

**SUMMARY REPORT REGARDING  
EXCHANGE AND DISPOSITION OF**

10936, 12892, 12942 Acacia Parkway, Garden Grove, California  
APNs: 089-213-02, 089-213-28, 089-213-29, 089-213-31, 089-213-32 AND 089-213-36

under the proposed

**EXCHANGE, DISPOSITION AND COOPERATION AGREEMENT WITH ESCROW  
INSTRUCTIONS FOR EXCHANGE OF REAL PROPERTY**

between

**GARDEN GROVE HOUSING AUTHORITY  
and  
CITY OF GARDEN GROVE**

**As of December 2, 2019**

**BACKGROUND**

*Garden Grove Housing Authority, as housing successor  
to the former Garden Grove Agency for Community Development*

Prior to February 1, 2012, the Garden Grove Agency for Community Development (“Former Agency”) was a community redevelopment agency duly organized and existing under the California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* (“CRL”).<sup>1</sup> Assembly Bill x1 26 (“AB x1 26”), as chaptered and effective on June 27, 2011, caused the dissolution of the Former Agency and all other California redevelopment agencies. The law was ruled constitutional by the California Supreme Court in *California Redevelopment Association v. Matosantos*, S194861 (December 29, 2011), and thereafter were amended by legislation, including Assembly Bill 1484, Senate Bill 341, and Senate Bill 107 (together as amended, the “Dissolution Law”).

Prior to dissolution, the City of Garden Grove (“City”), as the sponsoring jurisdiction, elected to serve at dissolution as the Successor Agency to the Garden Grove Agency for Community Development (“Successor Agency”). On February 1, 2012, the Former Agency was dissolved; and, in June 2012 by AB 1484, the Legislature established successor agencies as public entities separate from their sponsoring cities, so the Successor Agency now is itself a separate public entity under Section 34173(g).

Also, under AB x1 26, the City had to elect whether or not to accept at and upon dissolution the Former Agency’s housing assets and functions and become the “housing successor”, which the City declined; but, concurrently the City selected the Garden Grove Housing Authority (“Housing Authority”) to serve as the housing successor under Section 34176(a)(3) of the Dissolution Law. Further, as a housing authority, the Housing Authority is also governed by the California Housing Authorities Law, Part 2 of Division 24, Section 34200, *et seq.* (“HAL”).

As required by Section 34176(a)(2), in July 2012, the Authority prepared a Housing Asset Transfer schedule (“HAT”) listing all of the Former Agency’s “housing assets” (defined in Section 34176(e))

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<sup>1</sup> All statutory references are to the California Health and Safety Code (“HSC”) unless otherwise stated.

and submitted the HAT to the State Department of Finance (“DOF”); on August 30, 2012, the DOF approved the HAT confirming the housing assets of the Former Agency were vested by operation of law with the Housing Authority. The HA Property discussed below in this report is one of those DOF-approved housing assets.

### **Legal Framework for Disposition of Housing Assets**

Senate Bill 341 governs the disposition of housing assets by the Housing Authority, as housing successor, and provides in Section 34176(d) that the Low and Moderate Income Housing Asset Fund (LMIHAF) and housing assets are subject to the CRL. Sections 33431 (and prior to dissolution Section 33433) authorized the Former Agency to sell or lease its real property acquired with tax increment, subject to certain noticing, public hearing, and reporting requirements. In furtherance and compliance with Senate Bill 341, the Housing Authority has duly noticed a joint public hearing of the City Council and Housing Authority on December 17, 2019 and has prepared this summary report in connection with the exchange and disposition of the subject HA Property since it is a housing asset. Further, Section 34312.3 of the HAL authorizes the Authority, after a noticed public hearing, to sell, lease, or otherwise dispose of its real property without complying with surplus property disposition law so long as the real property is sold or leased at not less than fair value and the proceeds, net costs of sale, are used for affordable housing. In connection with the Exchange as defined and described in that certain *Exchange, Disposition and Cooperation Agreement with Escrow Instructions for Exchange of Real Property (“Exchange Agreement”)* the City agrees to convey certain City Property to the Housing Authority and the Housing Authority agrees to convey the HA Property to City in exchange (“Exchange”) on the terms and conditions set forth therein.

