

**SUMMARY REPORT PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN
CITY OF SANTA ANA
AND
CITY OF SANTA ANA AS SUCCESSOR AGENCY**

The California Health and Safety Code (HSC) Section 33433 requires that successor agencies provide a detailed summary report when disposing of property. Compliant with HSC Section 33433, this summary report (Summary Report) outlines the essential aspects of the proposed Purchase and Sale Agreement dated June 18, 2024 (Purchase and Sale Agreement) between the Successor Agency to the former Community Redevelopment Agency of the City of Santa Ana (Successor Agency) and the City of Santa Ana (City). The Purchase and Sale Agreement entails the City's acquisition of a parcel situated at the southwest corner of Main Street and Third Street (See Table 1) from the Successor Agency. The Property, presently serving as a 60-space parking lot, will maintain its current use for parking, with the potential for future development dedicated to public benefit purposes.

Table 1: Parcel Information

| Attribute | Description |
|-------------------------|--|
| Location | Southwest Corner of Main Street and Third Street |
| APN | 398-601-02 |
| Acquisition Date | March 19, 1986 |
| Current Use | 60-space parking lot |
| Planned Use | Continued parking with potential future public benefit development |
| Purchase Price | \$190,000 plus closing costs |
| Square Footage | 27,830 sq. ft. / 0.64 ac. |

BACKGROUND

In 1973, the City enacted an ordinance to establish the Santa Ana Community Redevelopment Agency (RDA). Over the years, the RDA implemented numerous projects

aimed at eliminating blight, promoting economic growth, funding the construction of affordable housing, and improving infrastructure and community facilities within designated project areas. During this process, the RDA acquired various properties for future development.

One such property acquired by the RDA is a parcel situated at the southwest corner of Main Street and Third Street (Property), also identified as Assessor Parcel Number: 398-601-02. The RDA acquired the Property on March 19, 1986 from Universal Terminals, Inc. as part of the efforts to develop the Central City Redevelopment Project Area with the intention to use the Property for future development projects that would support the overall redevelopment goals of the area, including enhancing public infrastructure and facilitating economic growth. The Property was also critical to provide parking and pedestrian access for the Builders Exchange Building (listed as Landmark - No. 136 on the Santa Ana Register of Historic Properties).

Builders Exchange Building and Parking Lease Agreement

The Builders Exchange Building, located at 200 N. Main Street, is adjacent to the Property and is historically significant within the Central City Redevelopment Project Area. On February 7, 1982, the RDA approved a \$44,711 deferred loan to Builders Exchange Associates (BEA) to cover soft costs for the rehabilitation of the Builders Exchange Building. On February 21, 1986, the RDA extended the repayment period by an additional year due to insufficient lease income to meet debt service obligations.

Subsequently, on March 15, 1988, the BEA refinanced the debt and on May 18, 1993, the RDA approved a loan modification agreement with BEA, waiving previous defaults and executing a new promissory note. Concurrently, the RDA entered into a parking lease agreement (Parking Lease Agreement) with Barco Parking Association, a partnership comprising some owners of the Builders Exchange Building. The Parking Lease Agreement, dated May 18, 1993, assured the future availability of 60 parking spaces on the Property exclusively for the use of BEA and its agents, employees, and invitees.

Redevelopment Dissolution

On February 1, 2012, the RDA was dissolved in accordance with the Dissolution Act, which required the RDA to transfer all its assets to a successor agency. Consequently, the former RDA transferred all its assets to the Housing Authority of the City of Santa Ana (Housing Authority), who assumed the role of the Successor Agency. Under the Dissolution Act, as amended by Assembly Bill (AB) 1484, the Housing Authority now serves as the Successor Agency, tasked with managing the enforceable obligations of the former RDA and overseeing the unwinding of its affairs. As such, the Successor Agency, an independent legal entity, is the current owner of the Property and is bound by the Parking Lease Agreement.

Prior to the enactment of AB 1484, the Oversight Board of the Successor Agency (Oversight Board) adopted Resolution 2012-09 and directed the Successor Agency to take certain actions related to the inventory of property. Those properties identified as having a governmental purpose/use were approved to be transferred to the City. The Property was identified as a property subject to an enforceable obligation that could be transferred to the City.

