



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: November 6, 2020

REPORT NO: HAR20-047

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of December 8, 2020

SUBJECT: Exclusive Negotiating Agreement and Predevelopment Loan for Predevelopment
Analysis for Property at Southeast Corner of Famosa and Nimitz Boulevards

COUNCIL DISTRICT: 2

REQUESTED ACTION

Authorize the San Diego Housing Commission (Housing Commission) on behalf of the Housing Authority of the City of San Diego (Housing Authority) to: (i) enter into an Exclusive Negotiating Agreement with Bridge Housing Corporation (Bridge); and (ii) make a Predevelopment Loan for the potential sale of property on the southeast corner of Famosa and Nimitz Boulevards.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize the San Diego Housing Commission's (Housing Commission) President and Chief Executive Officer (President & CEO), or designee, to enter into an Exclusive Negotiating Agreement with Bridge Housing Corporation (Bridge), which will include a predevelopment loan to Bridge in the amount of \$910,000.00 (Loan) to be used for predevelopment activities. If Bridge acquires the Property from the Housing Authority, the predevelopment loan shall be repaid to the Housing Commission at closing. However, if Bridge does not acquire the Property from the Housing Commission, the predevelopment loan shall be deemed repaid in exchange for Bridge assigning all of its interest in all reports, studies and plans pertaining to the Property, subject to any applicable third-party rights in such materials so assigned.
- 2) Authorize the President & CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and take such actions as are necessary and/or appropriate to implement these approvals.

SUMMARY

The Housing Authority owns the approximately 5.61 acres of real property on the southeast corner of Famosa and Nimitz Boulevards in zones RM-2-5 and RM-3-7, consisting of 12 parcels, located within the Peninsula Community Planning Area (Property).

The City of San Diego (City) acquired the Property in June 1874. On April 13, 1909, the Property was designated as a park by the City via City resolution No. 3664. In June 1956, the park designation for the Property was rescinded via City resolution No. 6906, which resolution was ratified by the required 2/3rds public vote approving ballot Proposition L on June 5, 1956. On July 6, 1981, the City sold the Property

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to the Housing Authority via resolution No. 254594, which specified the Property shall be used for the construction of no fewer than 78 low-income rental apartments.

In December 2017, the Housing Commission retained a consultant to study the Property's development potential. Although that analysis identified various land use constraints, the consultant concluded the Property could accommodate multifamily housing construction. In May 2019, the same consultant conducted a second and more thorough study of the Property, including reports from various due diligence engineering disciplines. This second analysis confirmed the Property, subject to additional analysis, could reasonably be considered for the development of at least 78 rental housing units.

Given the positive results of the preliminary feasibility studies, the Housing Commission issued a Request for Proposals (RFP) on August 29, 2019, for the potential development of high-quality, affordable rental housing on the Property. The RFP was posted on the Housing Commission's PlanetBids system. A total of 179 notifications were sent to registered vendors and firms. Twenty-four firms became plan holders. A pre-proposal meeting was held September 17, 2019, with representatives from two firms in attendance.

At the RFP's closing on February 27, 2020, the Housing Commission received two proposal responses from the below-listed firms:

Proposer	Responsive
Bridge Housing Corporation	Y
McCormick, Baron and Salazar, Inc.	Y

An Evaluation Committee (Committee) evaluated, scored, and ranked the responses to the RFP based on the following criteria: Project Plan, Project Related Experience, Strength of Development Team, Respondents Financial Capacity and Capability, Due Diligence Budget, Funds Requested and Proposed Terms. At the conclusion of the initial evaluation process, Best & Final Offers (BAFO) were requested from both firms. BAFO's were received August 26, 2020, and thoroughly reviewed. Subsequently, the Committee made the determination that Bridge's proposal provided the best overall value to the Housing Commission and entered into discussions and negotiations with them. Below is the proposal ranking summary for each firm. The summary represents the Committee's final ranking.

