

STAFF REPORT
City of Lancaster

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1/9/2024
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Date: January 9, 2024

To: Chair Kitty Szeto and Housing Authority Members

From: Larissa De La Cruz, Director – Community Development
Christopher Aune, Housing Manager

Subject: Consideration for Approval of Actions in Connection with Lancaster Housing Authority Owned Parcels Related to Compliance with the Surplus Land Act and an Exclusive Negotiation Agreement with Habitat for Humanity of Greater Los Angeles and USA Properties Fund Inc.

Recommendations:

1. Adopt the attached resolution, declaring Housing Authority-owned property (APNS: 3176-005-915, -916, -918, -919, -921, -930), as exempt surplus land.
2. Adopt the attached resolution, approving an Exclusive Negotiation Agreement (ENA) with Habitat for Humanity of Greater Los Angeles, a California non-profit corporation, and USA Properties Fund, Inc., a California corporation to construct 110 units of affordable workforce for-sale housing (the “Habitat Project”) and approximately 272 units of affordable rental housing (the “USA Project”) and a to be determined commercial/retail project (the “Commercial/Retail Project”).
3. Find that this item is not subject to the California Environmental Quality Act (CEQA).
4. Authorize the City Manager, or his designee, to negotiate, finalize, and execute all related documents in a form approved by the City Attorney.

Fiscal Impact:

There is no fiscal impact to the Housing Authority and the City for entering into the ENA.

Background:

The former Lancaster Redevelopment Agency (“Agency”) purchased properties throughout the City using low- and moderate-income housing funds in the early 2000’s. The Lancaster Housing Authority (“Authority”) began the process of revitalization by demolishing dilapidated buildings, clearing the land, and preparing the site for an income-targeted housing community.

The Authority is the owner of seven vacant parcels comprised of approximately 35 acres located at the former Antelope Valley Fairgrounds identified as Assessor Parcel Numbers 3176-005-915, -916, -918, -919, -921, -930 (“Authority Property”).

On December 2, 2022, staff issued a Request for Proposal (RFP) to solicit proposals for HNR-3. Upon receiving the proposals on April 4, 2023, staff completed a review and due diligence process. A selection panel comprised of City staff members from Planning and Community Development, Real Estate and Economic Development, Engineering, and Finance, with support from Affordable Housing Solutions, reviewed the proposals and conducted interviews with three development teams. After a thorough review, the selection panel chose Habitat for Humanity of Greater Los Angeles and USA Properties on June 2, 2023. Since that time, staff and the development team have been negotiating the parameters of the proposed ENA.

The Authority now has the opportunity to take the first steps toward the development of this property.

Habitat and USA Properties have proposed a development that will include:

- 1) A vibrant, integrated, walkable, sustainable development that incorporates architectural and high-quality design elements that complement the surrounding area and will become a community hub and visual landmark on the Eastside of Lancaster;
- 2) 382 total housing units (272 rental and 110 ownership), over 85% of which will provide “missing middle” rental and homeownership opportunities for households earning at or below 80% Area Median Income (AMI);
- 3) 49,500 square feet of commercial space and economic development opportunities with letters of interest from community-serving entities such as Friends of Family Health Center and Habitat ReStore; and
- 4) 69,600 square feet for the Historic Fair Plaza, including 50,000 square feet of space for the recreational facility/cooling center and proposed mini-pitch soccer facility that the U.S. Soccer Foundation has committed to design and construct at no cost to the City of Lancaster.

The California Surplus Land Act (Government Code 54220 et seq.) (“SLA”) governs the sale of surplus land. Land may be declared either “surplus land” or “exempt surplus land.” The SLA requires local agencies to comply with the SLA before taking action to dispose of surplus land.

The Authority Pro is exempt from the Surplus Land Act, Government Code section 54200, et seq, in accordance with Government Code section 54221(f)(1)(F)(ii) because the City invited entities to participate in a competitive bid process for a mixed- use development that is more than one (1) acre in area, that includes not less than 300 housing units, and that restricts at least 25 percent of the residential units to lower-income households, as defined in Health and Safety Code Section 50079.5 of the Health and Safety Code, with an affordable sales price or an affordable rent, as defined in sections 50052.5 and 50053 of the Health and Safety Code, for a minimum of 55 years for rental housing and 45 years for ownership housing.

