



SAN DIEGO
HOUSING
COMMISSION

LAND USE & HOUSING REPORT

REPORT NO. LUH 10-006

DATE ISSUED: April 14, 2010

ATTENTION: Land Use & Housing Committee, Meeting of April 21, 2010

ORIGINATING DEPT.: San Diego Housing Commission

SUBJECT: Homeless Service Center and Housing Facility

COUNCIL DISTRICT: 2

REFERENCE: None

STAFF CONTACTS: Cissy Fisher, Vice President, Special Housing Initiatives,
San Diego Housing Commission
619-578-7585

REQUESTED ACTION: That the Land Use & Housing Committee (LU&H) forward to the City Council this recommendation to direct staff of the San Diego Housing Commission (the "Commission") and staff of the Centre City Development Corporation (CCDC) to enter into exclusive negotiations with the PATH/Affirmed team, as the preferred developer/operator, for the proposed acquisition and rehabilitation of the City of San Diego ("City")-owned World Trade Center (WTC) building for a homeless service center and housing facility.

STAFF RECOMMENDATION: Approve requested Action

SUMMARY: Following a comprehensive evaluation of the two viable proposals received in response to a Request for Proposals (RFP) issued in 2009 for the construction of a homeless service center and housing facility, the selection committee recommends that the City Council select the PATH/Affirmed team and program as the most responsive to the RFP objectives and the WTC building as the site most suitable, both financially and functionally, for the facility. The selection committee bases its recommendation on the PATH/Affirmed team's proven successful approach to providing services and permanent supportive housing, the integration of a federally qualified, high-quality medical service provider, the project's lower costs and amount of local funding required, the reliability of other proposed funding sources, the adaptive reuse of an existing available historic building, and the shorter schedule in which the center can begin operations.

FISCAL CONSIDERATIONS: Sale of the WTC will generate \$10 million in revenues for the City that could either be used to augment the General Fund if the property is leased or could be spent on capital improvements if the property is sold. Under the current proposal, there is no net impact to federal Community Development Block Grant (CDBG) and Emergency Shelter Grant (ESG) programs. The City

expends approximately \$780,000 in federal entitlement funding to operate two temporary emergency winter shelter programs and \$460,000 for operation of the Neil Good Day Center. One of the goals of the Homeless Service Center is to provide an alternative to the temporary winter shelter tents and the Day Center Facility. The City funds currently used by these activities are proposed to be used as annual operating support for the one-stop center to leverage private and other public funding to significantly increase current service and client capacity. The proposal will need local funding for both development and ongoing operating costs. The proposing team will ask the Commission for a development loan of approximately \$2 million and a pledge of rental subsidies for up to 75 units.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: The selection committee formed to evaluate the RFP responses included representatives from: City of San Diego; CCDC; Commission; Corporation for Supportive Housing; East Village Community Action Network; County of San Diego Health and Human Services; United Way; Downtown Residents Group; and San Diego Downtown Partnership.

KEY STAKEHOLDERS AND PROJECT IMPACTS: City of San Diego, healthcare agencies, social service agencies, educational institutions, civic organizations and faith-based agencies that provide services to homeless individuals and families will have a direct interest in this project. The change in use of the site from office to mixed-use will increase foot traffic in the area and provide clinical medical offices that could be accessed by nearby residents. [Note: PATH provides security and diligent oversight of outside activity at its sites to minimize impact on the surrounding community. Additionally, PATH will outreach to and prioritize accommodations to street homeless in the immediate vicinity.]

PROPOSED DEVELOPMENT TEAMS

ROLE	FIRM/CONTACT	OWNERSHIP
Project Lead	People Assisting the Homeless (PATH) Joel John Roberts	Nonprofit Corporation
Developer	Affirmed Housing Group James Silverwood	James Silverwood Privately Owned
Service Provider Partner	Family Health Centers of San Diego Fran Butler Cohen	Nonprofit Corporation

ROLE	FIRM/CONTACT	OWNERSHIP
Project Lead	Father Joe's Villages (FJV) Mathew Packard 619-446-2126	Nonprofit corporation
Development Consultant	Chelsea Investment Corporation	James Schmid Privately Owned
Service Provider Partner	St. Vincent de Paul Village	Nonprofit corporation

BACKGROUND:

According to the annual Point in Time Count conducted by the San Diego Regional Task Force on the Homeless on January 29, 2009, an estimated 4,338 individuals were found to be temporarily or chronically homeless in the City of San Diego with only roughly 2,359 year-round shelter beds. Roughly 800 of the homeless persons surveyed were found in the downtown zip code (92101) and a quarter of those surveyed were veterans. A majority suffered from mental illness, substance abuse, a physical or medical disability or a combination of the above.

