

**SUMMARY REPORT RELATED TO DISPOSITION OF CERTAIN PROPERTY  
BY GARDEN GROVE HOUSING AUTHORITY TO CITY OF GARDEN GROVE  
12291 Thackery Drive, Garden Grove, California 92840, APN 231-471-22  
HSC 33433 and 34312.3(b)**

This Summary Report is prepared and presented pursuant to California Health and Safety Code<sup>1</sup> Sections 33433 and 34312.3(b). The Garden Grove Housing Authority (“Housing Authority”) desires to sell the subject Property (described and defined below) to the City of Garden Grove (“City”) for economic development public purposes. Also to be presented to the City Council for consideration and action are several other action items that relate and affect the Property and certain adjacent parcels of real property and those action items include a more detailed description of the economic development objectives for the Property and the Site described and defined below.

***Description of Subject Property***

The real property that is the subject of this Summary Report has a common address of 12291 Thackery Drive, Garden Grove, California 92840, Assessor Parcel No. 231-471-22 and is located on the west side of Thackery Drive, beginning 150± feet north of Twintree Avenue (“Property”). The size of the parcel is approximately 7,200 square feet, is situated at interior location on a secondary street, and is vacant and unimproved. The Property is located in the R-1-7 (Single-Family Residential) zone district; however, the underlying land use designation in the City’s General Plan is International West Mixed Use (IW). The Property is owned in fee by the Garden Grove Housing Authority (“Housing Authority”).

***Background of Housing Authority***

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 (“CRL”), Health and Safety Code Section<sup>2</sup> 33000, *et seq.* Assembly Bill x1 26, as chaptered and effective on June 27, 2011, caused the dissolution of the Former Agency and all other California redevelopment agencies. The dissolution laws are codified in the HSC Division 24, Part 1.8 Section 34160, *et seq.* and Part 1.85 Section 34170, *et seq.* (together, “Dissolution Law”). Before dissolution of all California redevelopment agencies, the City, as the sponsoring jurisdiction, elected to serve at dissolution as the successor agency to the Former Agency. On February 1, 2012, the Former Agency was dissolved; and, in June 2012 by Assembly Bill 1484, the Legislature established successor agencies as public entities separate from their sponsoring city (or county), so the

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<sup>1</sup> Statutory references in this Summary Report are to the California Health and Safety Code (“HSC”) unless otherwise stated.

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Successor Agency to the Garden Grove Agency for Community Development (“Successor Agency”) itself is a separate public entity pursuant to Section 34173(g) of the Dissolution Law.

In January 2012 and pursuant to the Dissolution Law, the City had to elect whether or not, upon dissolution, to accept the Former Agency’s housing assets and functions and become the “housing successor”, which the City declined; but, concurrently the City selected the Housing Authority to serve as the “housing successor” under Section 34176(a)(3) of the Dissolution Law. The Housing Authority was an existing public entity that was originally and duly formed as a housing authority and operates as a housing authority pursuant to the California Housing Authorities Law, Part 2 of Division 24, Section 34200, *et seq.* (“HAL”).

As required by HSC Section 34176(a)(2), in July 2012, the Housing Authority prepared that certain Housing Asset Transfer schedule (“HAT”) listing all of the Former Agency’s “housing assets” (as defined in Section 34176(e)) and submitted the HAT to the State Department of Finance (“DOF”). The DOF approved the HAT confirming the housing assets of the Former Agency were vested by operation of law with the Authority. The subject Property discussed in this Summary Report is one of those DOF-approved housing assets.

### ***Surplus Land Act; SLA Exemption***

The California Surplus Land Act is set forth in Government Code Section 54220, *et seq.* and the Surplus Land Act Guidelines issued by State of California, Department of Housing and Community Development (“HCD”) implement such statutes (together, “SLA”). Under the SLA, an exclusive negotiating agreement (or ENA) is defined as a legally binding agreement that binds a prospective buyer and seller under which the seller cannot make any similar deals with other potential buyers for a specified period.<sup>3</sup> The City and New Age Garden Grove, LLC, a California limited liability company (“Developer”) are parties to that certain *Second Amended and Restated Exclusive Negotiation Agreement* dated as of April 24, 2018, which agreement was amended by certain amendments that extended the term of such agreement; the term of the ENA, as amended, expires on December 31, 2022 (together, as amended “ENA”). Pursuant to the ENA, representatives of the parties have been negotiating the terms and conditions of a certain proposed *Disposition and Development Agreement* (“DDA”) for an economic development hotel project, which DDA will be presented to the City Council at a duly noticed public hearing for consideration and discretionary action of even date with the public hearing that is the subject of this Summary Report or at a date after such public hearing. The subject of the DDA affects certain parcels of real property that are described and defined collectively in the DDA as the “Site”. One parcel that is a part of the Site is the subject Property discussed in this Summary Report. Pursuant to Government Code Section 54234 and HCD Guidelines Section 103, Exemptions, the parcels that comprise the Site are not subject to the SLA as amended and in effect presently.