The proposed ENA would enable staff and the developer to enter into formal negotiations to craft a Disposition and Development Agreement (DDA) for the sale and development of the property. The ENA term would be up to twelve months, during which time the DDA would be drafted. If the parties are unable to reach mutually agreeable terms during the ENA period, the property could again be marketed to other potential developers. The ENA does not bind the Authority to sell the property. The resulting DDA would be subject to approval by the Authority.

The proposed Antelope Valley Village meaningfully aligns with the City of Lancaster’s vision for this project by increasing the City’s stock of “missing middle” ownership and rental housing targeted to the needs of local workforce households as well as including commercial and open space that serves both the immediate neighborhood and the larger Lancaster community. Habitat/USA have proposed to transform the Project Site into a vibrant neighborhood that will become a community hub on the Eastside of Lancaster. Antelope Valley Village meaningfully aligns with the City of Lancaster’s vision for this project by increasing the City’s stock of “missing middle” ownership and rental housing targeted to the needs of local workforce households as well as including commercial and open space that serve both the immediate neighborhood and the larger Lancaster community.

Environmental Considerations:

The designation of the property as “exempt surplus” does not have the potential for creating a significant effect on the environment and is therefore exempt from further review under CEQA pursuant to State CEQA Guidelines, 15060(c)(3), because it is not a project as defined by the CEQA Guidelines, Section 15378. The recommended actions for the ENA approval have been reviewed under the CEQA requirements under Title 14 of the California Code of Regulations (CCR) and the actions have been determined to be exempt per CEQA Guidelines §15312, §15332, and §15061(b)(3).

CA/js

Attachments:

Resolution No.

Resolution No.

ENA

RESOLUTION NO. HA

A RESOLUTION FOR CONSIDERATION FOR APPROVAL OF ACTIONS IN CONNECTION WITH LANCASTER HOUSING AUTHORITY OWNED PARCELS RELATED TO COMPLIANCE WITH THE SURPLUS LAND ACT AND AN EXCLUSIVE NEGOTIATION AGREEMENT WITH HABITAT FOR HUMANITY OF GREATER LOS ANGELES AND USA PROPERTIES FUND INC.

WHEREAS, the Lancaster Housing Authority (“Authority”) is the owner in fee simple of certain vacant parcels identified as Assessor Parcel Numbers 3176-005-915, -916, -918, -919, -921, -930 (“Authority Property”); and

WHEREAS, pursuant to the Surplus Land Act, Government Code section 54220, et seq. (“Act”), “surplus land” is land owned in fee simple by any local agency for which the local agency’s governing body takes formal action in a regular public meeting declaring that the land is either surplus land or exempt surplus land and is not necessary for the agency’s use;

WHEREAS, pursuant to the Act, land shall be declared either “surplus land” or “exempt surplus land,” as supported by written findings, before a local agency may take any action to dispose of it consistent with an agency’s policies or procedures;

WHEREAS, the Authority’s priorities for the potential development of the Property is to advance the City’s overall mission to address their current housing crisis needs and need for affordable residential options and that this Property could contribute significantly to addressing that need by providing several residential units;

WHEREAS, the Authority hereby declares, pursuant to Government Code section 54221(b) and 54221(f)(1)(F)(ii), that the Property is exempt surplus land as the City put the Property out to an open, competitive bid by issuing its Request for Proposals with an invitation to all entities identified in Government Code section 54222(a), for a mixed-use development that is more than one acre in area, that includes not less than 300 housing units, restricting at least 25 percent of such units to lower-income households, as defined in section 50079.5 of the Health and Safety Code, with an affordable sales price or an affordable rent, as defined in sections 50052.5 and 50053 of the Health and Safety Code, for a minimum of 55 years for rental housing and 45 years for ownership housing;

WHEREAS, to address the Authority’s objectives of providing affordable housing, Habitat/USA, has proposed to acquire from the Authority certain property identified as Assessor Parcel Numbers 3176-005-915, -916, -918, -919, -921, -930 (“Site”), to construct 110 units of affordable workforce for-sale housing (the “Habitat Project”) and approximately 272 units of affordable rental housing (the “USA Project”) and a to be determined commercial/retail project (the “Commercial/Retail Project”); and

NOW, THEREFORE, the Lancaster Housing Authority of the City of Lancaster does hereby resolve as follows:

The Authority finds and determines that the statements set forth in the Recitals above are true, correct, and a substantive part of this Resolution.

