

REPORT TO THE HOUSING AUTHORITY BOARD



DATE: June 19, 2018

TITLE: (Housing Authority) Resolution Approving the Purchase and Sale of Real Property and Joint Escrow Instructions with Richard M. Johnson, Jr. for Real Property Located on the East Side of West Drive on the Northeast Corner of West Drive and Ironwood Drive (APN: 641-191-008)

Prepared by: Linda Kelly, Finance Director

Reviewed by: Jennifer Mizrahi, City Attorney

RECOMMENDATION

Adopt a Resolution of the Desert Hot Springs Housing Authority, acting as the Successor Housing Agency to the Redevelopment Agency of the City of Desert Hot Springs approving the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Housing Agency and Richard M. Johnson, Jr., as Trustee of the Richard M. Johnson, Jr. Attorney at Law 401(K) Profit Sharing Trust with respect to the real property located on the east side of West Drive on the northeast corner of West Drive and Ironwood Drive, Desert Hot Springs, California (APN 641-191-008); and further instruct the City Manager to substantively negotiate and execute any and all documents needed to effectuate the transaction.

BACKGROUND

Pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Redevelopment Agency of the City of Desert Hot Springs dissolved February 1, 2012. Consistent with the provisions of the HSC, the City Council of the City of Desert Hot Springs ("City") previously elected to serve in the capacity of the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs ("Successor Agency"). On January 11, 2011, the City formed the Desert Hot Springs Housing Authority (the "Housing Authority"). On February 21, 2012, pursuant to Resolution No. 2012-005, the City affirmed that the housing functions of the former redevelopment agency were to be transferred to the Housing Authority by operation of law inclusive of all tangible and intangible low- and moderate-income housing fund ("LMIHF") assets associated therewith and that the Housing Authority would serve in the capacity as the Successor Housing Agency to the Redevelopment Agency of the City of Desert Hot Springs ("Successor Housing Agency").

On February 21, 2012, pursuant to Resolution No. HA-2012-001, the Housing Authority accepted the responsibility as the Successor Housing Agency and the LMIHF assets, which included fifteen (15) parcels of real property. The Housing Authority in its capacity as Successor Housing Agency determined that two (2) of the fifteen (15) parcels it received were not needed for affordable housing purposes and should be sold and that the proceeds of sale used for future affordable housing purposes.

DISCUSSION

The subject of this Resolution concerns one of the two (2) surplus Successor Housing Agency residential properties that are to be sold and is described as: i) Site No. 1 within Exhibit "A," a copy of which is attached to the Resolution; ii) is an approximately 0.18-acre vacant parcel located on the east side of West Drive at the northeast corner of West Drive and Ironwood Drive, Desert Hot Springs, California (APN 641-191-008) ("Property"); and iii) is zoned low density residential ("RL").

On November 15, 2016, the Successor Agency approved an Agreement with NAI Capital ("NAI Agreement") to list and sell certain real property assets of the Successor Agency, which

included the two the Successor Housing Agency surplus parcels, all of which were subsequently listed for sale. As a part of the NAI Agreement, NAI has agreed to prepare a Broker's Opinion of Value ("BOV") for each property that is sold. In response to NAI's listing, on May 29, 2018, Richard M. Johnson, Jr., as Trustee of the Richard M. Johnson, Jr. Attorney at Law 401(K) Profit Sharing Trust ("Johnson Trust") offered to purchase the Property for \$12,500 ("Purchase Price"). A copy of the offer ("Offer") is attached to the Resolution as Exhibit "B." The Johnson Trust plans to develop the Property for housing.

To determine whether the purchase price offered by the Johnson Trust is fair and reasonable, the Successor Housing Agency requested NAI to prepare a BOV, to confirm if the Purchase Price is fair and reasonable. On May 30, 2018, the Successor Housing Agency received the BOV from NAI indicating its opinion that the market value of the Property is currently \$12,200 ("BOV Market Value"). In consideration that the \$12,500 purchase price offered by the Johnson Trust is \$300 (or 0.025%) more than the BOV Market Value, it may be concluded that the purchase price offered by the Johnson Trust for the Property is fair and reasonable, as more fully described within the BOV attached to the Resolution as Exhibit "C."

The Resolution will approve the Purchase and Sale Agreement and Joint Escrow Instructions ("Purchase and Sale Agreement") between the Successor Housing Agency and the Johnson Trust with respect to the Property (attached to this Resolution as Exhibit "D") and will authorize certain related actions.

The proposed sale of the Property is exempt under the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, § 15000 *et seq.*, hereafter the "Guidelines") and the City's environmental guidelines, as a "common sense exemption," which provides that activities that cannot possibly have a significant effect on the environment are exempt from CEQA, 14 Cal Code Regs. §15061 (b) (3).

FISCAL IMPACT:

The Purchase Price for the Property is determined to be fair and reasonable. The Housing Authority will receive \$12,500 for the sale of the Property. The sale proceeds will be held in the Low-Mod Income Housing Asset Fund to be used for future affordable housing purposes.

EXHIBITS:

- 1) Resolution Approving Purchase and Sale Agreement
- 2) May 30, 2018 Brokers Opinion of Value prepared by NAI Capital
- 3) Purchase and Sale Agreement and Joint Escrow Instructions
- 4) Council Properties Map