Beginning in January 2008, the City Council's LU&H Committee convened a Permanent Homeless Facility Task Force. The purpose of the task force was to develop recommendations for: 1) identifying and evaluating possible sites for a permanent emergency shelter; 2) developing a list of the essential elements of a shelter; and 3) providing a draft Request for Proposals and/or Qualifications (RFP/Q) for the site. The task force met four times from 2008-2009 and consisted of members of the LU&H Committee as well as the Mayor's Office, United Way of San Diego ("United Way"), CCDC, Commission, and two community representatives.

Through research of best practice models and input from the community, the task force determined that the housing first/housing plus model should be utilized and the goal of the RFP/Scope of Services would be to propose a strategy to best address a variety of needs, based on practices of other jurisdictions and on ideas specific to San Diego, making optimum use of the limited resources available. The City Council approved the draft Scope of Services and designated the Commission to take the lead on issuing the RFP with the support of CCDC and the City.

On December 2, 2008, the City Council approved a draft RFP for site development and operation of a service center and housing for homeless and extremely low income persons (Attachment One). The Commission, collaborating with CCDC and City staff, issued the RFP on April 3, 2009 with a closing date of June 2, 2009. The intent of the RFP was to address homelessness by providing housing coupled with supportive services and consistency with the Housing First/Housing Plus Model as outlined in the 10-Year Plan to End Chronic Homelessness in the San Diego Region (PTECH). The scope was intended to encourage innovative ideas for a new level of response to the need for housing and services and migrate

away from the traditional open-bay shelter approach. The RFP did not specify a minimum or maximum number of beds but sought to allow for the eventual closure of the City's temporary winter shelter. However, the RFP did indicate that local funds in the amount of \$10 million had been committed from the City of San Diego Redevelopment Agency's ("Agency") Centre City Redevelopment Project Area for site acquisition, development and/or rehabilitation costs.

Respondents were asked to submit proposals for any or all of three categories: 1) a "one-stop" service center and/or emergency housing to be located downtown; 2) affiliated permanent supportive housing units; or 3) a feasible site or building under direct ownership of the responding entity upon which a "one-stop" service center, emergency housing and/or permanent supportive housing units could be constructed.

DISCUSSION:

In response to the RFP, three qualified proposals were received by the submittal deadline; one of these, a for-sale building, was subsequently deemed too small for the envisioned activities.

The selection committee voted (seven in favor, one abstention, one absent) to recommend the response received by a team consisting of Affirmed Housing Group ("Affirmed"), a local San Diego affordable/supportive housing developer and People Assisting the Homeless (PATH), a Los Angeles-based homeless service provider and Family Health Center of San Diego (Attachment Two). PATH is a California-based 501(c)(3) not-for-profit corporation organized in 1984 to meet the needs of homeless and at-risk homeless individuals. The organization's only board member is PATH Partners. PATH Partners helps communities design and deliver systems to address homelessness. In Los Angeles, PATH operates a "one-stop" homeless services center and outreach function as well as developing and operating affordable housing for homeless through its affiliate, PATH Ventures. For this project, PATH will operate the interim housing and service center, and provide residential service coordination.

The original submittal proposed a newly constructed one-stop homeless center including interim beds, permanent supportive housing units, a federally qualified medical clinic open to the public, and a full multi-service center including case management and support assistance. The proposal did not identify a site on which the project would be constructed.

As envisioned, PATH would provide management coordination of the daily operations of the one-stop center and will cultivate additional partnerships appropriate for the center's mission. ALPHA Project and Veterans Village of San Diego are members of the proposal team that will focus on offering services and managing the housing components. Affirmed Housing will manage the building rehabilitation process and the permanent supportive housing (with assistance from other partners). A major feature of the proposal is that Downtown Family Health Center (FHCS) will provide the medical clinic and services.

