### **CITY OF GARDEN GROVE**

#### INTER-DEPARTMENT MEMORANDUM

# Garden Grove Agency for Community Development

To:

Matthew Fertal

From:

Chet Yoshizaki

Dept:

Director

Dept:

Economic Development

Subject:

AFFORDABLE HOUSING

Date:

February 9, 2010

AGREEMENTS WITH TAMERLANE ASSOCIATES, LLC FOR UNITS LOCATED AT 12162 AND 12172

TAMERLANE DRIVE

# **OBJECTIVE**

To have the Garden Grove Agency for Community Development (Agency) consider the adoption of two (2) Resolutions (Attachments 1 and 2) approving an Affordable Housing Agreement (AHA) with Tamerlane Associates, LLC (Developer) for the purchase and rehabilitation of a multifamily housing complex consisting of four (4) units located at 12162 Tamerlane Drive (Attachment 3) and an AHA for a multi-family housing complex consisting of six (6) units at 12172 Tamerlane Drive (Attachment 4).

## BACKGROUND/DISCUSSION

The Developer is currently in the process of acquiring two (2) multi-family, rental housing complexes located on Tamerlane Drive. Upon acquisition of the properties, the Developer intends to make improvements to the interior and exterior of the site in the amount of \$15,193 per unit at 12162 Tamerlane and \$14,604 per unit at 12172 Tamerlane ("Improvements").

Agency staff prepared two (2) Agreements for the Agency's consideration in providing financial assistance to the Developer to acquire the properties, complete the proposed Improvements and restrict the rents to affordable households (earning 60% of the area median income) for a fifty-five (55) year period. This purchase of the long-term affordability covenants would allow the Agency to apply the units towards the Agency's inclusionary and replacement housing requirements under California Redevelopment Law.

The Agency assistance shall be in the form of a loan in the amount of \$592,076 with a Developer fee of \$32,000 for 12162 Tamerlane Drive and a loan of \$980,649 and a Developer Fee of \$50,000 for 12172 Tamerlane Drive (with the potential to earn additional compensation for the long term hold of

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either property). Under both Agreements, the Agency loans shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the Agency loans shall be made on an annual basis from seventy-five percent (75%) of the residual cash flow ("Net Profits") from the operation of the properties until the entire principal amount of the Promissory Note is repaid in full.

# FINANCIAL IMPACT

Pursuant to the AHAs, Agency assistance is in the amount of \$592,076 (plus a developer fee of \$32,000) for a total of \$624,076 for the property located 12162 Tamerlane Drive and \$980,646 (plus a developer fee of \$50,000) for a total of \$1,030,649 for the property 12172 Tamerlane Drive to be financed located at Redevelopment/Housing Set Aside Fund.

# **RECOMMENDATION**

 Adopt the attached Resolutions approving the Affordable Housing Agreements and authorizing the Agency Director to execute the Agreements on behalf of the Agency.

Recommended for Approval

Director

CHET YOSHIZAKI

Economic/Development Director

Bv:

Grea Brown Redevelopment Manager

Attachment 1: Resolution 12162 Tamerlane Drive

Attachment 2: Resolution 12172 Tamerlane Drive

Attachment 3: Affordable Housing Agreement 12162 Tamerlane Drive Attachment 4: Affordable Housing Agreement 12172 Tamerlane Drive

Attachment 5: Map

mm(h:Staff/GAB/Tamerlane Properties sr 020910v1.doc)

To view the attachment(s)
visit the City Clerk's Office at
11222 Acacia Parkway,
Garden Grove.