Maintenance-Access Agreement

Following Redevelopment Dissolution, in addition to the Parking Lease Agreement, the Successor Agency entered into a property maintenance license and revocable access easement agreement (Maintenance-Access Agreement) with the current owner of the Builders Exchange Building, Swinerton, on October 11, 2019. The Maintenance-Access Agreement was initially for a three-year period, with automatic annual renewals to allow ingress and egress to the parking lot and access to the Builders Exchange Building.

Property Disposition

HSC Section 34181 mandates that successor agencies dispose of all assets and properties of their respective redevelopment agencies. In accordance with HSC Section 34181, and with the aim of upholding the Parking Lease Agreement and the Maintenance-Access Agreement, the Successor Agency and the City, as two separate legal entities, are collaborating to transfer ownership of the Property from the Successor Agency to the City through a market rate purchase of \$190,000 (Purchase Price). This Purchase Price was established by an appraisal conducted on September 11, 2023 (Appraisal). This transfer will enable the Successor Agency to dispose of the Property while ensuring compliance with the Parking Lease and Maintenance-Access Agreements.

REPORTING REQUIREMENTS

Due to the funding sources used for its acquisition, as well as the former RDA's ownership of the Property, the proposed conveyance of the Property to the City is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the Successor Agency to prepare a report that summarizes the financial terms associated with the disposition transaction for the Property. This Summary Report fulfills the reporting requirements of HSC Section 33433 and is organized into the following sections:

- I. **Salient Points of the Purchase and Sale Agreement.** This is a summary of the major responsibilities imposed on the City by the Purchase and Sale Agreement.
- II. **Cost of the Purchase and Sale Agreement to the City.** This includes the total cost to the Successor Agency and City associated with executing the Purchase and Sale Agreement (land acquisition costs, clearance costs, relocation costs, improvement costs, and expected interest on any loans or bonds to finance the agreements).

- III. **Estimated Highest Use Value of the Interests to be Conveyed.** This estimates the values of the interests to be conveyed or leased, determined at the highest uses permitted under the requirements imposed by the zoning in place at the Property.
- IV. **Estimated Reuse Value of the Interests to be Conveyed.** This is a summary of the valuation estimate for the Property, based on the required scope of development and the other conditions and covenants required by the Purchase and Sale Agreement. If the sale price or total rental amount is lower than the fair market value determined at the highest and best use consistent with the redevelopment plan, the agency must explain the reasons for this difference as part of this Summary Report.
- V. **Consideration Received and Comparison with the Established Value.** This section describes the compensation to be received by the Agency, and explains any difference between the compensation to be received and the established value of the Property.
- VI. **Blight Elimination.** This is a description of the existing blighting conditions on the Property and a description of how the Purchase and Sale Agreement will assist in alleviating the blighting influence.
- VII. **Conformance with the AB1290 Implementation Plan.** This is a description of how the Purchase and Sale Agreement achieves goals identified in the Successor Agency's adopted AB1290 Implementation Plan.

Furthermore, pursuant with HSC Section 33433, this Summary Report was published in the Orange County Register once a week for two consecutive weeks on August 30, 2024, and September 9, 2024, once a week for two consecutive weeks.

I. SALIENT POINTS OF THE PURCHASE AND SALE AGREEMENT

Property Description

The following describes the Property, existing enforceable obligations, and potential future uses:

1. The Property is currently improved with a 60-space parking lot, landscaping, decorative cinder block columns, and wrought iron fencing (See Table 1).
2. The Property is subject to a Parking Lease Agreement dated May 18, 1993 between the former RDA and BEA, which assures the availability of 60 parking spaces to serve the Builders Exchange Building.
3. The Property is also subject to a Maintenance-Access Agreement dated October 11, 2019 between the Successor Agency and Swinerton, which allows ingress and egress to the parking lot and access to the Builders Exchange Building.
4. The Property will remain as a parking lot, but may be developed for other public benefit purposes in the future.