The second response was submitted by a team comprised of Father Joe's Villages (FJV), a local San Diego homeless center operator and service provider and Chelsea Investment Corporation ("Chelsea"), a local San Diego affordable/supportive housing developer. The team proposed new construction of a one-stop homeless center on a site located in the East Village District currently owned by FJV at 1402 Commercial Street, adjacent to the existing FJV complex. FJV would coordinate and provide services within the proposed one-stop multi-service center.

The two original proposals were reviewed and evaluated by the selection committee; each team was interviewed to clarify specific aspects of each team's proposal and understanding of the proposed capital and operating funding sources. Both teams were considered financially and organizationally capable of implementing the proposed project. However, following the interviews, the committee deemed both proposals financially infeasible as a result of a combination of high site acquisition and development costs and uncertain or unlikely availability of proposed public and private funding sources. The committee collectively agreed that recommending a project, regardless of its commendable programs and qualities, is ineffective if not financially feasible. As a result, the selection committee asked each of the two teams to submit modified proposals by November 13, 2009, which considered adaptive reuse of an existing building or buildings located downtown that could be rehabilitated, meet the teams' program needs and potentially require a lesser subsidy than new construction. The teams were permitted to identify up to two existing buildings that could accomplish their program and the RFP objectives.

The PATH/Affirmed team submitted the same concept proposal with an identified adaptive re-use site: the existing City-owned World Trade Center (WTC) building, located at 1250 Sixth Avenue in the Civic/Core district. The proposal satisfied the team's program requirements and potentially required less capital costs than new construction (Attachment Three).

The SVDP/Chelsea team declined to submit a new proposal. Rather the team disagreed with the selection committee's concern that several of the proposed funding sources were unlikely or unavailable and indicated that new funding sources may need to be substituted in the future as conditions change. The team also re-emphasized its belief that the creation of a minimum of 350 shelter beds is critical to mitigating the homeless crisis.

The selection committee reviewed and evaluated both final proposals based on evaluation criteria. Details of the committee's analysis are provided in Attachment Four.

PROJECT DESCRIPTION

The following is a summary of the two teams' proposals. [Note: the term "interim housing" as proposed in the PATH project means a flexible type of housing that can be used as emergency or transitional in nature, depending on the needs of the client.]

	<i>Committee Recommendation</i> PATH/Affirmed	FJV/Chelsea
Site Area	15,000 SF	47,758 SF
Maximum Floor Area Ratio (FAR) Permitted	10.0	3.0
Minimum FAR Required	6.0	2.0
Proposed FAR	8.53	2.53
FAR Bonuses Proposed	N/A	None.
Stories	14 stories	5 stories

Residential		
Supportive Units – Studios	75 units 47,000 SF	70 units 42,960
Interim Housing	150 beds 25,000 SF	SF
Emergency Housing	0 beds 0 SF	80 beds 21,480
Total Residential	225 beds 72,000 SF	SF
		<u>350</u> beds <u>22,366</u>
		SF
		500 beds 86,806
		SF
Average Affordability	33% AMI	30% AMI
Non-Residential		
Medical Clinic	13,600 SF	0
Multi-service Center	17,300 SF	SF
Admin Offices, Storage, Training	<u>13,400</u> SF	33,459
Total Non-Residential	44,300 SF	SF
		<u>0</u>
		SF
		33,459
		SF
Projected Rental Rates		
Supportive Units - Studios	\$876/mo. (w/ vouchers)	\$887/mo. (w/ vouchers)
Interim Housing	\$0	\$0
Number of Units Demolished	None.	None.
Inclusionary Housing Ordinance Compliance/		
Number of Affordable Units	225 beds	500 beds
Parking		
Required	0 spaces	51
Proposed	0 spaces	132 spaces
Assessor's Parcel Nos.		
World Trade Center: 534-055-0100,		
534-055-0200, 534-055-0400		
14th & Commercial: 535-614-1100		