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<sup>3</sup> Surplus land that meets one or more of the following conditions is exempt from Articles II and III of these [SLA] Guidelines:

(1) An ENA or legally binding agreement to dispose of property that meets the requirements of Government Code Section 54234 is not subject to the requirements of AB 1486 ...

(A) Surplus land subject to an ENA or legally binding agreement to dispose of property is not subject to Articles II and III of these Guidelines so long as the local agency entered into the ENA or legally binding agreement on or before September 30, 2019, and the disposition of the property is completed by December 31, 2022.

### ***Legal Framework for Disposition of Subject Property***

Senate Bill 341 governs the disposition of housing assets by the Housing Authority, as housing successor, and provides in HSC Section 34176(d) that the Low and Moderate Income Housing Asset Fund (“LMIHAF”) and housing assets are subject to certain provisions of the CRL. HSC Sections 33431 and 33433 of the CRL authorized the Former Agency to sell or lease its real property acquired with tax increment, subject to certain reporting, noticing and public hearing requirements; therefore, Senate Bill 341 requires the Housing Authority to comply with these provisions before disposition of the subject Property since it is now a housing asset of the LMIHAF. Further, Section 34312.3(b) of the HAL authorizes the Housing 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 market value and the proceeds, net costs of sale, are used for affordable housing.<sup>4</sup> Therefore, here, the Dissolution Law, HAL and CRL permit the Housing Authority, with the consent of the City Council, to sell the subject Property after a public hearing provided the net sale proceeds are deposited into the LMIHAF and later expended for development of affordable housing and other eligible activities. Under HSC Section 34176.1(a)(3)(D), the term “development” allows (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.

### ***Background and Costs Related to the Property***

The Property was acquired by the Former Agency with property tax increment sourced from the former low to moderate income housing fund; thus, the proposed sale of the Site by the Housing Authority to the City may be subject to the HSC Section 33433 reporting requirements. Section 33433 provides that a redevelopment agency conveying property prepare a report to provide information about the provisions of the proposed disposition and development and to outline the reasons therefor as to the subject Property. Where HSC Section 33433 applies, the approval of the City Council is required for the sale of property by the Housing Authority as housing successor. It is not clearly established as a matter of law whether HSC Section 33433 applies to conveyances of property by a housing authority where the subject property was originally acquired by a former redevelopment agency. Nonetheless, in an abundance of caution, and to provide information to the public and overall transparency, staff has prepared and presents this Summary Report.

### ***Summary Report Topics***

This Summary Report describes and specifies all of the following required under HSC Sections 33433 and 34312.3(b).

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<sup>4</sup> HSC 34312.3(b), second paragraph, states: “So long as the proceeds of any sale, lease, or other disposition of real property, net of the cost of sale, are to be used directly to assist a housing project pursuant to this section for persons of low income, and the funds in any trust fund established pursuant to subdivision (f) are used directly to assist housing units for persons of very low income, an authority may, after a public hearing, sell, lease, or otherwise dispose of the real property without complying with any provision of law concerning disposition of surplus property, including, but not limited to, Sections 34315.5 and 34315.7.”