City Responsibilities

The following describes the responsibilities that the City will take on

1. **Purchase and Sale:** The City agrees to purchase the Property for \$190,000, including fee interest, rights, privileges, easements, licenses, and interests related to the Property, all personal property, equipment, supplies, fixtures, and Successor Agency's interest under contracts, leases, licenses, easements, and other agreements.
2. **Payment of Consideration:** The City shall pay the Purchase Price at the date the deed is recorded (Closing Date).
3. **Closing without Escrow:** At the election of the Successor Agency, the City shall transfer funds to the Successor Agency within one business day after the deed is recorded if the Successor Agency elects to proceed without an escrow holder.
4. **Right of Entry:** The City and its representatives shall have the right to enter the Property for inspections and tests from the effective date, as defined by the Purchase and Sale Agreement (Effective Date), through the Closing Date, with reasonable prior notice to the Successor Agency.
5. **Investigation of the Real Property:** The City shall have the right to engage an environmental consultant for necessary investigations. If the City determines not to proceed with the purchase based on these investigations, it may cancel the Purchase and Sale Agreement before the contingency date, as defined by the Purchase and Sale Agreement (Contingency Date), and provide written notice of termination to the Successor Agency. The City shall provide all reports and test results to the Successor Agency and bear any costs associated with restoring the Property to its original condition if the Property is disturbed by the environmental testing, and if requested by the Successor Agency.
6. **Condition of Property:** The City shall accept the property in "as is" condition, with no warranties from the Successor Agency regarding its physical condition, presence of hazardous materials, or suitability for development purposes.
7. **Environmental Precautions:** Post-closing, the City shall take all necessary precautions to prevent the release of hazardous materials from the Property and comply with all relevant governmental requirements.
8. **Buyer's Title Policy:** The City shall obtain a CLTA owner's policy of title insurance (Title Policy) in the amount of the Purchase Price, showing fee title to the Property vested solely in the City, subject to standard exceptions, liens for taxes not yet delinquent, matters created by or with the City's consent, and matters approved in writing by the City. The City may obtain extended coverage at its own cost if desired.
9. **Physical and Legal Inspections and Studies:** The City shall approve or disapprove matters of title disclosed in the preliminary title report, exceptions, legal

description, and any survey obtained. The City must provide written approval of title matters by the Contingency Date.

10. **Termination Right:** The City has the right to terminate the Purchase and Sale Agreement if its contingencies are not met within 60 days of Oversight Board and Department of Finance (DOF) approval (Outside Date), as long as the City informs the Successor Agency through a termination notice (Termination Notice) and pays any relevant fees.
11. **Seller's Conditions:** The City shall provide written confirmation to the Successor Agency that it has completed its review of the title and the condition of the property, including hazardous materials, zoning, and suitability. Additionally, the City shall ensure that the Oversight Board and DOF approvals are obtained, confirm approval of the Title Policy, and deliver all necessary documents by the agreed dates. If any contingencies are not met by the Outside Date, the Seller may terminate the Agreement, and the City shall be responsible for any title or cancellation fees unless the Seller is in default.
12. **Buyer's Deliveries to Seller:** At least one business day prior to the Closing Date, the City shall deposit with the Successor Agency the Purchase Price, together with additional funds necessary to pay the City's closing costs, proof of the City's authority and authorization to enter into the Purchase and Sale Agreement and complete the transaction, and any other documents or items reasonably required to close the transaction as determined by the title company, as defined by the Purchase and Sale Agreement (Title Company).
13. **Costs and Expenses:** The City shall bear its respective costs related to the transaction, including proration of revenues and expenses associated with the Property.
14. **Prorations and Withholding:** The City shall prorate all revenues and expenses related to the Property as of the Closing Date, with any delinquent taxes to be settled by the Successor Agency.

Successor Agency Responsibilities

1. **Purchase and Sale:** The Successor Agency agrees to sell the Real Property to the City for \$190,000.
2. **Closing without Escrow:** If the Successor Agency elects to proceed without an escrow holder, the Successor Agency shall confirm that the deed can be recorded and that the Title Company, will issue the City's Title Policy, subject to acceptable exceptions.
3. **Delivery of Real Property and Formation Documents:** The Successor Agency shall provide necessary documents, including tax bills, proof of authority, and other relevant property documents within 10 days after the Effective Date.

