

**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:	REPLACEMENT HOUSING PLAN FOR THE TRAVEL COUNTRY RV PARK AND TWO LEDA LANE PROPERTIES	Date:	March 9, 2010

OBJECTIVE

To consider the adoption of a Resolution (Attachment 1) approving and adopting the Replacement Housing Plan for the Travel Country RV Park and Two Leda Lane Properties (Attachment 2) for sites located at 12721 Harbor Boulevard and 12601 and 12602 Leda Lane as depicted in Attachment 3.

BACKGROUND/DISCUSSION

Pursuant to California Community Redevelopment Law (CRL) Section 33413(a) and 33413.5, a redevelopment agency is required to replace low- or moderate-income housing units destroyed or removed as a result of the agency's actions within four (4) years. The attached Replacement Housing Plan was prepared for the purpose of identifying affordable housing units that could potentially fulfill the Agency's replacement obligations, if any, arising from the proposed mixed-use project by Garden Grove, MXD, LLC (MXD Project).

The plan assumes, without waving any arguments by the Agency to the contrary, that the removal of recreational vehicles at the Travel Country RV Park (Park) would trigger the aforementioned CRL obligations. Agency staff and consultants met or spoke with representatives of most of the impacted households prior to preparing the Replacement Housing Plan. As set forth in detail in the Replacement Housing Plan, Agency representatives conducted personal on-site interviews and surveys of nearly all of the occupant households at the Park to determine their income level.

Additionally, Agency staff spoke with the tenant of one of the Leda Lane properties prior to the preparation of the Replacement Housing Plan and, after preparation of the Replacement Housing Plan, spoke with the tenant of the second Leda Lane Property (which conversation confirmed the assumption set forth in the Replacement Housing Plan that such household is low-income).

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The proposed MXD Project calls for the development of a 600-room hotel, with a water park, entertainment or other resort uses, along with meeting space, 18,000 square feet of retail space and structured parking on an 11.7-acre site that includes the Park, two (2) residences on Leda Lane and surrounding commercial properties. If the proposed MXD Project proceeds, construction of the new development will result in the removal of forty-two (42) recreational vehicles, one (1) apartment and two (2) single family homes, for a total of forty-five (45) "Units."

It is the Agency's position that neither the parking spaces nor the recreational vehicles at the Park qualify as "housing units" as the term is used in CRL 33413(a) and 33413.5; however the proposed Replacement Housing Plan nonetheless plans for their replacement and refers to them as "Units. "Forty-four (44) of these Units are occupied by low- or moderate-income households and, therefore, must be replaced within four (4) years of their removal.

The Agency plans to meet its replacement housing obligations, if any, through the proposed Grove Park Housing Project located on Morningside Avenue and Keel Avenue in Garden Grove (Grove Park Project). Pursuant to an Affordable Housing Agreement (AHA) with JHC Acquisitions, LLC entered into with the City of Garden Grove in July 2009, JHC is to acquire and rehabilitate 104 units with a total of 149 bedrooms with long-term affordability restrictions of fifty-five (55) years.

Under the CRL, an agency may meet its replacement obligation on a unit-by-unit basis or on a bedroom-by-bedroom basis. As set forth in the Replacement Housing Plan, the MXD Project would require the Agency to replace 44 Units (48 bedrooms) while the Grove Park Project will result in the rehabilitation of 104 units (149 bedrooms). The units/bedrooms must be replaced at the same income level as the units removed as a result of the Agency's project. The following table summarizes how, if the MXD Project proceeds, the Agency's obligations would be met and exceeded by the Grove Park Project:

	Very Low Income Bedrooms	Low Income Bedrooms
Replacement Units Provided by Grove Park Project	134	15
Replacement Obligation from Travel Country RV Park and Leda Lane Properties	(33)	(15)
Surplus/(Deficit)	101	0

The surplus bedrooms/units will be applied to other inclusionary and replacement obligations of the Agency.

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## FINANCIAL IMPACT


The adoption of the Replacement Housing Plan has no financial impact upon the Agency. The AHA provides for the funding of the Grove Park Project with \$3.8 million in HOME Program funds and nine percent (9%) federal tax credits.

## RECOMMENDATION

Staff recommends that the Agency:

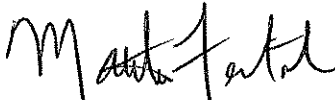
- adopt the attached Resolution approving and adopting the attached Replacement Housing Plan for the Travel Country RV Park and Two Leda Lane Properties.

