Agenda Item No: 1.h

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: September 2, 2025

Submitted by: Jeannette Ortega

From: Administrative Services

Subject:

Amendment No. 1 to Put Option Agreement for Private Property at 325 Baker Street (APN 339-382-20) for Future Affordable Housing Development

Financial Impact:

Fiscal Impact:

$760,011 Potential Purchase in 2028 (Affordable Housing Development Impact Fee Fund Acct. No. 682534-6099). No fiscal impact in FY 2025-26.

Summary:

O n February 6, 2023, the City issued a Request for Proposals (RFP) for a high-quality Affordable Housing Development on Baker Street. The specific City-owned properties include 323, 307, 312, and 314 Baker Street (Baker Street) as well as options for the potential acquisition of additional private properties, including 325 Baker Street (APN 339-382-20). The RFP solicited interest from four (4) different firms. On April 3, 2023, the Evaluation Committee consisting of consulting staff from Keyser Marston, Director of Development Services and the Deputy Director of Administrative Services (the "Evaluation Committee") reviewed and scored the four proposals received. The Evaluation Committee agreed that Mercy Housing California (Mercy Housing) would be the best qualified developer to construct and operate a high-quality affordable housing development along Baker Street.

On June 6, 2023, the City Council agreed to authorize the City Administrator to enter into a Land Purchase Option Agreement with Mercy Housing for development and operation of a high-density affordable housing development on Baker Street.

On January 23, 2024, the City Council approved a Put Option Agreement with California Land Acquisition Fund Holding IV LLC for the purchase of the private property located at 325 Baker Street to support parking needs for the proposed affordable housing development along Baker Street. On June 17, 2025, California Land Acquisition Fund Holding IV LLC closed escrow on the property at 325 Baker Street for a total purchase price of $595,000 and escrow and closing costs of $40,065. This action authorizes the City Administrator to execute Amendment No. 1 to the Put Option Agreement with California Land Acquisition Fund Holding IV LLC for the purchase of the property at 325 Baker Street.

Recommendation:

Recommended Action: It is recommended that the City Council take the following actions:

1. Approve Amendment No. 1 to the Put Option Agreement with California Land Acquisition Fund Holding LV LLC for the purchase of 325 Baker Street for a future Affordable Housing Development along Baker Street; and
2. Authorize the City Administrator and/or her designee to execute all the necessary documents in a form approved by the City Attorney.

Strategic Plan Statement:
This item is consistent with the City Council approved 5-Year Strategic Goal to Promote Community and Economic Development under Objective #3.9, which is to facilitate Affordable Housing along Baker Street.

Discussion:
On July 18, 2017, the City Council adopted the Old Town Revitalization Plan (Plan) and related Zone Change and General Plan Amendment. Adoption of the Plan and associated documents will improve and position the City's historic center to better connect with other areas of the City, while improving the Old Town itself. Old Town Placentia is an asset to the City and is poised to be one of the City's key destinations. The Plan will enhance the historic and economic importance of the area by creating a cohesive walkable historic village with retail, restaurants, offices, and residential development. The Baker Street properties described within the RFP are located in the Plan area and are designated for high-density residential development at a maximum density of 65 dwelling units per acre. This area is zoned for a maximum building height of four stories (55 feet) located along Baker Street, located just north of the BNSF railroad tracks, west of Melrose Street and east of Walnut Avenue.

The Request for Proposals (RFP) was released on February 6, 2023 with a submission deadline of March 20, 2023. A total of four (4) firms met the deadline. The RFP included the City’s desire to develop a high-quality, 100% affordable rental housing development that achieves various objectives including adding additional phases as adjacent parcels become available.

On April 3, 2023, the Evaluation Committee consisting of the Keyser Marston Staff, Director of Development Services and the Deputy Director of Administrative Services reviewed and scored the four proposals received. The Evaluation Committee agreed that Mercy Housing would be the best qualified developer to construct and operate a high-quality affordable housing development along Baker Street. On April 19, 2023, the Housing, Community and Economic Development Ad-Hoc Committee reviewed the proposals and the recommendation of the Evaluation Committee. The Ad-Hoc Committee also agreed to recommend Mercy Housing as the top selected proposal to the City Council. On May 16, 2023, the City Council convened in Closed Session to review the recommendations and directed Staff and the City Attorney’s Office to begin negotiations with Mercy Housing on the financing and development of the site.

Subsequently on June 6, 2023, the City Council agreed to authorize the City Administrator to enter into a Land Purchase Option Agreement with Mercy Housing for development and operation of a high-density affordable housing development on Baker Street.

On January 23, 2024, the City Council approved a Put Option Agreement with California Land Acquisition Fund Holding IV LLC for the purchase of the private property located at 325 Baker Street to support parking needs for the proposed affordable housing development along Baker Street. On June 17, 2025, California Land Acquisition Fund Holding IV LLC closed escrow on the property at 325 Baker Street for a total purchase price of $595,000 and escrow and closing costs of $40,065. This action authorizes the City Administrator to execute Amendment No. 1 to the Put Option Agreement with California Land Acquisition Fund Holding IV LLC for the 325 Baker Street property.

The Put Option Agreement stipulates that if Mercy Housing determines it is not feasible to construct and expand the Affordable Development at 325 Baker Street after four (4) years, Mercy Housing shall have the option to require the City to purchase the Property, subject to the terms set forth in this Agreement. This includes the purchase price for the Property (the “Purchase Price”) shall be equal to (i) $595,000 (the purchase price paid by Mercy Housing to acquire the Property), plus (ii) $40,065 in owner acquisition costs, plus (iii) one-half (1/2) of all insurance costs, real property taxes, maintenance costs, interest payments under the Mercy Housing Loan and other reasonable out-of-pocket costs and expenses incurred by Mercy Housing in connection with its ownership of the Property prior to the Closing. The final Purchase Price required by the City will be based on actual costs realized during the duration of the Option Term. A subsequent amendment to this Agreement will be prepared to establish a final Purchase Price based on actual costs incurred by Mercy Housing. In no event, shall the Purchase Price exceed $760,011.

Fiscal Impact Summary:
The City's financial commitment is subject to the development feasibility of the affordable housing development at Baker Street. If after January 2028, it is determined that this is not feasible to construct and expand the affordable housing development at 325 Baker Street, Mercy Housing shall have the option to require the City to purchase the Property. This includes the purchase price for the Property (the “Purchase Price”) shall be $595,000, plus $40,065 in owner acquisition costs, and one-half (1/2) of all insurance costs, real property taxes, maintenance costs, interest payments under the Mercy Housing’s Loan with California Land Acquisition Fund Holding IV LLC. In no event, shall the Purchase Price exceed $760,011.

Attachments
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