Evaluation of the World Trade Center – The selection committee retained the services of Heritage Architecture and Planning (“Heritage”), a local firm specializing in historic designation and rehabilitation, and specialist sub-consultants to evaluate the structural integrity, mechanical systems, historical aspects and adaptive reuse potential for the City-owned structure as the homeless service center and housing facility. Heritage was provided with the PATH/Affirmed team’s proposed floor plans, building uses, services and residential capacities. The Heritage report concluded that the building, constructed in 1928 and originally known as the San Diego Athletic Club, is suitable for the proposed uses with certain

structural, code, accessibility and interior improvements required. The building is a historic resource listed on the City's Historic Register and was acquired by the City in 2004. The adjacent parking structured was added in 1969 and is not a listed historic resource. The building's design is primarily Art Deco with Gothic Revival details and is a rare example of the "New York Skyscraper" influence in San Diego. The building's interior finishes were significantly altered during the conversion of the building from athletic club to office space to the point where the original character of the interior is no longer evident and cannot be defined.

The majority of the historic detailing and cast-stone ornamentation on the building's exterior are still extant. Most of the roofing is in poor condition, beyond its life expectancy and in need of replacement. The building gravity load system appears adequate for the proposed combined office and residential uses. A determination of the extent, if any, seismic upgrades may be required can be made through a review of the original building drawings, if they can be located, or destructive testing of the roof-to-wall anchorage. The estimated cost of such testing is \$30,000.

The general condition of the existing mechanic equipment is good; however, some modifications are recommended to reduce energy consumption and to accommodate the proposed interior layout. The equipment capacity appears sufficient for the proposed uses. The installation of reverse chilled water and heating hot water loops at each floor is recommended to minimize the size of ductwork, maximize ceiling heights and allow many more temperature zones.

The existing water service to the building is adequate to support the proposed uses. New distribution piping and fixtures will be required on all floors and a new domestic water heating system will be required to support the residential use. Additional bathrooms with accessibility and showers will be required on each floor. The waste and drainage systems appear to be adequate.

Existing electrical loads should be adequate to serve the residential uses however new panel boards will likely be required in the basement and sub-basement, although there is more than adequate capacity.

Modernization of the two main elevators and modifications to the existing fire sprinkler and alarm system are required to accommodate the proposed interior layout.

Heritage prepared an opinion of probable costs for the required and recommended exterior and interior improvements to the building totaling approximately \$18 million of direct costs, roughly \$3.4 million less than the PATH/Affirmed team's estimate. Potential additional costs for seismic updates, if deemed required, cannot be accurately determined until a retrofit plan is prepared. The cost estimates prepared by both the PATH/Affirmed team and Heritage are reflected below in this report.

The Downtown PDO exempts living units (for incomes at or below 40% AMI) and transitional housing from parking requirements. The one-stop multi-service center and offices are also exempt from parking requirements as the WTC is an existing building. Employees of the project requiring parking could secure monthly parking passes from a number of nearby public parking facilities or the adjacent City-owned structure.

Housing Impact – The proposals have the potential to create between 225 and 500 new shelter or interim housing beds and permanent supportive studio housing units. No housing units are proposed to be lost in either proposal.

Project Budget and Financing – Each team submitted detailed construction and rehabilitation cost estimates in their proposals. The PATH/Affirmed team rehabilitation cost estimate was reviewed by Heritage and adjusted as deemed appropriate and reflected in the table below. The FJV/Chelsea team's cost estimate for new construction was reviewed by KMA and considered the shell construction costs to be less than comparable recently built projects of Type-III Modified construction. Absent a project design, further evaluation of the team's estimated costs is not practical.

The following is a summary of the two teams' proposed acquisition and development budgets and funding sources.