  
CHET YOSHIZAKI  
Economic Development Director

  
By: Kathleen McCall Angel  
Economic Development Specialist

Attachment 1: Resolution  
Attachment 2: Replacement Housing Plan  
Attachment 3: Map

Recommended for Approval

  
Matthew Fertal  
Director

mm(h:Staff/KA/TCRV Replacement Plan sr 030910.doc)

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

RESOLUTION NO.

A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT  
APPROVING AND ADOPTING A REPLACEMENT HOUSING PLAN FOR THE TRAVEL  
COUNTRY RV PARK AND TWO LEDA LANE PROPERTIES

WHEREAS, the Garden Grove Agency for Community Development (Agency) is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Garden Grove Community Project (Redevelopment Plan within the boundaries of the Garden Grove Community Project (Project Area));

WHEREAS, the Agency has been formed and is exercising powers pursuant to the Community Redevelopment Law, California Health and Safety Code Section 33000, et seq. (CRL);

WHEREAS, Section 33413, et. seq. of the CRL requires a redevelopment agency to adopt by Resolution a Replacement Housing Plan in connection with the Agency approval of an agreement for acquisition of real property, for the disposition and development of property, or an owner participation agreement, when such agreements would lead to the destruction or removal of dwelling units from the low and moderate income housing market;

WHEREAS, the Agency, on April 13, 2010, anticipates considering a Disposition and Development Agreement (DDA) with Garden Grove MXD, L.L.C, a California Limited Liability Corporation (Developer) which, if implemented, provides for the Developer to develop a water park resort hotel on certain properties, including the Travel Country RV Park, two residential properties located at 12601 and 12602 Leda Lane and surrounding commercial properties (collectively, the Properties). The DDA calls for the Agency to convey the Properties to the Developer for the construction of a 600 room hotel, water park, 18,000 square feet of retail space including one or more restaurants, and structured parking on an approximately 11.7 acre site located, in part, in the Redevelopment Project Area (the Leda Lane Properties are located outside of the Project Area);

WHEREAS, the Agency has prepared a Replacement Housing Plan for the Travel Country RV Park and Two Leda Lane Properties (Replacement Housing Plan) pursuant to the requirements of 33413.5 of the CRL, which Replacement Housing Plan is on file with the Secretary of the Agency and incorporated by reference herein;

WHEREAS, the Replacement Housing Plan has been available for public review for a reasonable period of time prior to a timely and properly noticed public meeting at which time the Agency considered the Replacement Housing Plan;

WHEREAS, the Agency has reviewed the Replacement Housing Plan and considered all written comments and public testimony thereon, and finds that the

Replacement Housing Plan is in accordance with the requirements of the CRL and is in the best interests of the City of Garden Grove and the health, safety, and welfare of the citizens of Garden Grove; and

WHEREAS, the Replacement Housing Plan identifies the Grove Park Housing Project located on Morningside Avenue and Keel Avenue in Garden Grove as the means by which the Agency will meet any replacement housing obligations arising from the implementation of the project identified in the DDA.

NOW THEREFORE, the Garden Grove Agency for Community Development does resolve as follows:

Section 1. The Agency hereby approves and adopts the Replacement Housing Plan for the Travel Country RV Park and Two Leda Lane Properties.

Section 2. The Director of the Agency, or his designee, is authorized to implement the Replacement Housing Plan and to execute any documents and take any other actions necessary or convenient for the proper accomplishment of its purposes.

Section 3. The Grove Park Project with which the Agency proposes to meet its replacement housing obligations, if any, for the Project does not require voter approval pursuant to Article XXXIV of the California Constitution.

Section 4. This Resolution shall take effect immediately upon adoption.

**REPLACEMENT HOUSING PLAN**

Replacement Housing Plan  
For the Travel Country RV Park and  
Two Leda Lane Properties

February 2010

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## I. INTRODUCTION

The Garden Grove Agency for Community Development (Agency) is subject to the replacement housing requirements imposed by California Health and Safety Code (H&SC) Section 33413(a) and 33413.5. Specifically, any time units housing low or moderate income households are destroyed or removed as a result of Agency actions, the Agency must replace the lost units within four years. This obligation is incurred whether or not income and affordability covenants have been imposed on the unit, and whether or not the unit was affordable to the home's occupants. The replacement units provided by the Agency must be subject to long-term income and affordability covenants.

The Agency has undertaken preparation of a Replacement Housing Plan (Plan). The purpose of the following analysis is to identify units that could potentially fulfill the Agency's obligation, if any, to replace the "Units"<sup>1</sup> that are proposed to be removed in the event certain conditions precedent are met and the Agency proceeds with the proposed mixed-use project by Garden Grove MXD, LLC (Developer). The Developer proposes to construct a mixed-use development on a 11.7-acre site in Garden Grove. If it proceeds, construction of the proposed project will cause the removal of the recreational vehicles at the existing Travel Country RV Park (RV Park) located at 12721 Harbor Boulevard and two residential properties located at 12601 and 12602 Leda Lane (Site) in the City of Garden Grove.