4. **Closing Conditions:** The Successor Agency shall satisfy various conditions, including title review, environmental approval, document delivery, and issuance of a title policy.
5. **Title Review:** The Successor Agency shall cause the Title Company to deliver a preliminary title report to the City within 10 days after the Purchase and Sale Agreement date, at the Successor Agency's cost. The Successor Agency shall provide indemnity for the Title Company to offer a mechanics' lien endorsement.
6. **Cure Right:** If the City provides a Termination Notice, the Successor Agency has five (5) business days to 1) remove or address any disapproved or conditionally approved exceptions, or 2) provide satisfactory assurances to the City that such exceptions will be resolved by the Closing Date.
7. **Seller's Deliveries to Buyer:** At least one (1) business day prior to the Closing Date, the Successor Agency shall deposit with the City the Grant Deed, possession of the Property free of any tenancies, proof of the Successor Agency's authority and authorization to consummate the transaction, and any other documents or items reasonably required to close the transaction as determined by the Title Company. If these items are not delivered timely, the City may terminate the Purchase and Sale Agreement, unless the Successor Agency delivers the items within five business days of receiving the City's notice.
8. **Costs and Expenses:** The Successor Agency shall bear its respective costs related to the transaction, including proration of revenues and expenses associated with the Property.

II. COST OF THE AGREEMENT TO THE CITY

The total cost to the City for the acquisition of the Property is detailed as follows:

1. **Purchase Price:** The City shall pay the Successor Agency a purchase price of \$190,000 for the Real Property, as determined by the Appraisal. This amount represents the fair market value of the property under its current use as a parking lot.
2. **Property Acquisition Costs (Previously-Incurred Cost):** After Redevelopment Dissolution, the Property was transferred via quitclaim deed from the City to the Successor Agency at no cost. The Successor Agency is now responsible for managing its disposition.
3. **Closing Costs and Expenses:** There will be no additional closing costs incurred by the City for the Property acquisition.
4. **Total Estimated Costs:** As shown in Table 2, the City will incur a total cost of \$190,000 for the Property acquisition, while the Successor Agency will receive \$190,000 from the sale of the Property.

Table 2: Total Estimated Costs

| Cost | Successor Agency/RDA | City |
|-----------------------------------|-----------------------------|-------------|
| Purchase Price | (\$190,000) | \$190,000 |
| Property Acquisition Costs | \$0 | - |
| Closing Costs and Expenses | \$0 | \$0 |
| Total Estimated Costs | (\$190,000) | \$190,000 |

These estimated costs provide a comprehensive view of the financial obligations the City will incur to complete the acquisition of the Property. The City has allocated funds in the amount of \$190,000 for the purchase price plus closing costs in the CDA – Service Enhancement account (no. 0111817-66100) for expenditure in FY 2024-25. Upon approval by the Oversight Board and DOF, and completion of the transaction, \$190,000 in proceeds from the sale will be deposited in the Redevelopment Obligation Retirement Funds Revenue account (no. 67018002-57071) and payment to the County of Orange, Auditor-Controller will be made from expenditure account (no. 67018850-69142).

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USES PERMITTED UNDER THE REDEVELOPMENT PLAN

HSC Section 33433 requires the Successor Agency to determine and report the market value of the Property based on the most advantageous or profitable use allowed by the current zoning regulations applicable to the Property. The valuation must assume that the property is vacant and that immediate development is required, without considering any special restrictions or conditions that could be imposed by the City in the future.

The Property is currently zoned Specific Development (SD-84), which allows for numerous commercial, office, and retail uses. The Property is subject to the Parking Lease Agreement dated May 18, 1993, ensuring the future availability of 60 parking spaces exclusively for the Builders Exchange Building.

In the Appraisal, the highest and best use of the Property was determined as follows:

As Vacant

- **Legal Permissibility**: The Property is zoned Specific Development – (SD-84), which permits a variety of commercial, office, and retail uses. The existing Parking Lease Agreement ensures the availability of 60 parking spaces for the Builders Exchange Building.
- **Physical Possibility**: The Property's physical characteristics and the availability of utilities make it suitable for the allowed uses under its current zoning.

