreement.

The Developer has elected to use two standards of income and rent restrictions to restrict 100% of the units as affordable housing as permitted by the Density Bonus Law. To comply with both the Density Bonus Law and the Affordable Housing Ordinance, 20% of the Units (19 units) will be restricted per Table 1 at or below the applicable Health and Safety Code rent and income limit standards (see below). These units will have a deeper tax credit affordability level to ensure compliance with both tax credit and Health and Safety Code rent standards. As shown in Table 2, the remaining 80% of the Density Bonus restricted units will be restricted at or below the tax credit income levels with the corresponding rent limit for a term of 55 years.

The Partnership will have to comply with the more restrictive rents (Health & Safety Code or LIHTC rents) when determining the affordable rent calculations. The proposed affordability mix, results in an average affordability for the Proposed Project (excluding the manager's unit) of 48.9% AMI.

The Regulatory Agreement will restrict the residential units as follows:

Table 1: Health and Safety Code Section 50053 Rent Standard Unit Mix*

Unit Type (bedroom)	Square Feet	Very Low-Income Units (30% AMI TCAC)	Low-Income Units (50% AMI TCAC)	Moderate Income Units (60% AMI TCAC)	Total
Studio	344-385	2 *(includes 2 AHO restricted units)*	7		**9**
1-br	508-549		4 *(includes 1 AHO restricted units)*		**4**
2-br	710-831		5 *(includes 1 AHO restricted units)*		**5**
3-br	959-1,282		1		**1**
Total		**2**	**17**	**0**	**19**

***Note:** Table 1 Income limit: Established by California Housing and Community Development based on Title 25 of the California Code of Regulations, Section 6932. Table 1 Rent limit: Established by California Health and Safety Code Section 50053.

Table 2: Tax Credit Rent Standard Unit Mix

Unit Type (bedroom)	Square Feet	50% AMI TCAC Unit	60% AMI TCAC Unit	Total
Studio	344-385	27	10	**37**
1-br	508-549	4	10	**14**
2-br	710-831	8	10	**18**
3-br	959-1,282	1	6	**7**
Manager's Unit		N/A		**1**
Total		**40**	**36**	**77**

***Note:** Table 2 Rent and Income Limit: Established by the California Tax Credit Allocation Committee.

Each year, the Partnership must submit to the City a certification of compliance with the income and affordable housing cost covenants imposed by the Agreement.

The residual land value supported by the Project can be estimated as the difference between the total development costs (excluding acquisition costs) and the total available funding sources. The anticipated costs of development is summarized below and is estimated to be approximately $62,750,000, with approximately $57,110,000 of available private and public financing expected for the development. The Partnership estimates that the residual land value is roughly (-$2,699,000).

The total operating expenses for the Project have been estimated at $524,688 per year. The income to be generated by the Development is derived entirely from the rental of the Units at an affordable housing cost and is estimated to be $634,956 per year, resulting in $110,268 of residual cashflow 50% of which will be used to fund repayment of soft debt.

Based on the foregoing analysis, the fair re-use value of the interest being conveyed is nominal.

VI. Explanation of the Difference (if any) between the Compensation to be paid to the City under the DDA and the Fair Market Value of the Property

Under Section 52201, the City is required to explain if the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the City must provide as part of this Summary Report an explanation of the reasons for the difference.

The DDA and Regulatory Agreement impose extraordinary controls on the Housing Sites. The impacts created by these requirements reduce the value of the Housing Sites from $6,220,000 at the highest use permitted under the allowable zoning, to the established fair reuse value of negative (-$2,699,000). The difference is directly and completely attributable to the convents, restrictions and development costs imposed by the DDA in furtherance of the City's policies to devote the Housing Sites to affordable housing.

VII. Creation of Economic Opportunity

The Proposed Project, when constructed, will create economic opportunity in the City of Hayward. Section 52200.2 defines "economic opportunity" as <u>any</u> of the following:

- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that create, retain, or expand new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars ($35,000) of City investment in the project after full capacity and implementation;

- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that increase property tax revenues to all property tax collecting entities, by at least 15 percent (15%) of total property tax resulting from the project at full implementation when compared to the year prior to the property being acquired by the government entity;

- Creation of affordable housing;

- Projects that meet the goals set forth in Chapter 728 of the Statutes of 2008 and have been included in an adopted sustainable communities strategy or alternative planning strategy or a project that specifically implements the goals of those adopted plans; or

- Transit priority projects, as defined in Section 21155 of the Public Resources Code.

The City is providing $2,000,000 of financial assistance to the Partnership. The City has identified the following benefits that will result from implementation of the DDA and will create economic opportunity as defined in Government Code Section 52200.2.

B. <u>Creation of Affordable Housing</u>

The creation of affordable housing to meet demonstrated affordable housing needs identified in the housing element of the City's general plan constitutes and economic opportunity. The Proposed Project will be subject to the requirements of the City's Inclusionary Housing Ordinance and will thus increase, improve, or preserve the supply of quality affordable housing in the community. The Development will create a total of 96 units of new multifamily rental affordable housing on the City Housing Parcels and result in the rehabilitation of at least eleven (11) units of naturally occurring affordable housing.

C. <u>Job Creation</u>

Under Section 52200.2(a) economic opportunity is achieved is an agreement results in the creation, retention or expansions of new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars ($35,000) of City investment in the project. As previously discussed, the City is not providing any financial assistance for the Proposed Project. Nevertheless, the sale of the Property under the DDA will result in job creation as a result of the anticipated construction of the Development. During the construction of the Proposed Project, it is anticipated approximately 89 full-time equivalent (FTE) temporary construction jobs. Upon completion and full implementation, the Proposed Project is also anticipated to generate an estimated 33 FTE permanent jobs. .

D. Public Purpose

The transfer of the properties and construction of the Proposed Project will further the public purpose of economic development by creating jobs, affordable housing, and will contribute to the vibrancy in an area of the City that has suffered from historic underdevelopment as a result of the proposed and now defunct SR 238 freeway project.