This Plan is organized as follows:

- *Section II* presents replacement housing requirements.
- *Section III* reviews replacement housing obligations of the Agency.
- *Section IV* identifies the units to be allocated as replacement units.
- *Section V* outlines limiting conditions pertaining to this Plan.

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<sup>1</sup> It is the Agency's position that neither the parking spaces nor the recreational vehicles at the RV Park qualify as "housing units" as that term is used in Health and Safety Code section 33413(a) and/or 33413.5. This Plan assumes, without waiving any arguments by the Agency to the contrary, that the removal of recreational vehicles at the RV Park triggers the obligations set forth in Health and Safety Code section 33413(a) and 33413.5; in this Plan, they are referred to as "Units."



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## II. REPLACEMENT HOUSING REQUIREMENTS

Health and Safety Code Sections 33413(a) and 33413.5 impose the following requirements on the Agency:

### 1. Replacement Housing Plan Requirements:

- a. The Agency must adopt a replacement housing plan at least 30 days prior to executing an agreement that would lead to the destruction or removal of housing units occupied by low or moderate income households.
- b. The plan must include:
  - (1) the general location of housing to be rehabilitated, developed, or constructed pursuant to Section 33413,
  - (2) an adequate means of financing such rehabilitation, development, or construction,
  - (3) a finding that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution, or that such approval has been obtained,
  - (4) the number of dwelling units housing persons and families of low or moderate income planned for construction or rehabilitation, and
  - (5) the timetable for meeting the plan's relocation, rehabilitation, and replacement housing objectives.

### 2. Replacement Housing Units' Characteristics:

- a. Replacement housing units can be new construction units or the substantial rehabilitation of existing units.
- b. Replacement housing units must include at least the same number of bedrooms as the units that were removed from the inventory. The obligation can be fulfilled with fewer units than were removed as long as an equal or greater number of bedrooms are provided in the replacement units.

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3. Income and Affordability Definitions:

- a. 100% of the replacement housing units must be affordable to the same or lower income level as the displaced household.
- b. The income qualification standards are defined as follows:
  - i. Very Low Income – H&SC Section 50105
  - ii. Low Income – H&SC Section 50079.5
  - iii. Moderate Income – H&SC Section 50093
- c. The affordable housing cost definitions are:
  - i. Ownership units – H&SC Section 50052.5
  - ii. Rental units – H&SC Section 50053

4. Income and Affordability Covenants

- a. The income and affordability restrictions must be imposed in the form of recorded covenants.
- b. The covenants must remain in place for at least 45 years for ownership units and 55 years for rental units.

5. Other Requirements

- a. Replacement housing units do not have to match the tenure of the units removed from inventory. For example, ownership units can replace rental units, and family units can replace age-restricted units.
- b. Replacement housing units can be developed within the territorial jurisdiction of the Agency.

### III. REPLACEMENT HOUSING OBLIGATIONS

The Agency is proposing to remove 45 Units.<sup>2</sup> The impacts created by the proposed removal are described below.

#### ***A. Travel Country RV Park***

The Travel Country RV Park (RV Park) is located at 12721 Harbor Boulevard in the City of Garden Grove. As background, the Agency purchased the RV Park in 2005 for redevelopment purposes. Since then, the RV Park has been operated by the Agency through private management companies. In February 2009, a Relocation Plan for the RV Park was completed by Overland, Pacific & Cutler, Inc. (Overland). The Relocation Plan was prepared based on personal on-site interviews and surveys of the occupant households conducted by Overland. There are currently 42 occupant households renting parking spaces for their RVs and one 2-bedroom apartment at the RV Park, for a total of 43 Units. One Unit at the RV Park is above the moderate-income threshold. Per Health & Safety Code 33413(a), Units that are above moderate-income do not trigger a replacement obligation.

#### ***B. Leda Lane Properties***

The Agency purchased residential properties located at 12601 Leda Lane in August 2009 and 12602 Leda Lane in September 2009. Staff contacted the tenants to obtain household income levels, but was able to reach only one of the tenants. This Plan assumes that the household that could not be reached would be a low income household. The number of bedrooms was based upon data in the City's files.

Table 1 presents the income levels of the remaining 44 households by bedroom type. These income levels are summarized as follows:

TRAVEL COUNTRY RV PARK AND LEDA LANE PROPERTIES – EXISTING UNITS					
Type of Unit	Units	Bedrooms	Income Level (by bedrooms)		
			Very Low Income	Low Income	Moderate Income
Studio	38	38	31	7	0
One Bedroom	3	3	2	1	0
Two Bedroom	2	4	0	2	2
Three Bedroom	1	3	0	3	0
Total	44	48	33	13	2

<sup>2</sup> See footnote 1.

