File #: 25-248, **Version:** 1

TITLE:

RESOLUTION FOR APPROVAL OF THE DRAFT RELOCATION PLAN AND RELOCATION ASSISTANCE FOR TENANTS OF 778 SHALIMAR DRIVE

DEPARTMENT: **CITY MANAGER'S OFFICE**

PRESENTED BY: **CECILIA GALLARDO-DALY, ASSISTANT CITY MANAGER**

CONTACT INFORMATION: **HADASSA JAKHER, ASSISTANT TO THE CITY MANAGER (714) 754-4885**

RECOMMENDATION:

Staff recommends the City Council:

1. Adopt proposed Resolution No. 25-XX approving the draft Relocation Plan for the Shalimar Park Expansion Project's acquisition of real property located at Assessor's Parcel Number 424-051-23 (778 Shalimar Drive) and appropriating funds thereof.

2. Authorize an appropriation of $203,717 in the Housing Trust Fund (Fund 222) for relocation assistance.

3. Authorize the City Manager, City Attorney, and Finance Director to implement the approved Relocation Program.

BACKGROUND:

The residential real property (Property) located at 778 Shalimar Drive, Costa Mesa, California 92627, Assessor Parcel Number (APN) 424-051-23 was listed for sale on May 23, 2024. The 6,970 square-foot property includes a 3,390 square-foot, four-unit residential structure, with each unit having two bedrooms with one bathroom. Currently, three of the four units are occupied, with one unit vacant. The Property is adjacent to Shalimar Park, which is located in the Westside neighborhood along Shalimar Drive, between Wallace Avenue and Placentia Avenue.

In June 2024, City staff identified the potential land acquisition of the Property for additional community-serving public uses for the neighborhood. The availability of the property presented an opportunity for the City to potentially expand recreational amenities in the neighborhood, consider the development of a community center with meeting space, and explore additional affordable housing opportunities. Later that month, the City Council authorized a letter of interest to the seller to begin negotiations.

Exhibit 1: 778 Shalimar Drive

Location Map

Street View

Acquisition Process

On November 19, 2024, the City Council approved moving forward with the acquisition of the Property for evaluation of future community-serving public uses. The approval included a Real Estate Purchase Agreement with acquisition terms, including appraisal and inspections, and authorized the City Manager and City Clerk to execute any and all real estate purchase documents, disclosures, escrow paperwork, and further authorized changes, and amendments necessary to execute the agreement.

On December 9, 2024, the City of Costa Mesa executed a purchase agreement with the Property owner, and Escrow was opened on December 10, 2024, signaling the start of a six-month escrow process. Escrow was established as a six-month term in order to allow for tenant relocation.

Relocation of tenants is necessary due to the condition of the units. Staff observed that substantial work would be required to bring the property to code compliance and make the units habitable given the building conditions. City staff determined that should the City acquire the property, the four-unit structure should be unoccupied and demolished while the consideration of the property's future use is determined.

As part of Escrow, the City must comply with certain conditions in order to acquire the Property. One of the conditions precedents is the relocation of existing tenants, for which the City must comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Act, the California Relocation Assistance Act, and other mandated requirements to relocate any existing tenants of the Property, including payment of relocation and moving expenses.

ANALYSIS:

A public entity is required to adopt a Relocation Plan whenever it enters into an agreement for the acquisition of real property which would lead to the displacement of people from their homes. Federal, State, and local laws and regulations outline the requirements to which public entities must conform when undertaking real property acquisitions and relocation, including but not limited to:

- Federal Uniform Relocation and Real Property Acquisition Policies Act of 1970;

- California Code of Regulations, Title 25, Division 1, Chapter 6, Subchapter 1 (Relocation Assistance and Real Property Acquisition Guidelines) Section 6000, et. seq.;
- California Government Code, Title 1, Division 7, Chapter 16 (Relocation Assistance), Section 7260, et. seq.; and
- Costa Mesa Administrative Regulation 1.3 (Real Property Acquisition Policy).