Proposer	Ranking
Bridge Housing Corporation	1
McCormick, Baron and Salazar, Inc.	2

The Committee recommends the Board authorize the Executive Director of the Housing Authority, or designee, to enter into an Exclusive Negotiating Agreement with Bridge, which will include a predevelopment loan in the amount of \$910,000.00 (Loan) to be used for predevelopment activities. The intent of the Loan is to assist Bridge in designing and determining the feasibility of a potential affordable housing project on the Property, which is anticipated to include not less than 78 rental affordable units (Project). In no event shall the Housing Authority or Housing Commission take any action that would foreclose any alternatives or mitigation measures with respect to any use of the Property, including the "no project" alternative. If Bridge acquires the Property from the Housing Authority, the predevelopment loan would be repaid to the Housing Commission at closing. However, if Bridge does not acquire the Property from the Housing Commission, the predevelopment loan will be

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deemed repaid in exchange for Bridge assigning all of its interest in all reports, studies and plans pertaining to the Property, subject to any applicable third-party rights in such materials so assigned.

The proposed terms of the proposed transaction have been determined to be fair and reasonable. Although the Housing Commission offered up to \$1,500,000 in an advance for due diligence activities subject to reimbursement upon close of escrow and purchase, after negotiations, the predevelopment loan will be capped at \$910,000. Should the contingencies to conveyance of the Property to Bridge be satisfied, Bridge shall repay the Housing Commission \$910,000.00 at closing.

The Project shall achieve sustainability and energy efficiency goals that exceed the minimum requirements of the California State Building Code and shall adhere to Green Building fundamentals, which shall be integrated into the Project's design and construction, while complying with all land use and zoning requirements.

Bridge has created a preliminary conceptual proposal for a potential project to be constructed on the site at the southeast corner of Famosa and Nimitz boulevards. This is not a definitive, final proposal. The conceptual proposal is subject to a thorough review by the City of San Diego and the community. During this type of process, it is common for a conceptual proposal to change substantially before it is finalized and potentially approved. The current conceptual proposal is for a potential development of 87 units with a mix of affordability, as described below.

Nine of the units are proposed to be affordable to households with income up to 100 percent of the San Diego Area Median Income (AMI); 22 units would be affordable to households with income up to 80 percent of AMI; 33 units would be affordable to households with income up to 60 percent of AMI; and 22 units will be affordable to households with income up to 40 percent of AMI. The development also would include one three-bedroom unrestricted manager's unit. A breakdown of the proposed one-, two- and three- bedroom units by affordability level is as follows:

Unit mix:

40 percent of AMI: 9 one-bedroom units, 8 two-bedroom units, and 5 three-bedroom units

60 percent of AMI: 14 one-bedroom units, 12 two-bedroom units, and 7 three-bedroom units

80 percent of AMI: 9 one-bedroom units, 7 two-bedroom units, and 6 three-bedroom units

100 percent of AMI: 3 one-bedroom units, 3 two-bedroom units, and 3 three-bedroom units

Unrestricted Manager's Unit: 1 three-bedroom unit

The estimated total development cost for this preliminary conceptual proposal is \$41,318,417 and is subject to change, depending on modifications to the proposal.

FISCAL CONSIDERATIONS

Bridge will receive up to \$910,000.00 as a predevelopment loan for due diligence and predevelopment activities.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

- The City acquired the Property in June 1874.
- On April 13, 1909, the Property was designated as a park by the City via City resolution No. 3664.

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- In June 1956, the park designation was rescinded via City resolution No. 6906, which resolution was ratified by the required 2/3rds public vote approving ballot Proposition L on June 5, 1956.
- On July 6, 1981, the City sold the Property to the Housing Authority via resolution No. 254594, which specified the Property shall be used for the construction of no fewer than 78 low-income rental apartments.
- On June 15, 2017, at the invitation of the Peninsula Community Planning Board (PCPB), Housing Commission staff made a presentation to the PCPB about affordable housing, and the PCPB approved a letter to then-Councilmember Lorie Zapf and the Housing Commission, signed by then Board Chair Jon Linney, supporting development of affordable workforce housing at the property at the southeast corner of Famosa and Nimitz Boulevards.
- On May 17, 2018, Housing Commission staff returned to the PCPB to provide a brief summary of progress to date on the Housing Commission's studies of the feasibility of developing affordable housing at property at the southeast corner of Famosa and Nimitz Boulevards.
- On June 24, 2018, Housing Commission staff returned to the PCPB for a special meeting, at which the Housing Commission provided a more formal presentation about the property at the southeast corner of Famosa and Nimitz Boulevards and affordable housing.
- On June 21, 2018, the PCPB sent a letter to then-Councilmember Lorie Zapf and the Housing Commission, rescinding the PCPB's previous letter of June 15, 2017.
- On July 19, 2018, the PCPB sent a letter to then-Councilmember Lorie Zapf, stating that, at this time, the PCPB takes no position in support of or opposition to development of the property at the southeast corner of Famosa and Nimitz Boulevards.
- On August 28, 2019, the PCPB voted to send a letter opposing development on the property at the southeast corner of Famosa and Nimitz Boulevards.

