

7.B-1

# REPORT

To the City Council and Redevelopment Agency Board  
From the Redevelopment Manager and City Manager

## EXECUTIVE SUMMARY

March 22, 2004

### Subject

El Camino Vera Street Affordable Housing Project

**Action Requested:** Affirm the recommendation of the Housing and Human Concerns Committee and authorize staff to enter into direct negotiations with First Community Housing/Habitat for Humanity for an Exclusive Right to Negotiate on the El Camino Real/Vera Street site.

### Issue

First Community Housing (FCH) and Peninsula Habitat for Humanity have submitted a joint development proposal for the development of the El Camino Vera Street site for an affordable housing project and have asked the Housing & Human Concerns Committee to recommend to Council that they be considered for an Exclusive Right to Negotiate (ERN) for the subject property.

The Committee was advised that they could recommend to Council that a RFP be issued to solicit proposals from multiple developers; or, they could recommend moving to the next step with FCH and enter into negotiations for an ERN.

### Major Finding

The HHCC members felt proposals from other developers would most likely be received in response to an RFP; but, there was no assurance the process would result in better proposal, either in terms of the strength of the development team, nor in the financial assistance requested. The Committee voted unanimously to recommend that the Council/Agency Board authorize staff enter into negotiations with FCH/Habitat for an ERN.

### Alternative

Direct staff to issue a Request for Proposals for the development of the subject property.

7. B-2

# REPORT

To the City Council and Redevelopment Agency Board  
From the Redevelopment Manager and City Manager

March 8, 2004

## **Subject**

El Camino Vera Street Affordable Housing Project

## **Recommendation:**

It is recommended that the City Council/Redevelopment Agency Board direct staff to enter into negotiations with First Community Housing for an Exclusive Right to Negotiate on the El Camino Real/Vera Street site for an affordable housing project, pursuant to the recommendation of the Housing and Human Concerns Committee.

## **Background**

On January 27, 2004, First Community Housing (FCH) and Peninsula Habitat for Humanity presented a joint development proposal to the Housing & Human Concerns Committee for the construction of an affordable, mixed-use, for-sale and rental housing project on the El Camino Real and Vera Street site. The project site is owned by the City (55%) and the Redevelopment Agency (45%). At the time of project development, the City will transfer its interest to the Redevelopment Agency. The Agency will subsequently transfer the site to the Developer approved by Council and the Agency Board. FCH proposed entering into an Exclusive Right to Negotiate (ERN) with the City and Redevelopment Agency in order to gain site control and apply for \$4.6 million in funding from the State through its Multifamily Housing Program (MHP). The HHCC referred the proposal back to staff for further analysis.

The HHCC also inquired about other developer interest in the site and the advisability of issuing an RFP. Staff responded that while an RFP had been considered, the FCH proposal indicated April deadlines for the MHP funding that precluded the issuance of an RFP if the deadlines were to be met. Subsequent discussions with FCH and the Agency's economic consultant Keyser Marston and Associates (KMA) have clarified some of the issues related to the MHP funding. According to KMA, applications for the MHP current round of funding are due April 6<sup>th</sup>. In order to maximize points, applications need to have 50% working drawings and all Planning Board approvals (with the exception of building permits). It is highly unlikely that FCH could meet this timeline. However, it is also anticipated that there will be other funding cycles in June and October. FCH could be in a very competitive position by then, and also be in a position to apply for the 9% tax credit program by June. Given this information, the question of whether or not to issue an RFP becomes more relevant and staff is seeking Council/Agency Board, as well as HHCC, input on the issue

## **First Community Housing**

FCH is a non-profit housing development corporation specializing in building eco-friendly, affordable housing. FCH's Vera Street proposal includes 75 rental units and 10 units of for-sale housing, and on-site resident services such as computer learning facilities, exercise rooms, free transit passes and community rooms, all to be constructed using prevailing wages. Staff and KMA reviewed FCH's proposal and met with FCH representatives for further clarification. FCH

is a strong candidate who has demonstrated the ability to create affordable housing and to create a land use mix that accommodates both for-sale and rental housing.

