

Attachment 8

April 5, 2022

Aimco/AIR Proposal for Additional Rental Housing Units at Mariners' Cove Apartments located at 4392 W. Point Loma Boulevard, San Diego, and a Two-Year Extension of July 1, 2022 deadline

Background:

As you know, the Aimco/AIR team has been working for many years to provide quality and much needed rental housing to Sports Arena and Point Loma areas of San Diego. The property currently consists of 500 apartments, at the following AMI levels:

100 rental homes restricted to 80% AMI (under HAP contract)	20%
200 rental homes restricted to 120% AMI	40%
<u>200 market rate rental homes</u>	<u>40%</u>
500 total rental homes	100%

Aimco/AIR has been a strong partner to the City of San Diego for many years. Mariners' Cove was built in 1984 and while well-maintained is nearing the end of its useful life. In 2015 the San Diego Housing Authority voted unanimously to extend the 1982 ground lease for 55 years with one 20-year option. In negotiating the ground lease, the SDHC's appraisal included the addition of some 252 units as well as escalating ground rent. The amended lease required an investment of \$25 million with the work to be completed by July 31, 2021, a date since extended to July 31, 2022.

However, after much consideration, due diligence, and work the Aimco/AIR team concluded that a better option for the city, its residents and the property is to invest approximately \$400 million and rebuild all the rental homes in lieu of rehabilitating the existing and dated buildings. This will result a brand new sustainable development with 772 apartments providing more housing options and affordability for San Diegans. In addition, the project will provide public infrastructure improvements, preservation of wetlands and open space, create construction jobs, provide about \$11 million in development and impact fees and serve as a catalyst to improve the surrounding neighborhood.

To provide a more fulsome economic benefit analysis and review the Keyser Marston Associates (KMA) analysis performed for the SDHC, we contracted with London Moeder Associates (LMA). We presented the LMA study at a December 2021 meeting with then President and Chief Executive Officer Richard Gentry and staff who requested that KMA and LMA meet to review both studies and provide conclusions. Gary London and Nathan Moeder at LMA have had such discussions with KMA.

After meeting and review LMA concluded that "*Aimco's proposed lease term is fair, and that the ground lease payments achieved by the city under the Aimco proposal are actually above market and favorable to the city.*" We are told that KMA agrees with the approach and methodology of this analysis. Both LMA studies are attached for your review.

We have also met with the mayor's office, members of the City Council and the Ocean Beach, Midway and Pacific, and Peninsula Planning Groups and received positive reviews.

Nevertheless, in an effort to achieve an agreement and at the SDHC's request for a counterproposal we have refined our scope and proposal per below:

New Proposal:

At this time, Aimco/AIR estimates the cost of this work would be \$400 million, to improve the value of the Property to the City and Housing Authority, as well as provide additional rental homes.

Aimco/AIR proposes the following terms for consideration by SDHC and the Housing Authority:

1. A commitment to a ground-up development of 772 new units, a 54% increase in homes on the site.
2. Ground rent being paid in 2022 remains the same until the redevelopment is completed and Mariners' Cove is stabilized.
3. Request a temporary cessation of the 3% CPI increase in ground rent until the redevelopment is completed and Mariner's Cove is stabilized. This pause would begin when demolition commences and helps offset the estimated and significant rental income loss of approximately \$8 million anticipated during the redevelopment. Additionally, construction costs have risen approximately 40% due to supply chain issues, inflation and the pandemic. The annual CPI (capped at 3%) increase to ground rent would resume once the development reaches stabilization.
4. While Aimco/AIR would prefer an extension of the lease term given the magnitude of our investment (with no public funds), we withdraw our request for a 99-year lease based upon SDHC's request. The lease period shall remain as in the existing lease.
5. We will preserve SDHC's option in 2040 to adjust the ground rent to market following the appraisal process required by the existing lease.
6. We will preserve the existing affordability requirements: 100 units with the HAP contract at 80% of AMI, and 200 units restricted at 120% of AMI.
7. Aimco/AIR will no longer require an option to move the HAP contract offsite so that 40% of rental homes will remain income restricted affordable housing. The market rate units will bring much needed "missing middle," workforce housing to San Diegans.
8. Aimco/AIR commits that all current residents subject to the HAP contract at 80% AMI will have the option to remain onsite throughout the redevelopment and will be relocated on the premises while the redevelopment is taking place through our expert property management services.
9. The redevelopment will replace the 300 affordable units with 300 brand new affordable units worth approximately \$518,000 each.
10. We will add five new affordable units at 60% AMI – a rental rate that is not currently offered on site. We request that these units are additive to the 772 proposed, for a total of 778 units.

11. The new development will be with the full approval of the City of San Diego, utilizing contemporary planning principles and architecture, provide dramatically improved sustainability and be a catalyst to improve the area.
12. Aimco/AIR will continue to make good faith efforts to work with the neighboring Barnes Tennis Center to add ~100 residential units on their site which will include ~10 affordable units.

We value the opportunity to work with you and the important opportunity to provide new housing in San Diego. We sincerely hope that there is a willingness to continue to work collaboratively with all parties to finalize the terms an agreement. To that end, we ask for a temporary two-year extension of the July 1, 2022 deadline to July 1, 2024, to continue the discussions and achieve a mutually beneficial agreement.