Section 1. The Authority hereby declares that the Property is exempt surplus land pursuant to Government Code section 54221(f)(1)(F)(ii).

Section 2. A notice of availability to the entities designated in Government Code section 54222(a) (“designated entities”) was sent by electronic mail and a copy of this Resolution will be submitted to the California Department of Housing and Community Development in accordance with the Surplus Land Act Guidelines.

Section 3. This Resolution has been reviewed with respect to the applicability of the California Environmental Quality Act (“CEQA”) and the State CEQA Guidelines. It has determined that the designation of the property as exempt surplus does not have the potential for creating a significant effect on the environment and is therefore exempt from further review under CEQA pursuant to State CEQA Guidelines, 15060(c)(3), because it is not a project as defined by the CEQA Guidelines, Section 15378(b)(5), as it involves organizational or administrative activities of government that will not result in direct or indirect physical changes in the environment. Further, adoption of this Resolution is exempt from CEQA pursuant to State CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that the actions will not have a significant adverse impact on the environment, as no development is authorized by this Resolution, and any future disposition will require separate environmental analysis if and when the details of such disposition are known. There are no federal actions, therefore, NEPA does not apply; and

Section 4. The City Manager or his designee is authorized to negotiate, finalize, and execute all related documents in a form approved by the City Attorney.

PASSED, APPROVED, and ADOPTED this _____, 2024, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

ANDREA ALEXANDER
City Clerk
Lancaster Housing Authority

KITTY KIT SZETO
Chair
Lancaster Housing Authority

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF LANCASTER)

CERTIFICATION OF RESOLUTION
LANCASTER HOUSING AUTHORITY

I, _____, _____ City of Lancaster, California, do hereby certify that this is a true and correct copy of the original Resolution No. HA X-24, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, on this _____ day of _____, 2024.

(seal)

CITY OF LANCASTER
EXCLUSIVE NEGOTIATION AGREEMENT

THIS EXCLUSIVE NEGOTIATION AGREEMENT (“Agreement”), effective _____, 2024 (“Effective Date”), is between the City of Lancaster, a California municipal corporation (“City”), and Habitat for Humanity of Greater Los Angeles, a California non-profit corporation (“Habitat”), and USA Properties Fund, Inc., a California corporation (“USA”). The City, Habitat, and USA are sometimes referred to in this Agreement individually each as a “Party” and collectively as the “Parties.” This Agreement is entered into by the Parties with reference to the following recited facts:

RECITALS

- A. The City owns approximately 35 acres of real property located at the intersection of East Avenue I and Division Street in Lancaster, California [Assessor’s Parcel Nos. 3176-005-915, -916, -918, -919, -921, -930].
- B. Habitat and USA are each interested in acquiring all or portions of the Property from City, and thereafter, securing all necessary entitlements to redevelop the Property with approximately 110 units of affordable workforce for-sale housing (the “Habitat Project”) and approximately 272 units of affordable rental housing (the “USA Project”) and a to be determined commercial/retail project (the “Commercial/Retail Project”).
- C. The Pinyon Group LLC, a California limited liability company (“TPG”), will act as a co-developer of the USA Project.
- D. Habitat is interested in developing the Habitat Project and USA is interested in developing the USA Project as part of a proposed 35-acre mixed-use project in the City located at East Avenue I & Division Street (HNR-3), commonly referred to as Antelope Valley Village.
- E. The Commercial/Retail Project is anticipated to be developed by one or more of Habitat, USA, TPG, or third-party developers (“Commercial/Retail Developers”) in cooperation with Habitat and USA.
- F. The intent of the Parties in entering into this Agreement is to establish a specific, limited period of time to negotiate the terms of a future agreement between the Parties governing the potential disposition and development of the Property (“DDA”).

