



AGENDA REPORT

Community Development

DATE:	December 17, 2024
TO:	Mayor Martinez and Members of the City Council
FROM:	Lina Velasco, Director of Community Development Nannette Beacham, Director of Economic Development Gabino Arredondo, Project Manager
Subject:	Exempt Surplus Land Resolution for Homekey Ground Lease
FINANCIAL IMPACT:	The City, 425 Civic Center LP (Partnership), and Trinity Center Walnut Creek received a \$14,512,660 Homekey grant from the California Department of Housing and Community Development to fund the acquisition and conversion of the existing motel at 425 24 th Street into housing. The City is also contributing \$4.9 million towards the conversion and operations of this development. The City will acquire the property and will ground lease it to the Partnership to rehabilitate existing improvements and operate them as a permanent supportive housing serving previously homeless individuals
PREVIOUS COUNCIL ACTION:	September 12, 2023, June 20, 2023
STATEMENT OF THE ISSUE:	For the City to proceed with the acquisition and ground leasing of the Homekey Property (425 24 th Street), the City needs to comply with the State Surplus Lands Act process. By approving the proposed resolution, the Council will determine and declare the Property to be exempt surplus land under Government Code Section 54221(f)(1)(A) to be used to provide housing affordable to extremely low-income households.

RECOMMENDED ACTION:	ADOPT a resolution determining and declaring land to be acquired by the City and subsequently ground leased to 425 Civic Center LP to be Exempt Surplus Land pursuant to Government Code Section 54221(f)(1)(A) regarding the Homekey Project to convert an existing motel located at 425 24 th Street (APN 515-200-003) to a 48-unit permanent supportive housing development for formerly homeless households – Community Development Department (Lina Velasco 510-620-6841/Nannette Beacham 510-621-1306).
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DISCUSSION:

Homekey Project – Civic Center Apartments

The City, 425 Civic Center LP, a California limited partnership (the “Partnership”), and Trinity Center Walnut Creek (“Trinity”) applied for and have received an award of funding (the “Homekey Award”) under the California Department of Housing and Community Development (“HCD”) Homekey Program established pursuant to California Health and Safety Code Section 50675.1.3 et seq. (the “Homekey Program”).

The City will acquire the motel at 425 24th Street (“Property”) using a portion of the Homekey Award, and will ground lease the Property to the Partnership pursuant to a ground lease (the “Ground Lease”) that will require the Partnership to rehabilitate the existing improvements and operate them as a permanent supportive housing development consisting of forty-eight (48) studio apartments that will be rented at affordable rents to formerly homeless households that qualify as Extremely Low-Income Households (the “Restricted Units”) and one (1) unrestricted manager’s unit (the “Project”).

The HCD Standard Agreement for the Homekey Award and City’s Ground Lease will require that an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (“Regulatory Agreement”) be recorded against the Property. Both the Ground Lease and the Regulatory Agreement will require that for a term of fifty-five (55) years, the Restricted Units must be occupied by, or if vacant, available for occupancy at affordable rents by households whose income does not exceed thirty percent (30%) of Area Median Income (“AMI”).

Surplus Lands Act

To proceed to complete the acquisition and subsequent ground lease, the City needs to comply with the CA Surplus Lands Act. The Surplus Land Act (Government Code Section 54220 et. seq.) was enacted to promote affordable housing development on unused or underutilized public land throughout the State to respond to the affordable housing crisis, and now requires public agencies, including charter cities, to follow

certain procedures to dispose of “surplus land” or declare land to be “exempt surplus land” at a regular public meeting prior to disposition.

Pursuant to Government Code Section 54221(f)(1)(A), surplus land that is transferred pursuant to Government Code Section 37364 qualifies as “exempt surplus land”. Government Code Section 37364 authorizes cities to sell, lease, or otherwise dispose of real property to provide housing affordable to persons and families of low- or moderate-income provided that (i) at least 80% of the area of the property will be used for development of housing, and (ii) at least 40% of the housing units developed on the property will be affordable to households whose income is not greater than 60% AMI (75% of the upper limit for “lower income households”), of which at least one-half will be affordable to households of very low-income (50% AMI).

The Ground Lease and the Regulatory Agreement will require the Property to be developed for residential uses consistent with the affordability restrictions set forth in Government Code Section 54221(f)(1)(A).

By approving the resolution, the Council determines and affirms that the Property will be used to provide housing affordable to people and families of low-income, that this use is in the City’s best interests, and that development of the Property in accordance with the requirements of the Ground Lease and the Regulatory Agreement will satisfy the requirements of Government Code Section 54221(f)(1)(A). Consistent with the requirements set forth in the Ground Lease and the Regulatory Agreement, the Property will be developed for housing consisting of approximately forty-nine (49) residential units of which all except the manager’s unit will be restricted for occupancy at affordable rents to households whose incomes are not greater than 30% of the area median income. The affordability restrictions will be set forth in both the Ground Lease and in the Regulatory Agreement that will be recorded against the Property in the official records of Contra Costa County. The Regulatory Agreement will be binding upon successors in interest and will require compliance with the foregoing rent and household income restrictions for a term of not less than 55 years.

The subject resolution underwent a technical review by the California Department of Housing and Community Development.

DOCUMENTS ATTACHED:

Attachment 1 – Resolution