In order to comply with these mandated requirements, the City retained Monument Inc. (Monument), in connection with the commencement of the relocation activities, including preparation of a tenant relocation plan, and support services in connection with the relocation of the tenants.

The "Shalimar Park Expansion Project" Draft Relocation Plan (draft Relocation Plan) (Attachment 1) was prepared to outline the level of advisory and financial assistance that will be provided to the tenants of the Property. The draft Relocation Plan must be adopted by the City Council in order to approve the proposed advisory and financial assistance to the Property tenants.

Tenant Outreach and Development of Relocation Plan

In preparation for the relocation of the tenants and to comply with applicable Federal, State, and local laws, Monument began the draft Relocation Plan, which would provide an evaluation of the circumstances and replacement housing requirements of the Project tenants.

After City Council approval of the property acquisition in November 2024, Monument began meeting with each tenant and conducting initial interviews. Interviews continued throughout January to obtain demographic and household information necessary for the preparation of the draft Relocation Plan, including the number of persons, ages, gender, income information, distance to employment, medical and other special needs assessments, as well as overcrowding.

On January 29, 2025, a meeting with the Property tenants was held that included representatives from each household. The meeting was also attended by Mayor Pro Tem Chavez, City staff, and representatives from Monument. The purpose of the meeting was to update the tenants on the status of the property acquisition, explain the next steps in the process, schedule subsequent meetings with the tenants to go over individual relocation eligibility benefits and answer any questions.

Throughout this time, Monument continued interviews with the Property tenants and conducted research for the analysis required in the draft Relocation Plan. The in-person interviews were an important factor in the planning and preparation of the draft Relocation Plan. In addition, Monument researched the rental market for available replacement locations within the immediate community and surrounding areas. Monument also ensured the potential eligibility calculation amounts for the determined placement of tenants into comparable units.

On February 13, 2025, Monument staff met with the Property tenants and hand-delivered General Information Notices, Notices of Eligibility, 90-Day Notices to Vacate, and notice of the draft Relocation Plan, both in English and Spanish (Attachment 2), in accordance with State requirements. The draft Relocation Plan was made available for a thirty-day public review period beginning February 14, 2025.

The Property tenants have been notified that the draft Relocation Plan would be heard at the April 15, 2025, Regular City Council meeting.

The Relocation Plan

Based on the information gathered and researched, the draft Relocation Plan prepared by Monument assesses the relocation needs of the Property tenants, the available residential replacement sites within Cosa Mesa and surrounding areas, and the relocation assistance to be offered to the Property tenants.

Assessment of Relocation Needs

The draft Relocation Plan identified the following needs for the three households:

- Based on occupancy standards for housing density, two households would require a 2-bedroom unit and one household would require a 4-bedroom unit.
- Bilingual services were required.
- Special accommodations were required for one household.
- The preferred relocation area was in Costa Mesa and the Orange County area.

Available Residential Replacement Sites

The draft Relocation Plan found that adequate replacement housing existed in the area for Property tenants and identified the total relocation costs based on a survey of the surrounding areas.

Proposed Relocation Assistance: The Relocation Program

Upon the approval of the draft Relocation Plan by the City Council, Monument would administer the Relocation Program (as specified by the Relocation Plan). Monument will continue to work closely with tenants to provide relocation assistance, in both an advisory and financial capacity. The Relocation Program is anticipated to take two months.

For relocation advisory assistance, Monument will provide bilingual administrative services to the Property tenants, including:

- Provide updated referrals to potential replacement sites of available residential units for lease and sale;
- Inspection of prospective units;
- Assistance with lease applications;
- Assistance with the arrangements of purchase of real property or the filing of requests for benefits or services;
- Assistance in the preparation and submission of relocation assistance claims; and

For relocation financial assistance, tenants may be eligible for certain classes of benefits, including:

- Moving expenses;
- Rental assistance, if renting;
- Down payment assistance, if purchasing; and
- If no comparable replacement housing exists, Last Resort Housing payments.