- Financial Feasibility: Given the current market conditions and the existing Parking Lease Agreement, holding the property for future development is financially viable.
- Maximum Productivity: Based on market and neighborhood analysis, the highest and best use of the Property, if vacant, would be for future redevelopment, including the provision of 60 additional parking spaces as required by the Parking Lease Agreement.

As Improved

- The Property is currently utilized as a parking lot for the adjacent office building.

Most Probable Buyer

- The most likely buyer would be a government agency or local developer capable of developing the Property under a joint development scenario.

Based on the Appraisal, the fair market value of the Property, considering its highest and best use, is \$190,000. Therefore, the estimated fair market value of the interest to be conveyed at the highest use permitted under the zoning in place for the Property is approximately \$190,000.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

HSC Section 33433 also requires the Successor Agency to determine the Property's reuse value, which reflects the Property's worth when considering any specific requirements, conditions, and covenants that will apply to its use after it has been transferred to a new owner. This could include any legal restrictions, zoning requirements, agreements, or other factors that might affect how the Property can be used or developed in the future.

The reuse value of the Property was also appraised by CBRE, Inc., taking into consideration the development conditions and covenants required by the Purchase & Sale Agreement. The Property is currently improved as a parking lot and will remain so until future development opportunities arise that comply with public benefit purposes.

Reuse Value Calculation

Table 3: Reuse Value with Conditions and Covenants

| | Total |
|---|----------------------|
| Concluded Land Value | \$1,390,000 |
| Less: \$20,000/space * 60 spaces | (\$1,200,000) |
| Total As Is Value | \$190,000 |

This valuation aligns with the agreed sale price of \$190,000, as established through the Appraisal. The Appraisal confirmed that the Property's value under its current use and conditions is appropriate and reflective of the market conditions as of the date of the Appraisal.

The final estimated reuse value underscores the impact of the existing Parking Lease Agreement, which significantly influences the Property's marketability and development potential. The planned transfer of the property at this value ensures compliance with the legal and financial obligations tied to the Property while facilitating its continued use for public benefit.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

HSC Section 33433 requires the Successor Agency to disclose the value of the Property and ensure that it receives fair market value. This includes comparing the sale price with the highest use value allowed under current zoning and considering any conditions that affect the Property's use after the sale.

Purchase Price

The purchase price of the Property is \$190,000, as determined by the conducted by CBRE, Inc. on September 11, 2023. This price reflects the fair market value of the Property in its current use as a parking lot.

Appraised Value

The highest and best use analysis conducted by CBRE, Inc. considered the legal, physical, financial, and maximum productivity aspects of the Property. They concluded that the fair market value of the Property, under its current zoning (Specific Development – SD-84) and considering the Parking Lease Agreement dated May 18, 1993, which mandates 60 parking spaces for the Builders Exchange Building, is \$190,000. This valuation is based on the assumption that the Property is vacant and available for immediate development without considering any extraordinary use restrictions.

Reuse Value

The estimated reuse value of the Property takes into account specific requirements, conditions, and covenants governing its use post-conveyance. The primary covenant affecting the reuse value is the Parking Lease Agreement, which requires the provision of 60 parking spaces for the Builders Exchange Building. Despite this condition, the reuse value aligns with the appraised value, establishing the Property's worth at \$190,000.

Consideration Received by the Successor Agency

Upon completion of the transaction, the Successor Agency will receive \$190,000 from the City for the sale of the Property. This amount is consistent with the appraised value, ensuring that the Successor Agency receives fair market value for the property.

Cost to the City

The City will incur a total of \$190,000 for the acquisition of the Property. There will be no additional closing costs incurred by the City for this transaction.

Comparison with Established Value

The transaction is structured to ensure that the Successor Agency receives a fair market value consistent with the highest and best use appraisal. The Appraisal concluded that the value of the Property, considering its legally permissible uses and existing conditions, is \$190,000. The purchase price agreed upon in the Purchase and Sale Agreement is exactly \$190,000, matching the appraised value.

Public Benefit

The acquisition of the Property by the City will ensure the continued provision of parking spaces as mandated by the Parking Lease Agreement, benefiting the adjacent office building and its users. Furthermore, holding the Property for future redevelopment can potentially lead to further public benefits through future development projects.