FCH has discussed the site with staff several times over the past two years. It was the partnering with Habitat that enabled them to develop a concept that integrated for-sale housing with rental units on the site, in accordance with City wishes. During this time period, other developers, namely Ecumenical Association for Housing (EAH) and Core Development Corporation also discussed plans for the site but determined the project mix of ownership and rental housing was not feasible. Very recently, another developer expressed interest, but was waiting for the RFP to be issued in order to submit a proposal.

Staff and Keyser Marston Associates met with FCH to review the economic issues related to an ERN. Issues related to density, parking requirements, the inclusion of efficiency units, the retail component, high construction costs and the City/Agency processes were discussed. FCH is in the process of revising the proposal based upon the discussion.

### **Request for Proposals**

During the past year a number of developers have expressed interest in developing the site. It is one of the few vacant sites available. If desired, the Agency can issue a request for proposal (RFP) to ensure that all interested developers have the opportunity to submit a proposal on the site. FCH will have the ability to submit a proposal as well and compete with other developers at that time. The RFP would request developer qualifications, project description, development time frames, preliminary designs and site plan, key tenant commitments, if any, and financing capacity and funding requirements.

If the Council wanted all or a higher percentage of ownership units vs. rental units, then it could be specific in the RFP and we would find out if anyone is prepared to build a project with a different mix.

Should the Agency decide to issue an RFP, the timeframe for the process to select a developer is approximately three to four months. This time frame allows up to three weeks to prepare the RFP; two weeks for public noticing requirements; one month for the acceptance of proposals; two weeks to one month to interview and recommend a developer; and, two weeks to one month for the Redevelopment Agency Board consideration.

The RFP process provides the City the opportunity to review several proposals that meet City policies and objectives. It would also provide for comparisons of the range of subsidy, if any, that may be required to make the project a reality. Some assurance would be provided that the proposal selected was competitive. The disadvantage of issuing an RFP, however, is the four months of lag time for the process. While it is very likely that other developers will express interest in developing this site, it is unknown whether they will be able to offer a competitive proposal.

### **Replacement Housing Requirements**

The purchase of this site included federal funds from both the CDBG and HOME programs, as well as redevelopment housing set-aside funds. The City/Agency demolished four low-income units when it cleared the site, triggering a federal requirement to replace the units one-for-one within three years from the date of demolition. Additionally, under the HOME program, the new units should be constructed within five years from the date funding is committed to the project. As was done with the Rolison Road site, the City can discuss the situation with HUD and

7.B-4

demonstrate its good faith to comply by showing HUD that the project is substantially underway. This can be done by entering into direct negotiations with a developer or by authorizing the issuance of an RFP to provide additional assurance, if needed, of the competitiveness of the development proposal ultimately selected.

### HHCC Recommendation

After consultation with Keyser Marston and FCH, staff went back to the HHCC and reported our findings on the MHP funding requirements and timeline. The Committee was advised that they could recommend to Council that a RFP be issued to solicit proposals from multiple developers, or they could recommend negotiating directly with FCH.

After some discussion regarding the scoring of the MPH funds and clarification from the developers, the Committee indicated they were ready to support direct negotiations with First Community Housing and Peninsula Habitat for Humanity. The Committee voted unanimously to recommend that Council/Agency Board authorize staff to enter into direct negotiations with FCH for an ERN.

### Alternative

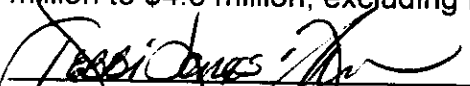
The Council could decide to issue an RFP.

### Planning Issues

The City Council and Redevelopment Agency purchased this property with the intention to build affordable housing. As the Council/Agency moves forward to implement this project, staff will also initiate actions to amend both the General Plan and the Zoning Ordinance. The current General Plan designation permits office and retail uses; the Zoning Ordinance allows residential use on the parcels fronting on Lincoln but not on the property fronting on ECR. Staff will probably recommend the creation of a Precise Plan for this site.