The calculation of each type of benefit is detailed in the draft Relocation Plan. Tenants are eligible for moving expenses and a rent differential based on fair market value, if they move into a property with higher rent than the subject Property. Based on statutory requirements on assistance payments and household size, Monument provided an estimate of $169,764 (plus a 20% contingency) as the maximum assistance to be paid by the City, as seen in Table 1 below. Disbursement of the relocation financial assistance requires approval of the draft Relocation Plan (Resolution - Attachment 3). The resolution will authorize the proposed payments and assistance listed in the draft Relocation Plan and satisfy one of the conditions of Escrow for the acquisition of the Property.

Table 1: Total Relocation Costs

Unit	Maximum Assistance Payment
Unit 1	$40,110.00
Unit 3	$90,342.00
Unit 4	$39,312.00
Subtotal	**$169,764.00**
Contingency	$33,952.80
Total	**$203,716.80**

Relocation Option: City-Owned Units

Property tenants also have the opportunity to relocate to City-owned affordable housing units in the immediate vicinity, allowing them to remain in the neighborhood if they so choose. The City owns various properties in proximity to the Property (Exhibit 2).

Exhibit 2: Proximity of City-Owned Units to 778 Shalimar Drive

Property shown in **Red**, City-Owned Units shown in **Yellow**

Consequently, the City had begun the renovation of nearby City-owned vacant housing units that could offer replacement housing for the Property residents. The City is nearing completion of the renovation of three of the City-owned properties on W. 18th Street and James Street City staff anticipates scheduling tours of the renovated units for Property tenants in the coming weeks.

The City has provided Property tenants with the opportunity to apply for these units through the City's property management consultant, ProActive Realty Investments. One household applied and has been accepted to rent one of the units. These units have restrictions on tenant income level, based on the Area Median Income (AMI) for Orange County, as shown in Table 2 below.

ProActive Realty and Monument are working closely with the remaining Property tenants to ascertain their interest in and qualifications for the City-owned units.

Table 2: AMI Restrictions on City-Owned Rental Units

Address	Unit	Bedrooms	AMI
711 W 18th	Unit A	2 br	80%
744 James	Unit C	2 br	60%
745 W 18th	Unit C	2 br	35%

ALTERNATIVES:

The City Council may choose not to move forward with the draft Relocation Plan. However, staff do not recommend this alternative, as relocation assistance is required, pursuant to State law. Tenant relocation prior to the close of escrow is a condition of the purchase sale agreement.

FISCAL REVIEW:

Based on the needs assessment conducted by Monument, the total benefits payment are estimated at $169,764 plus a 20% contingency. The actual payment assistance may be lower due to tenants moving to City-owned properties on W. 18th Street and James Street. Funding for the relocation assistance is available in the Housing Trust Fund (Fund 226).

LEGAL REVIEW:

The City Attorney's Office has prepared the proposed Resolution and has reviewed the staff report and approves as to form.

CITY COUNCIL GOALS AND PRIORITIES:

The acquisition of the Property aligns with the City Council's Strategic Plan objectives below and by expanding access to park and open space, particularly on the Westside of Costa Mesa.

- Diversify, Stabilize and Increase Housing to Reflect Community Needs
- Maintain and Enhance the City's Facilities, Equipment and Technology
- Strengthen the Public's Safety and Improve the Quality of Life

CONCLUSION:

The City Council approved the acquisition of 778 Shalimar Drive on November 19, 2024. In order to comply with Federal, State, and local laws and the terms of the Purchase Agreement, the City and Monument have prepared a draft Relocation Plan for current Property tenants. Adoption of the draft Relocation Plan allows the City to move forward with the purchase of the Property and begin providing relocation benefit assistance to tenants.

Staff recommends the City Council:

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