Conclusion

The consideration received by the Successor Agency and the cost incurred by the City for the acquisition of the Property are both aligned with the appraised fair market value of \$190,000. This transaction not only complies with HSC Section 33433 requirements but also ensures the fulfillment of existing agreements and can support the City's long-term development objectives.

VI. BLIGHT ELIMINATION

The acquisition of the Property by the City from the Successor Agency is a strategic move to support long-term blight elimination efforts in the Central City Redevelopment Project Area. The Redevelopment Five-Year Implementation Plan (July 1, 2010 - June 30, 2015) (Implementation Plan) outlines several key goals and objectives focused on the removal of blighting conditions and the promotion of redevelopment within the area. Although the City is not currently planning to develop the Property, holding it ensures compliance with the Parking Lease Agreement and positions the City to address blight effectively in the future. The following points highlight how this transaction aligns with the goals and contributes to the overall elimination of blight:

- **Ensuring Compliance with Existing Agreements:** By acquiring the Property from the Successor Agency, the City ensures compliance with the Parking Lease Agreement dated May 18, 1993, which mandates the provision of 60 parking spaces for the Builders Exchange Building. Maintaining these parking spaces supports the functionality and attractiveness of the adjacent office building, preventing the area from falling into disuse and neglect.
- **Positioning for Future Development:** While the City is not immediately developing the Property, holding the Property allows for strategic planning and future development opportunities. This proactive approach ensures that the Property can be developed in alignment with broader redevelopment goals when the timing and circumstances are optimal.
- **Preventing Further Blight:** By maintaining control over the Property, the City can prevent further blighting conditions from developing. The Property's upkeep and availability for future productive use help ensure that it does not become a neglected or underutilized area that could contribute to blight.
- **Encouraging Private Investment:** The City's acquisition of the Property demonstrates a commitment to the area's redevelopment, which can encourage private sector investment. Potential investors may be more inclined to invest in nearby properties, knowing that the City is actively managing key parcels for future development.
- **Supporting Public Infrastructure:** Although immediate development is not planned, the City's control over the Property means that future redevelopment can include necessary public infrastructure improvements. These improvements are essential for long-term blight elimination and enhancing the area's overall appeal and functionality.
- **Economic Development Potential:** Holding the Property allows the City to plan for future economic development projects that could create jobs and stimulate the local economy. This potential aligns with the goals of economic growth and revitalization outlined in the Redevelopment Five-Year Implementation Plan.

By addressing these aspects, the acquisition of the Property from the Successor Agency significantly contributes to the elimination of blight within the Central City Redevelopment Project Area. This transaction ensures compliance with existing agreements, supports strategic planning for future development, and aligns with the goals and objectives of the Redevelopment Implementation Plan, promoting a more vibrant, safe, and economically robust community.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The acquisition of the Property by the City aligns with the objectives of the Implementation Plan. This transaction supports the Implementation Plan's goals through the following ways:

- **Blight Elimination:** Acquiring and maintaining the Property helps prevent blighting conditions by ensuring it remains in use and well maintained. This proactive measure supports the physical and economic health of the area.
- **Promoting Future Development:** While the City does not have immediate development plans, holding the Property enables strategic planning for future redevelopment. This aligns with the Implementation Plan's goal to promote the highest and best use of available land.
- **Encouraging Investment:** The City's management of the Property demonstrates a commitment to redevelopment, which can attract private sector investment to the area. This aligns with the Implementation Plan's objective of fostering economic growth through public-private partnerships.
- **Public Infrastructure:** Future redevelopment of the Property could include public infrastructure improvements, enhancing the area's overall appeal and functionality. This supports the Implementation Plan's goal of improving public facilities and infrastructure.
- **Economic Development:** The Property's future redevelopment potential supports long-term economic development goals by creating opportunities for new businesses and jobs, stimulating the local economy.
- **Strategic Land Use Planning:** Acquiring the Property allows the City to plan its use strategically, ensuring that any future development aligns with the community's needs and the General Plan's objectives.

By acquiring the Property, the City aligns with the Implementation Plan's goals, ensuring compliance with existing agreements, supporting future strategic planning, and contributing to the long-term redevelopment and revitalization of the area. This transaction promotes a vibrant, economically robust, and well-planned community.