Estimated Capital Costs and Funding Sources			
	<i>Committee Recommendation</i>		FJV/Chelsea
	PATH/Affirmed		
	<i>Team's Cost Estimate</i>	<i>Heritage Cost Estimate</i>	<i>Team's Cost Estimate</i>
Costs:			
Direct Costs	\$21,494,000	\$17,992,000	\$27,796,000
Indirect Costs	4,348,000	4,348,000	5,335,000
Financing Costs	1,597,000	1,597,000	2,856,000
Site Acquisition	7,000,000 ⁽¹⁾	7,000,000 ⁽¹⁾	7,300,000
Total Costs	\$34,439,000	\$30,937,000	\$43,287,000
Funding Sources:			
Market Value of Tax Credits	\$13,959,000	\$13,959,000	\$16,032,000
VA Grant	1,500,000	1,500,000	0
Parking Infill Grant – Prop 1C *	0	0	2,800,000
HUD – SHP Grant	0	0	400,000
Multifamily Housing Program *	0	0	5,240,000
Affordable Housing Program	0	0	1,500,000
Emergency Housing Assistance *	0	0	1,000,000
Mental Health Services Act *	0	0	1,309,000
Deferred Developer Overhead Fee	157,000	157,000	0
Developer Land Note	0	0	1,300,000
Total Sources	\$15,616,000	\$15,616,000	\$31,581,000

Local Funding Gap:	\$18,824,000	\$15,322,000	\$11,706,000
Housing Commission ⁽²⁾	2,000,000	2,000,000	2,000,000
Agency Low/Mod Funds ⁽³⁾	10,000,000	10,000,000	9,706,000
Agency HH&S Funds ⁽⁴⁾	3,000,000	3,000,000	0
Unfunded Gap	\$3,824,000	\$322,000	\$0
* Sources KMA deemed unavailable or highly competitive	\$0	\$0	\$10,349,000
Revised Local Funding Gap:	\$18,824,000	\$15,322,000	\$22,055,000

⁽¹⁾ Estimated allocation of \$10 million acquisition cost for building only, without parking

⁽²⁾ Commission staff opinion of potential funding availability; subject to approval

⁽³⁾ CCDC commitment in FY 2010 Low/Mod Housing budget

⁽⁴⁾ CCDC staff opinion of potential funding availability from HH&S Program; subject to approval

As reflected in the table above, the committee and KMA considered several of the capital funding sources proposed by the FJV/Chelsea team to be either unavailable currently or in the near future or to be highly competitive with the prospect of requiring multiple applications rounds over two or more years with no certainty of success. Therefore, an adjustment was made for those funding sources considered unreliable resulting in a greater local funding gap requirement in the FJV/Chelsea submittal than that proposed.

The committee also evaluated the long term financial viability of each proposal's operations and management. The following tables summarize the estimated annual operating cash flows of each team's proposal. While the PATH/Affirmed program is relatively self-sustaining with relatively dependable funding sources, the FJV/Chelsea proposal relies heavily on the leveraging of existing SVDP staff and resources and raising large amounts annually from private donations.

Annual Operating Revenue and Expenses	<i>Committee Recommendation</i> PATH/Affirmed
Permanent and Interim Housing Revenue:	
Rent (including vouchers)	\$788,400
In Kind (Corporations, Faith and Community Groups)	\$655,200
Single Adult – Winter Shelter Funds	\$350,000
Veterans– Winter Shelter Funds	\$216,000
Other (Donations and Small Grants)	\$294,430
Total Housing Revenue	\$2,304,030
Housing Expenses	\$1,964,530
Net Operating Income from Interim and Permanent Housing	\$339,500
Service Center and Medical Clinic Revenue:	
Family Health Centers of San Diego (County/Federal Grants,	\$2,048,413

MediCal)	
In Kind (Corporations, Faith and Community Groups)	\$468,000
Veterans Village San Diego	\$24,000
City and Government Grants (CDBG, ESG, EFSP, HUD, VA, HOPWA)	\$400,000
Other (Donations and Small Grants)	\$223,915
Total Service Center and Medical Clinic Revenue	\$3,164,328
Service Center and Medical Clinic Operating Expenses	\$3,164,328
Net Operating Income from Service Center and Medical Clinic	\$0