### **HA Property and City Property**

The Housing Authority is the fee owner of certain real property located at 10936, 12892, 12942 Acacia Parkway, Garden Grove, California APNs: 089-213-02, 089-213-28, 089-213-29, 089-213-31, 089-213-32 AND 089-213-36 (together, “HA Property”), which under the Exchange Agreement, if approved by the City Council and Housing Authority, would be exchanged and conveyed by the Housing Authority to the City for public purposes. The HA Property is located at southeast corner of Acacia Avenue and Grove Avenue, extending southerly to Garden Grove Boulevard; has approximately 1.7 acres or about 74,052 square feet of land area; the property has a double corner location on two secondary streets and one primary street; and, is currently improved with a public parking lot. The HA Property has been appraised by an independent professional appraiser, which appraisal dated as of November 18, 2019, which concludes a range of fair market value under two scenarios: (i) land value, “As-If” the site is re-zoned by the City as CC-3: \$5,330,000; and (ii) land value “As-Is” assuming PUD (M) zone with change to CC-3 designation: \$4,800,000.

The City is the owner of certain real property located at 11391 Acacia Parkway, Garden Grove, California (APN 090-154-57 (portion)) (herein, “City Property”), which under the Exchange Agreement, if approved by the City Council and Housing Authority, would be exchanged and conveyed by the City to Housing Authority for affordable housing purposes under HSC Section 34312.3(b). The City Property is located at the northwest corner of Acacia Parkway and Eighth Street in the Civic Center area and the site of the former city hall; is approximately 1.57 acres or about 68,388 square feet of land area; has a corner location on two secondary streets; is generally

rectangular in land configuration; and is currently improved with adjoining buildings, one totaling 8600 sq. ft. and a smaller 4800 sq. ft. building, totaling approximately 13,400 sq. ft. The City Property is subject to an existing lease agreement between the City, as landlord, and North County Senior Services, LLC, as "Tenant" (formerly Acacia Adult Day Services), which lease, as amended, is dated as of November 26, 2019 and became effective on December 1, 2019 ("Acacia Lease"). Tenant is managed by Alzheimer's Orange County, a California nonprofit corporation, which operates Acacia Adult Day Services that provides care services for senior citizens with illnesses or disabilities or who are otherwise in need of limited supervision. The rent due under the Acacia Lease is nominal at \$1.00/year. The City Property has been appraised by an independent professional appraiser, which appraisal is dated as of November 18, 2019 and concludes the fair market value of the Unencumbered Fee Simple Interest is \$4,855,000. Also, the independent appraisal presents an alternate valuation of the City Property, as encumbered by the Acacia Lease, at \$890,000. The appraiser's conclusion of the Unencumbered Fee Simple Interest value of \$4,855,000 assumes for valuation purposes that the Acacia Lease would be terminated at a future date. In this regard, both Landlord and Tenant each have the right to terminate the Acacia Lease under Section 3(b) thereof, by issuance of a 270-day notice of termination by one party to the other, at which time the City Property would revert to the fee owner and would be available for a highest and best use development, including an affordable housing project. Based on the current zoning, the maximum residential density is 42 units/acre, which would allow approximately 66 housing units on the 1.57-acre City Property.

As additional consideration for the Exchange, under the Exchange Agreement, the City will pay to Housing Authority at the Closing an amount equal to the difference between the highest appraised value of the HA Property (\$5,330,000) and the highest appraised value of the City Property (\$4,855,000), which amount is \$475,000.00 plus all Closing costs incurred for the Exchange transaction (together, "City Additional Consideration"). Therefore, here, the Dissolution Law, HAL and CRL permit the Authority, with the consent of the City Council, to exchange and convey the HA Property to the City after a public hearing, and after the Closing the Housing Authority will deposit \$475,000 into the LMIHAF to be later expended in compliance with the Dissolution Law, the HAL, and other applicable laws. The eligible expenditures thereunder include development of affordable housing and other eligible activities; and, specifically as to development, that term is defined under Section 34176.1(a)(3)(D) to allow: (i) new construction, (ii) acquisition and rehabilitation, (iii) substantial rehabilitation, (iv) acquisition of long-term affordability covenants on multifamily units, and (v) preservation of existing subsidized housing that is at-risk of converting to market rate housing.