The Developer is proposing to build a 600-room hotel, with a water park, entertainment or other resort theme uses, along with meeting space, 18,000 square feet (SF) of retail space including one or more restaurant, and structured parking (Project). The Project will be constructed on a 11.7-acre site that includes the RV Park and the Leda Lane properties as well as surrounding commercial properties (Site).

This Plan has been prepared in anticipation of construction of the proposed Project. Construction of the Project will require the demolition of 49 bedrooms of which 33 are very low-income, 13 are low-income, 2 are moderate-income, and 1 is above moderate-income. As discussed above, the Unit above moderate-income does not trigger a replacement obligation. Therefore, replacement bedrooms must be allocated as shown below:

REPLACEMENT OBLIGATION			
Type of Unit	Very Low Income	Low Income	Moderate Income
Studio	31 bedrooms	7 bedrooms	0 bedrooms
One Bedroom	2 bedrooms	1 bedrooms	0 bedrooms
Two Bedroom	0 bedrooms	2 bedrooms	2 bedrooms
Three Bedroom	0 bedrooms	3 bedrooms	0 bedrooms
Total	33 bedrooms	13 bedrooms	2 bedrooms

#### IV. REPLACEMENT HOUSING UNITS

The Agency plans to meet 100% of its replacement obligation (48 bedrooms) through the proposed acquisition and rehabilitation of Grove Park Housing Project (Grove Park) located on Morningside Avenue and Keel Avenue in Garden Grove. Grove Park consists of 104 units in 13 two-story apartment buildings, each of which contains eight (8) housing units. JHC-Acquisitions, LLC entered into an Affordable Housing Agreement with the City of Garden Grove in July 2009 to acquire, rehabilitate, and subsequently manage Grove Park as long-term affordable rental housing. Table 2 presents the proposed unit and affordability mix of Grove Park. The unit and affordability mix are summarized below:

GROVE PARK HOUSING PROJECT – PLANNED UNITS					
Type of Unit	Units	Bedrooms	Income Level (by bedrooms)		
			Very Low Income	Low Income	Moderate Income
One Bedroom	72	72	67	5	0
Two Bedroom	16	32	28	4	0
Three Bedroom (1)	15	45	39	6	0
Total	103	149	134	15	0

(1) There will be one (1) 3-bedroom manager unit that is not subject to affordability restrictions and, therefore, has not been included in the analysis.

As shown above, Grove Park will consist of 149 affordable bedrooms, of which 134 will be very low-income, 15 will be low-income, and 0 will be moderate-income. The replacement obligation triggered by the demolition of the RV Park and Leda Lane properties can be fulfilled by allocating the bedrooms at Grove Park to the replacement obligation. If all of the bedrooms at Grove Park are earmarked as replacement units, the Agency will have a surplus of replacement bedrooms that can be used in the future. The Grove Park Agreement was executed in July, 2009 and requires rehabilitation to be completed July 2, 2011. The Grove Park Project is funded with \$3.8 Million in HOME Program funds and 9% federal tax credit funds. Table 3 illustrates the Agency's surplus of replacement bedrooms and is summarized below:

		Very Low Income	Low Income
I.	Replacement Units Through Grove Park	134 bedrooms	15 bedrooms
II.	Replacement Obligation from Travel Country RV Park/Leda Lane Properties	(33 bedrooms)	(15 bedrooms) (1)
III.	Surplus/(Deficit)	101 bedrooms	0 bedrooms

(1) Includes replacement obligation of one (1) moderate income two-bedroom unit.

The Grove Park Project does not require the approval of the voters pursuant to Article XXXIV of the California Constitution.

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## **V. LIMITING CONDITIONS**

1. There are no known soil or subsoil problems, including toxic or hazardous conditions on the properties that need to be remediated in order to develop the properties.
2. The ultimate development will not vary significantly from that assumed in this analysis.
3. The title of the properties is good and marketable; no title search has been made, nor have we attempted to determine the ownership of the properties. The value estimates are given without regard to any questions of title, boundaries, encumbrances, liens or encroachments. It is assumed that all assessments, if any are paid.
4. The properties will be in conformance with the applicable zoning and building ordinances.
5. Information provided by such local sources as governmental agencies, financial institutions, realtors, buyers, sellers, and others was considered in light of its source, and checked by secondary means.
6. If an unforeseen change occurs in the economy, the conclusions herein may no longer be valid.
7. The development will adhere to the schedule of performance described in the agreements.