Timeline of Aimco/AIR Due Diligence

1. 12/5/2019 All-hands meeting with all staff and reviewers of the San Diego Development Services Department (SDDSD) (Preliminary Review)
2. 2/7/2020 Preliminary Review Submittal to San Diego Development Services Department (SDDSD) (Single-Discipline; Architecture)
3. 3/10/2020 Preliminary Review Submittal to SDDSD (Multi-Disciplinary; Architecture, Civil, Landscape and technical studies)
4. 3/11/2020 Presentation to Dr. Jennifer Campbell, Mayor's Office and San Diego Housing Commission
5. 3/18/2020 Meeting with Long Range Planning Division (LDR) over Coastal Height Overlay Zone, Setbacks, Gross Floor Area, and Floor Area Ratios
6. 4/28/2020 Presentation of high-level development plan to Ocean Beach Planning Group Board member Andrea Schlageter
7. 5/1/2020 Presentation of high-level development plan to Ocean Beach Planning Group Board member Chris Chalupsky.
8. 5/22/2020 Mandatory Initial Review Submittal to SDDSD
9. 5/27/2020 Presentation of development plan to Midway Pacific Highway Neighborhood
10. 5/28/2020 Received Comments from SDDSD on Preliminary Review Submittal (Single-Discipline; Architecture)
11. 6/12/2020 Received Comments from SDDSD on Mandatory Initial Review Submittal
12. 6/15/2020 All-hands meeting with all staff and reviewers of the San Diego Development Services Department (SDDSD) (Mandatory Initial Review)
13. 6/19/2020 Received Comments from SDDSD on Preliminary Review Submittal (Multi-Disciplinary; Architecture, Civil, Landscape)
14. 7/24/2020 Meeting with LDR-Transportation staff to review Traffic Impact Analysis
15. 8/5/2020 Meeting with Environmental Analysis Section (EAS) staff to review Environmental Impact Report (EIR) preparation, Notice of Preparation (NOP), and Scoping Presentation
16. 8/21/2020 1st Full Submittal to SDDSD (Architecture, Civil, Landscape, and technical studies)
17. 8/21/2020 Meeting with SDDSD Development Project Manager Martin Mendez
18. 9/8/2020 Project Deemed Complete by SDDSD based on meeting all the requirements within the 1st Full Submittal

19. 10/9/2020 Received Comments on 1st Full Submittal
20. 10/12/2020 All-hands meeting with all staff and reviewers of the San Diego Development Services Department (SDDSD) (1st Full Submittal)
21. 10/20/2020 Meeting with Long Range Planning Division (LDR) over Coastal Height Overlay Zone, Setbacks, Gross Floor Area, and Floor Area Ratios
22. 10/21/2020 Presentation to Ocean Beach Planning Board
23. 10/26/2020 Meeting with Metropolitan Transit System (MTS) staff for project review
24. 10/26/2020 Meeting with San Diego Association of Governments (SANDAG) staff to review open 1st Full Submittal related questions
25. 10/29/2020 Meeting with Long Range Planning Division (LDR)-Fire staff to review open 1st Full Submittal related questions
26. 12/2/2020 2nd Full Submittal to SDDSD (Architecture, Civil, Landscape, and technical studies)
27. 12/2/2020 2nd presentation to Ocean Beach Planning Board
28. 12/18/2020 Meeting with EAS staff to review Biological Technical Report (BTR)
29. 1/20/2021 Prepared and posted Notice of Preparation (NOP) and published Scoping Presentation for California Environmental Quality Act (CEQA)
30. 1/28/2021 Meeting with EAS staff to review Environmental Impact Report (EIR) preparation, Notice of Preparation (NOP), and Scoping Presentation
31. 2/4/2021 Meeting with Public Utilities Department
32. 2/11/2021 Meeting with SDDSD DPM, Martin Mendez, for project review comments status update
33. 2/22/2021 Public Review and Comment Period ends for CEQA received six letters
34. 2/23/2021 Long Range Planning Division (LDR) Submittal of Parking Demand Survey
35. 2/25/2021 Received Comments on 2nd Full Submittal from SDDSD (Architecture, Civil, Landscape, and technical studies)
36. 3/26/2021 Received Comments from Long Range Planning Division (LDR) Submittal of Parking Demand Survey SDDSD
37. 4/29/2021 All-hands meeting with all staff and reviewers of the San Diego Development Services Department (SDDSD) (2nd Full Submittal)

38. 6/25/2021 Submittal of the Biological Technical Report (BTR) to Environmental Analysis Section (EAS)
39. 8/10/2021 Response to LDR comments submittal with Vehicle Miles Traveled (VMT) analysis, Local Mobility Analysis (LMA), & Parking Demand Survey
40. 8/23/2021 Received comments on BTR from EAS
41. 8/31/2021 Meeting with SDDSD Director, Elyse Lowe, for project review comments status update
42. 9/10/2021 Received Comments from LDR Submittal of VMT analysis, LMA Analysis, & Parking Demand Survey
43. 10/1/2021 Meeting with EAS staff to review Biological Technical Report (BTR)
44. 11/4/2021 Submittal of 1st Screen check of EIR to EAS
45. 11/5/2021 Meeting with Metropolitan Transit System (MTS) staff for project review
46. 11/12/2021 Meeting with EAS staff to review Biological Technical Report (BTR)

Attachment B
LONDON MOEDER ASSOCIATES REPORT