NOW, THEREFORE, in view of the goals and objectives of the City relating to the development of the Property, and the promises of the Parties set forth in this Agreement, the Parties agree, as follows:

AGREEMENT

1. Terms of Agreement. The Parties shall have 120 days from the Effective Date, or such extended date as may be mutually agreed upon in writing by the Parties (as may be so extended, the “Term Sheet Deadline”), to agree on a term sheet for the DDA (the “DDA Term Sheet”). If the Parties are unable for any reason to reach agreement on the DDA Term Sheet by the Term Sheet Deadline, this Agreement shall expire automatically without any further obligation of the Parties hereunder. If the Parties agree on a DDA Term Sheet before or on the Term Sheet Deadline, this Agreement shall continue to be of full force and effect, and the Parties shall have up to 12 months from the date of the Parties’ execution of the DDA Term Sheet to negotiate and execute the DDA according to the Schedule of Performance set forth in the DDA Term Sheet. The initial 120-day period and any extension, if applicable, together with the 12-month period are the “Negotiation Period.”

2. Negotiation of DDA. During the Negotiation Period, the Parties will attempt to diligently and in good faith negotiate a DDA Term Sheet and a DDA. It is anticipated by the Parties that the items and terms to be addressed in such negotiations will include: (1) the physical and land title conditions of the Property at the time of transfer from the City to Habitat and to USA for their individual Projects; (2) the land uses to be included in the Habitat Project, the USA Project, and the remainder of the AVV Project, (3) the CEQA review and land use entitlements (and timing thereof) necessary for the Habitat Project, the USA Project and the remainder of the AVV Project; (4) the Habitat Project development schedule, and phasing plan if applicable; (5) the USA Project development schedule, and phasing plan if applicable; (6) conditions of any financing for the Habitat Project; (7) conditions of any financing for the USA Project; (8) the purchase price and other terms and conditions of sale for the Property and the allocation thereof between the individual Projects; (9) adequacy of, or need for, infrastructure facilities and improvements to serve the Habitat Project and/or the USA Project; (10) coordination between the Habitat Project, the USA Project and the balance of the AVV Project; and (11) and such other matters that the Parties deem appropriate. Nothing in this Agreement shall bind any of the Parties to reach an agreement on a DDA and in the event the Parties are unable for any reason to reach agreement on a DDA by the Outside DDA Date, this Agreement shall expire automatically without any further obligation of the Parties hereunder. The Parties agree and acknowledge that (i) the City and one or both of Habitat and USA may enter into separate terms sheets and DDAs for the Habitat Project, the USA Project, and the balance of the AVV Project and (ii) a Commercial/Retail Developer reasonably acceptable to the Parties may be a party to a term sheet or DDA addressing the portion of the AVV Project that is not included in the Habitat or USA Project.

3. Each Party to Pay Its Respective Costs and Expenses. Each Party is responsible for its own expenses in connection with this Agreement and the DDA negotiation.

4. Appraisal of Property. During the Negotiation Period, any Party may, at its sole expense, obtain an appraisal of the Property to determine its fair market value to aid the Parties in negotiating a purchase price as part of the DDA; provided that such Party shall share a copy of such appraisal with the other Parties, and provided further that nothing herein shall obligate the Parties to utilize such appraised value as the final purchase price for the Property.

5. CEQA. The City is by law required to exercise discretion in various ways concerning development of the Property, including but not limited to in considering entitlements and permits for the development, as well as adoption of any amendments to City ordinances, regulations, or planning or policy documents. The Parties recognize that execution of this preliminary Exclusive Negotiation Agreement does not constitute “approval” of a “project,” as those terms are defined by CEQA, and does not limit the ability of the City to consider alternatives or mitigation measures for any project that might arise and be subject to CEQA. Nothing herein waives any right or obligation that any Party may have under any state or local density bonus law.

6. Exclusivity. During the Negotiation Period, the City and City staff may not solicit offers, negotiate, or enter into any agreement with any other person or entity concerning the disposition (sale, option, or lease) or development of the Property. The City may receive and retain unsolicited offers regarding the Property, but the City may not negotiate with the proponent of any such offer during the Negotiation Period. Any Party may disclose the fact that the such Party is a party to this Agreement.