## **SUMMARY OF THE EXCHANGE AGREEMENT**

City and Housing Authority staff and legal counsel have prepared the Exchange Agreement for exchange and disposition of the HA Property and City Property. As required by Section 34312.3 of the HAL, the Authority will use the net proceeds of the exchange (\$475,000) and the City Property acquired at the Closing for eligible affordable housing activities under the HAL and the Dissolution Law, including development of affordable housing in the community.

On December 17, 2019, City and Housing Authority staff will present this Report and the Exchange Agreement to the City Council and Housing Authority; a joint public hearing will be conducted, public

testimony will be received and considered and the City Council and Authority will consider and take action to approve, or not, the sale of the Exchange Agreement.

*Parties to the Exchange Agreement*

The parties to the Exchange Agreement are the Garden Grove Housing Authority and the City of Garden Grove.

*Property and Interest to be Conveyed*

As noted above, the HA Property is located at southeast corner of Acacia Avenue and Grove Avenue, extending southerly to Garden Grove Boulevard; has approximately 1.7 acres or about 74,052 square feet of land area; the property has a double corner location on two secondary streets and one primary street; and, is currently improved with a public parking lot.

*Cost of the Exchange Agreement and the HA Property to the Former Agency*

The Former Agency acquired the Property at a cost of \$2,300,000 by agreement dated as of March 8, 2011. A summary of financial information about the Property, including the costs incurred by the Former Agency prior to dissolution and then the Housing Authority since dissolution, are set forth in the following table:

Purchase Price of HA Property as of March 2011	\$2,300,000
Estimated maintenance costs related to the HA Property between March 2011 to December 2019	\$22,503.69
Estimated costs for advisory assistance, such as legal and professional services, for HA Property between March 2011 to December 2019	\$0
Total estimated accrued cost of HA Property ownership between March 2011 to December 2019	\$22,504
Valuation of HA Property for Exchange under Exchange Agreement The HA Property has been appraised by an independent professional appraiser, which appraisal dated as of November 18, 2019, which concludes a range of fair market value under two scenarios: (i) land value, "As-If" the site is re-zoned by the City as CC-3: \$5,330,000; and (ii) land value "As-Is" assuming PUD (M) zone with change to CC-3 designation: \$4,800,000.	\$5,330,000 (higher value used under Exchange Agreement)
Valuation of City Property for Exchange under Exchange Agreement The City Property has been appraised by an independent professional appraiser, which appraisal is dated as of November 18, 2019 and concludes the fair market value of the Unencumbered Fee Simple Interest is \$4,855,000; and, the	\$4,855,000 (higher value used under Exchange Agreement)

appraisal presents an alternate valuation of the City Property, as encumbered by the Acacia Lease, at \$890,000.	
Net Asset Value plus Cash/Revenue to Housing Authority per City Additional Consideration paid by City under Exchange Agreement	\$5,330,000 \$475,000 + \$4,855,000 (and City paying costs of Closing under Exchange Agreement)

*Estimated Revenue to the Housing Authority*

See above table.

*Net Asset Value and Cash/Revenue to the Housing Authority as Housing Successor*

See above table.

*Estimated Value of the Interest to be Conveyed*

See above table.

*Consideration Received and Reasons Therefor*

Under the terms of the Exchange Agreement, the consideration of \$5,330,000 to the Authority is equal to, not less than, the fair market value of the HA Property at its highest and best use, as determined by an independent appraiser.

*City Property Acquired by Housing Authority*

The proposed Exchange and subsequent reuse the City Property as described in the Exchange Agreement further the goals and objectives of the Housing Authority, the City's Housing Element of the General Plan, all in compliance with affordable housing and other eligible activities under the HAL and Dissolution Law.