1. The cost of the agreement to the Former Agency and thereafter the Housing Authority, including the land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the Authority, plus the expected interest on any loans or bonds to finance the agreements.
2. The estimated value of the interest to be conveyed to be determined at the highest and best uses permitted. The purchase price for the Property to be paid by the City to the Housing Authority at not less than appraised value pursuant to HSC 34312.3(b).
3. The estimated value of the interest to be conveyed to be determined at the use and with the conditions, covenants, and development costs required by the sale. 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 redevelopment plan, then the Authority shall provide as part of the summary as explanation of the reasons for the difference; provided however, that is not applicable here because the purchase price that the City will pay to the Housing Authority is the appraised value of the Property.
4. An explanation of why the sale of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

It is the intent of this Summary Report to meet all these requirements and provide the necessary information and data. This balance of this Summary Report is organized into the following topics:

**I. DISPOSITION OF PROPERTY; SALE BY HOUSING AUTHORITY TO CITY, THEN DISPOSITION OF PROPERTY THAT IS PART OF THE LARGER SITE BY THE CITY TO THE DEVELOPER UNDER THE DDA.** The proposed sale of the Property is by the Housing Authority to the City at a purchase price that is equal to the appraised value. The public purpose for this sale is for economic development reuse by the City pursuant to the DDA, if approved by separate discretionary consideration and action of the City Council. The City will pay the Housing Authority the purchase price of \$460,000 for the Property as a condition precedent to sale and recordation of the grant deed in the Official Records. Under the DDA, the City will sell the larger, full Site, which includes the subject Property, to the Developer for construction and operation of a new first-class hotel development with ancillary uses. The sale of the Site under the DDA is subject to a series of conditions precedent as set forth in the DDA.

**II. COSTS INCURRED RELATED TO THE PROPERTY BY FORMER AGENCY PRE-DISSOLUTION, AND BY HOUSING AUTHORITY POST-DISSOLUTION.** The Former Agency expended and incurred \$588,954 in costs related to acquisition and ownership of the Property. The Housing Authority, as housing successor, has incurred no costs (\$0) related to the Property. A breakdown summary of the Former Agency’s costs is presented in the below table:

Original Purchase Price of Property	\$521,200
Maintenance costs related to the Property for period of ownership	\$5558
Demolition and/or other site preparation costs	\$57,196
Professional services pre-and post-dissolution efforts to develop housing	\$5,000
Total accrued cost of Property ownership	<u>\$588,954</u>
Appraised value of Property as of July 2022	\$460,000
Purchase Price for Sale between Housing Authority and City	\$460,000
Net Revenue to Authority	\$460,000 (less costs of escrow/sale)

**III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE PROPERTY’S ZONING.** After considering the various factors which influence value, the fee simple market value of the Property, as set forth in an appraisal report dated as of July 14, 2022, is estimated as: Four Hundred Sixty Thousand Dollars (\$460,000) based on an independent appraisal prepared by LP Lauraine and Associates.

**IV. ESTIMATED APPRAISED VALUE OF THE INTEREST TO BE CONVEYED; REUSE VALUE, IF EVALUATED.** The appraised valuation of the Property is Four Hundred Sixty Thousand Dollars (\$460,000); in any event in connection with the DDA, the reuse value has been determined and that valuation is zero (\$0), which is based on an analysis prepared by the City’s economic consultant, HTL Hospitality Advisors. Nonetheless, pursuant to the HAL, the City will pay the appraised value of \$460,000 to the Housing Authority as the purchase price, and the Housing Authority will deposit the proceeds net costs of sale into the LMIHAF for future development of affordable housing.

**V. CONSIDERATION RECEIVED AND COMPARISON WITH ESTABLISHED VALUE.** The consideration to be received by the Housing Authority is \$460,000 less costs of sale, which complies with the HAL.

**VI. BLIGHT ELIMINATION.** The hotel development proposed under the DDA, if approved, will result in a master planned development. As a result of the City and Developer's investment in the community, the existing blighted conditions, and this unimproved and underutilized parcel will become part of the larger Site and overall new development. The implementation of the DDA, will eliminate blight and blighting conditions, and provide economic incentives to facilitate the development, construction and operation of the new hotel project. This will result in City achieving certain goals stated in the 2021 Office of Economic Development Strategic Plan, including:

1. Provide desirable and attractive experiences for both local residents and tourists;
2. Increase employment through additional jobs in the City as a result of private sector investment;
3. Indirectly encourage other property owners to upgrade and enhance properties;
4. Maintain and enhance a consistent business friendly environment;
5. Generate net increased transient occupancy tax (TOT) revenue to the City, which will assist in the revitalization of neighborhoods and support the public services provided by the City to its residents, visitors, and businesses; and
6. Increase the economic competitiveness of the City.