7. Due Diligence. During the Negotiation Period, Habitat and USA may undertake certain due diligence activities to determine the feasibility of Habitat’s and USA’s purchase and development of the Property. Upon Habitat’s and/or USA’s written request, City shall provide or cause to be provided to Habitat and USA all documents relating to the physical or environmental condition of the Property (including, but not limited to, environmental, property physical condition, geological studies, engineering and structural analyses, and geotechnical reports and soil tests and analyses) to the extent reasonably known to be in City’s possession or control. If Habitat or USA desires to perform physical inspections of the Property, that Party and the City shall enter into a license agreement or similar instrument allowing that Party and its agents to enter the Property to conduct such inspections in form and substance reasonably acceptable to the Parties.

8. Acknowledgments and Reservations. If this Agreement expires or is terminated for any reason, or a future DDA is not approved and executed by all the Parties for any reason, no Party is under any obligation, nor shall any Party have any liability to any other Party or to any other person regarding the Property. No Party is bound by any statement, promise, or representation made by another Party’s staff or representatives during the course of negotiations of a future DDA. The Parties will only be legally bound after a complete DDA is approved and executed by all

Parties, each in its respective absolute discretion and, in the case of the City, following one or more duly noticed public hearings as required by law.

9. Breach. If a Party breaches this Agreement, and such breach is not cured in a reasonable period after written notice is delivered to the breaching Party of the alleged breach, the exclusive remedy of the Party who has not breached is to terminate this Agreement by serving written notice of termination on the breaching Party.

10. Notice. Any notice or instrument required to be delivered under this Agreement must be in writing and delivered at the addresses shown below. While the Parties are requested to provide courtesy copies as indicated below, a defect in providing a courtesy copy is not a defect in notice under this Agreement.

<p>TO HABITAT:</p>	<p>Attn: Darrell Simien Habitat for Humanity of Greater Los Angeles</p> <hr/> <hr/> <p>Phone: 310-323-4663 ext. 202 Email: dsimien@habitatla.org</p> <p>With a courtesy copy to:</p> <p>Attn: David L. Preiss Holland & Knight, LLP 560 Mission Street, Suite 1900 San Francisco, CA 94105</p> <p>Phone: (415) 743-6914 Email: david.preiss@hkllaw.com</p>
<p>TO USA:</p>	<p>Attn: Steven Gall USA Properties Fund, Inc. 3200 Douglas Boulevard Suite 200 Roseville, California 95661</p> <p>Phone: (916) 724-3825 Email: sgall@usapropfund.com</p> <p>With a courtesy copy to:</p>
	<p>Attn: Jay Stark The Pinyon Group LLC 949 S Hope Street, Suite 100 Los Angeles, California 90015</p>

TO CITY OF LANCASTER	Attn: City Manager

	Phone: _____
	Email: _____

11. Counterpart Originals. This Agreement may be delivered by facsimile, pdf attachment to email, or other electronic means. This Agreement may be signed electronically by any Party. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12. No Third-Party Beneficiary; Assignees. Nothing in this Agreement is intended to benefit any person or entity other than the City, Habitat, and USA. TPG is not a third-party beneficiary of this Agreement. Neither Habitat nor USA may assign its rights under this Agreement.

13. Governing Law. This Agreement is governed by exclusively by the laws of the State of California, without application of any conflict-of-laws principles or statutes. Venue for any dispute regarding the Agreement lies exclusively in the courts in Los Angeles County, California.

14. Waivers. No waiver of any breach of any term or condition contained in this Agreement may be deemed a waiver of any preceding or succeeding breach of such term or condition, or of any other term or condition contained in this Agreement. No extension of the time for performance of any obligation or act, no waiver of any term or condition of this Agreement, nor any modification of this Agreement is enforceable against either Party unless it is made in writing and executed by both Parties.

CITY:

CITY OF LANCASTER,
a California municipal corporation

HABITAT:

Habitat for Humanity of Greater Los
Angeles, a California non-profit corporation

By: _____
[NAME], [TITLE]

By: _____
[NAME], [TITLE]

USA

USA PROPERTIES FUND, INC.,
a California corporation

By: _____
[NAME], [TITLE]

APPROVED AS TO FORM:

By: _____
City Attorney