### Fiscal Impact

There is no fiscal impact to negotiating an ERN, other than staff costs and some consulting time from KMA. Financial assistance may ultimately be required if a development agreement is entered into. In anticipation of building an affordable housing project on the site, funds were allocated in the Fiscal Year 03/04 Redevelopment Housing budget. Additional funding will be recommended in the FY 04/05 budget. The development proposal indicated a subsidy requirement ranging from \$57,500 to \$102,000 per unit (including land), depending on the availability of MHP funding for the project (which equates to total assistance ranging from \$2.1 million to \$4.8 million, excluding land).

  
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Housing Coordinator

  
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Redevelopment Manager

  
Ed Everett  
City Manager

Attachment: Summary of Joint Development Proposal

7.B-5



**SUMMARY OF JOINT DEVELOPMENT PROPOSAL**

**El Camino Real at Vera Street**



**FIRST COMMUNITY HOUSING**

**&**

**PENINSULA HABITAT for HUMANITY**

**THE PROPOSAL**

First Community Housing will develop and provide seventy-five 100% affordable rentals for a period of at least 55 years; Peninsula Habitat for Humanity will develop and build ten for-sale homes affordable to low-income families. The FCH and Habitat proposals will be designed by the same award-winning architect and go through the planning process as one application.

**RENTAL UNIT TYPES**

Each of the five floors will be identical for increased construction efficiency and include efficiency units, 1BR, 2BR and 3BR units. Seventy percent of the units will be 2BR & 3BR, maximizing the point score for a "family" TCAC and MHP project. Unit Totals are:

Efficiency Units @ 425SF	= 15
1 Bedroom @ 650SF	= 07
2 Bedrooms @ 800SF	= 28
3 Bedrooms @ 1200SF	= 25
Unit Total	= 75

**RENTAL AFFORDABILITY**

The following rents are for an MHP project. 9% TCAC would be similar:

Efficiency: 6 @ 20% AMI:	\$373/month
Efficiency: 9 @ 40% AMI:	\$769/month
1BR: 3 @ 20% AMI:	\$393/month
1BR: 4 @ 40% AMI:	\$817/month
2BR: 7 @ 20% AMI:	\$461/month

7.B-6

2BR: 10 @ 40% AMI:	\$970/month
2BR: 10 @ 50% AMI:	\$1,224/month
3BR: 8 @ 20% AMI:	\$533/month
3BR: 8 @ 40% AMI:	\$1,121/month
3BR: 9 @ 50% AMI:	\$1,415/month
2BR MGR's UNIT @	\$1,224/month

**AMENITIES**

- On-Site Manager;
- On-Site Maintenance Person;
- Tenant "Eco-passes";
- Laundry Facility;
- Community Room/Lounge;
- Exercise Room;
- Computer Lab;
- Vending Room;
- Play structure on podium
- Picnic Tables/BBQ on podium;

**GREEN BUILDING:**

Both FCH and Peninsula Habitat are committed to green building and sustainability – in order to pass along energy savings to our residents and to increase indoor air quality. FCH is a member of the US Green Building Council and is nationally recognized as a leader in green building for affordable housing. We will work with the County of San Mateo Green Building Coordinator to investigate LEED certification for this development. Key green features proposed include:

- Roof-mounted photovoltaics for common area electrical needs;
- All "energy star" appliances;
- Gas heating and cooling;
- Linoleum and recycled content carpet floors;

**COSTS:**

Total Hard Construction Cost  
[which includes a 5% contingency] =  
\$14,962,500;

7.B.7

Total Gross SF: = 124,515SF;  
Cost/SF: = \$121/SF;

NOTE: This proposal incorporates paying Redwood City \$1,350,000 for the land @ Vera and El Camino.

**GROUND FLOOR RETAIL:**

The current plan includes 3,250SF of retail space on El Camino.