KEY STAKEHOLDERS and PROJECTED IMPACTS

The Project's stakeholders are residents of the Peninsula Community Planning Area, Bridge Housing Corporation, the future residents of the Project, the San Diego Housing Commission, the Housing Authority, and the City of San Diego.

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment because this does not constitute a final approval of the project. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. To the extent, the activity herein is a project, the Housing Commission has determined this activity would not have potential for causing a significant effect on the environment pursuant to CEQA State Guidelines Section 15262 (Feasibility and Planning Studies). A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. Before any further commitment is made to this project, an environmental analysis will be conducted. Further, to the extent the activity herein is a project, it is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) (Common Sense) which states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. The Common Sense Exemption is applicable where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. This would not, on its own accord, cause a significant effect on the environment.

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Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Michael C. Pavco

Michael C. Pavco
Senior Vice President
Development & Portfolio Management
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO APPROVING AN EXCLUSIVE NEGOTIATION AGREEMENT BETWEEN THE SAN DIEGO HOUSING COMMISSION AND BRIDGE HOUSING CORPORATION REGARDING THE REAL PROPERTY LOCATED AT THE SOUTHEAST CORNER OF FAMOSA AND NIMITZ IN THE PENINSULA COMMUNITY PLANNING AREA.

WHEREAS, in June 1956, the City of San Diego (City) sold approximately 5.61 acres of real property located at the southeast corner of Famosa and Nimitz Boulevards (Property) in the Peninsula Community Planning Area to the Housing Authority of the City of San Diego (Housing Authority) pursuant to City Council Resolution No. 254594, for development of 78 units of low-income rental housing on the Property; and

WHEREAS, the San Diego Housing Commission (Housing Commission) and Bridge Housing Corporation, a California nonprofit (Developer), desire to enter into an Exclusive Negotiation Agreement regarding the design and feasibility of a potential 78-unit affordable rental housing project on the Property (Project); and

WHEREAS, the ENA contemplates the Housing Commission providing a predevelopment loan to the Developer in an amount not to exceed \$910,000 (Predevelopment Loan) for predevelopment activities, which will be repaid to the Housing Commission if Developer acquires the Property; and

WHEREAS, if the Developer does not acquire the Property the Predevelopment Loan will be deemed repaid in exchange for Developer assigning its interest in all reports, studies, and plans regarding the Property; and

WHEREAS, the Property is not surplus land because the Housing Authority acquired the Property from the City Council for the express purpose of having 78 units of low-income affordable housing developed on the Property pursuant to City Council Resolution R-254594; and

WHEREAS, alternatively, to the extent the Property is surplus land, the Housing Authority may sell surplus land without compliance to any surplus land disposition laws if sold to a 501(c)(3) nonprofit for purposes of developing low and moderate income rental housing and allocating the net proceeds on low income housing projects pursuant to California Health and Safety Code sections 34315.7, 34320, and 34312.3; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority of the City of San Diego, as follows:

1. The President and Chief Executive Officer of the Housing Commission (President & CEO), or designee, is authorized and directed to sign the ENA.

2. The President & CEO, or designee, is authorized to execute such documents and perform such acts as are necessary to implement these approvals, in a form and format as approved by the Housing Commission General Counsel.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Katherine Anne Malcolm
Deputy City Attorney

KAM:soc
11/18/2020
Or.Dept: Housing Authority
Doc. No. 2528941



The City of San Diego
Item Approvals

Item Subject: Exclusive Negotiating Agreement and Predevelopment Loan for Predevelopment Analysis for Property at Southeast Corner of Famosa and Nimitz Boulevards.

Contributing Department	Approval Date
DOCKET OFFICE	11/09/2020

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	11/09/2020
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	11/09/2020
CITY ATTORNEY	MALCOLM, KATE	11/23/2020