Annual Operating Revenue and Expenses	FJV/Chelsea
Short Term and Permanent Housing Revenue:	
Rent (including vouchers)	\$714,332
St. Vincent's Leverage (existing staff and resources)	\$629,000
HUD SHP/MHSA Subsidy ⁽¹⁾	\$170,000
Fundraising Required ⁽²⁾	\$712,668
Total Housing Revenue	\$2,226,000
Housing Expenses	\$2,226,000
Net Operating Income from Short Term and Permanent Housing	\$0
Resource Center, Day Center and Emergency Shelter Revenue:	
Commission Funds ⁽³⁾	\$500,000
Existing Neil Good Day Center Funds	\$464,000
St. Vincent's Leverage (existing staff and resources)	1,178,000
Existing Local Winter Shelter Funds	\$680,000
Fundraising Required ⁽²⁾	2,207,000
Total Resource Center, Day Center and Shelter Revenue	\$5,030,000
Resource Center, Day Center and Emergency Shelter Expenses	\$5,030,000
Net Operating Income from Resource Center, Day Center and Shelter	\$0

⁽¹⁾ The selection committee and KMA consider SHP/MHSA subsidies unavailable.

⁽²⁾ The selection committee is concerned that the proposal relies on FJV's ability to raise nearly \$3 million annually in private funds to continue operations of the housing, shelter and resource center. The program is also heavily dependent upon the leveraging of existing SVDP resources and staff, potentially resulting in a need to raise additional private or public funds to continue operations at the proposed level.

⁽³⁾ Project Based Vouchers will subsidize the operating costs of the service center and housing; the applicant's projection is higher than what will be realized by these vouchers.

Disposition of Property – None proposed.

Participation by Agency –CCDC has committed \$10 million of the Agency’s FY ’10 Low/Mod Housing Funds for the site acquisition and construction/rehabilitation of the residential portions of the proposed project. CCDC also potentially has roughly \$3 million available in its Health and Human Services Loan Program for use toward the construction/rehabilitation of the one-stop service portions of the project.

Participation by the Commission – While the Commission does not presently have funds committed toward any of the site acquisition or capital improvement portions of this project, the Commission is pledging roughly 75 of its housing vouchers toward the permanent supportive units to assist with the center’s operations. At this time, Commission staff believes it may be possible to identify up to \$2 million of Commission funds to apply toward the project’s capital improvements. However, it should be noted that both proposals include assumptions that current City and Commission funding of the temporary winter shelter and day center program would be available for this project, which is not a certainty at this time.

Proposed Schedule of Performance – The project’s possible schedule is dependent upon the timing of local funding commitments in order to apply for Low-Income Housing Tax Credits and other public funds during their respective application periods. The next application of 9% tax credits is due on July 7, 2010. It is not likely that an agreement can be negotiated and executed and designs sufficiently developed in time to meet the July deadline. The next possible round will be in the spring of 2011. The following reflects the two teams’ proposed implementation schedules, adjusted for the likely timing of Agency and Commission funding approvals.

	<i>Committee Recommendation</i> PATH/Affirmed	FJV/Chelsea
RFP Award	June 2010	June 2010
ENA to begin negotiations	July 2010	July 2010
Execute agreements	October 2010	October 2010
Applications to alternative funding sources	October 2010 – April 2011	October 2010 – April 2011
Initiate schematic design / design development	October 2010	October 2010
LIHTC Award (if successful)	June 2011	June 2011
Submit Construction Drawings	August 2011	August 2011
Building Permits	October 2011	January 2012
Construction Start	November 2011	February 2012
Certificate of Occupancy	November 2012	February 2013-August 2013 ⁽¹⁾
Operations Begin	December 2012	March 2013-Sept. 2013 ⁽¹⁾

⁽¹⁾ While the FJV/Chelsea team’s proposal assumes a 12-month construction period, KMA’s construction subconsultant believes the proposed project’s site work and construction schedule is more realistically 18 months, possibly longer.

