

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Luke Watson, Deputy City Manager

DATE: May 23, 2023

SUBJECT: Approve Disposition and Development Agreement Between the City of Temecula, as Housing Successor to the Former Temecula Redevelopment Agency, and Habitat for Humanity Inland Valley, Inc., Located Adjacent to the Current Habitat for Humanity Project on Pujol Street (APNs 922-062-016 and 922-062-010)

PREPARED BY: Haide Urias, Housing and Real Estate Analyst

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE CITY AND HABITAT FOR HUMANITY INLAND VALLEY, INC., AND FINDING THAT THE APPROVAL OF THIS AGREEMENT AND THE PROJECT ARE EXEMPT FROM CALIFORNIA ENVIRONMENTAL QUALITY ACT REVIEW PURSUANT TO SECTIONS 15326 AND 15332 OF THE STATE CEQA GUIDELINES

BACKGROUND: The City of Temecula, as the Housing Successor to the former Redevelopment Agency, is the owner of vacant property located at APNs 922-062-016 and 922-062-010. The property is approximately 0.46 acres in size, located within the Old Town Specific Plan and is zoned Neighborhood Residential (NR). Under the proposed project, the City would be selling the land to the developer, Habitat for Humanity Inland Valley, Inc., a California nonprofit public benefit corporation, for the development of an affordable housing project through a purchase money loan. The property is located adjacent to an existing five-unit affordable single-family development completed by the developer in 2008.

Habitat for Humanity has proposed to develop six residential units of which five homes will be available to very-low-income households, and one home will be available to a low-income household. The homes will remain income restricted for a term of forty-five (45) years. This

development is to provide needed housing in the City and will assist in meeting its Regional Housing Needs Assessment (RHNA) allocations for people of all income levels.

The development of six residential affordable homes on the Property complies with Government Code Section 37364; and because the proposed housing development will meet the requirements of Government Code Section 37364, City Council declared the Property to be exempt surplus land pursuant to Government Code Section 542221(f)(1)(A) on November 15th, 2022, through Resolution No. 2022-86.

Disposition and Development Agreement

The proposed project is located on two parcels, which are currently owned by the City. To facilitate the development of the Project, the Developer and the City propose to enter into a Disposition and Development Agreement (DDA) to establish the terms and conditions surrounding the development of the project.

Affordability

The project consists of six (6) single-family homes, built within two (2) triplex buildings, consisting of two stories. Each unit includes three (3) bedrooms and two and one-half (2.5) bathrooms, averaging 1,255 square feet of gross living space and a two-car garage with two (2) vehicle driveways. Each building is to be on a separate legal subdivided lot. Five (5) homes will be available to very low-income households that earn 50% of the area median income and one home will be available to a low-income household that earns 80% of area median income.

City Financial Contribution

The financing of the Habitat for Humanity development project involves the following:

- County of Riverside Loan of \$1,313,417
- Habitat for Humanity Grants/Donations of \$114,000
- City Purchase Money Loan for the value of the land of \$561,000
- City Construction Loan of \$700,000

The DDA proposes that the City contribute a total of \$1,261,000 toward the project in the form of a secured promissory note.

The portion of the loan consisting of the purchase price for the property described in the DDA of \$561,000 is a purchase money loan, which the City has determined is the fair market value of the land based on a recent appraisal.

The remainder of the loan, totaling \$700,000, is a construction loan and shall be disbursed by the City on a monthly basis for construction costs subject to the terms and condition in the DDA.

In accordance with Section 33433 of the California Community Redevelopment Law, a Summary Report was prepared by Keyser Marston Associates (KMA) to inform the City and the public about the proposed DDA. The Summary Report, which can be found as an attachment to this Agenda Report, describes:

- Costs incurred by the City under the DDA
- Estimated value of interest to be conveyed by the City to the Developer
- Compensation to be paid to the City of Temecula
- Explanation of why the conveyance of the Property assists in the elimination of blight

ENVIRONMENTAL

DETERMINATION: The approval of this Agreement by the City Council constitutes an action by the City to implement an adopted Housing Assistance Plan by acquiring interests in housing units to assure they are affordable to persons of low and moderate income. Therefore, the Project is exempt from the provisions of the California Environmental Quality Act pursuant to Section 15326 of the CEQA Guidelines (Title 14 of the California Code of Regulations). Additionally, the Project is: (1) consistent with the applicable General Plan designation and all applicable General Plan Policies as well as with applicable zoning designation and regulations; (2) the Project occurs within the city limits of the City of Temecula on a project site of less than five acres substantially surrounded by urban uses; (3) the Project site has no value as habitat for endangered, rare, or threatened species; (4) approval of the Project would not result in any significant effects relating to traffic, noise, air quality, or water quality; and (5) the Site can be adequately served by all required utilities and public services. Therefore, the Project is and "in-fill project" and is exempt from the provisions of the California Environmental Quality Act pursuant to Section 15332 of the CEQA Guidelines (Title 14 of the California Code of Regulations). The Director of Community Development of the City is directed and authorized to file a Notice of Exemption of this action and such other documents as required by CEQA and the CEQA Guidelines.

FISCAL IMPACT: As outlined in the body of this report, the City will contribute a total of \$1,261,000 toward the Project. The financial contribution includes:

- City Purchase Money Loan of \$561,000
- City Construction Loan of \$700,000

ATTACHMENTS:

1. Resolution
2. Disposition and Development Agreement
3. Notice of Affordability Restriction on Transfer of Property
4. Summary 33433 Report – April 2023
5. Notice of Public Hearing