Project Benefits – The selection committee has identified numerous benefits of the PATH/Affirmed team proposal, its recommended team and project. Those benefits can be summarized as follows:

- *Housing and Services* – The PATH/Affirmed team’s proposal will provide quality and dignified housing for approximately 225 homeless individuals (150 interim beds plus 75 permanent supportive units) and critically needed medical and supportive services for thousands of very low-income and homeless individuals and families.
- *Cost and Schedule* – The PATH/Affirmed team’s proposed adaptive reuse of an existing available building results in reduced overall development costs and delivers a project ready for operations and occupancy nine months or more sooner than new construction.
- *Funding Availability* – The PATH/Affirmed team’s proposed project relies on funding sources, which are considered available and likely to be awarded by the selection committee and KMA. The proposal results in the lowest local financing gap and can likely be filled using Agency and Commission funds. The local gap has the potential of being further reduced if additional non-local funding sources are secured during the negotiation and design process.
- *Long Term Financial Sustainability* – The PATH/Affirmed team’s submittal proposes an operating model which is more financially sustainable for the long term and does not rely on unidentified or uncertain funding sources or private fundraising.
- *Housing First Model* – The PATH approach to providing supportive services and emphasis on permanent supportive housing is more closely aligned with the RFP’s objective of using the Housing First Model.
- *Environmental Sustainability* – The PATH/Affirmed team’s proposal to reuse an existing building is more environmentally sustainable than new construction, uses fewer natural resources, provides an opportunity for the recycling of materials, and retrofits an outdated facility with new energy and water saving systems.
- *Cash Flow to the City* – The sale or lease of the WTC building will result in much needed revenue to the City for City operations or infrastructure upgrades and relieves the City of the financial burden of the building’s ongoing operating and maintenance costs.
- *Historic Preservation* – The adaptive reuse of the WTC building, renovated in compliance with the Department of the Interior guidelines, will improve and preserve a locally-designated historic resource.

Parking Structure – The selection committee acknowledges that the City may prefer to sell the WTC building in combination with the adjacent parking structure and not retain ownership of the parking. If this is the case, the committee suggests the Agency consider acquiring the parking structure from the City using unrestricted tax increment funds for renovation or redevelopment. The Heritage study concluded that the ceilings of the parking structure are likely to contain asbestos and will require costly remediation prior to conducting any major maintenance or renovation of the facility. Further studies may be conducted to evaluate whether renovation or redevelopment is the best alternative. The parking structure does utilize the elevators of the WTC for vertical access so joint accessibility in its current configuration is required.

Other Considerations – The selection committee suggests the City consider either a sale of the WTC with payments scheduled over a period of two or more years, or a lease with an option to buy to maximize the amount of local funds available for the building’s rehabilitation.

The selection committee also took into consideration the current lawsuit against the City of San Diego in regard to the lack of shelter beds available downtown. Although the addition of a large number of shelter beds was proposed as a solution to the lawsuit, cities across the nation have found that a more effective approach is to increase the inventory of supportive housing rather than to increase shelter beds. The PATH/Affirmed proposal is based on the success of PATH and others that used this approach. Currently, Downtown has approximately 260 supportive units with 88 in development and 103 additional units pending approvals and funding.

Environmental Impact – At this time, there is no “project” under the definition set forth in CEQA Guidelines Section 15378 that would require environmental review. However, if the City Council chooses to enter into an ENA with the PATH/Affirmed team, then any proposed project or agreement resulting from the negotiations would be reviewed for consistency with the Final Environmental Impact Report (FEIR) prepared for the Downtown Community Plan and the appropriate additional environmental documents would be prepared for consideration by the decision-making bodies. Therefore, pursuant to CEQA Guidelines Section 15060(c)(3), this activity is not subject to CEQA.

Processing under the National Environmental Policy Act (NEPA) is not required at this time as no federal funds are implicated in the action to enter into an agreement with PATH/Affirmed for the proposed homeless service center and housing facility. Any proposed project resulting from the agreement will be reviewed under NEPA if federal funds constitute part of the financing.

CONCLUSION: Staff wishes to thank the citizen volunteers of the one-stop center selection committee for their diligent service to the City on this project. The committee is pleased to recommend the PATH/Affirmed proposal for the City’s first one-stop center for homeless services and housing.

Respectfully submitted,

Cissy Fisher, Vice President
Special Housing Initiatives
San Diego Housing Commission

Amy Benjamin, Homeless Coordinator
City of San Diego

Jeff Graham, Vice President
Redevelopment
CCDC

Attachments: 1. RFP
 2. Original PATH/Affirmed proposal
 3. Supplemental PATH/Affirmed proposal
 4. Proposal Evaluation Table
 5. KMA Financial Analysis of PATH/Affirmed proposal