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Title: Update on the Selection of a Developer for 2330 Monroe Street Affordable Housing Development (Housing Authority)

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Attachments: 1. 2330 Monroe Street RFP and Community Report, 2. Freebird Development Proposal, 3. Modified Proposal - 65 units, 4. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
9/11/2018	1	Council and Authorities Concurrent Meeting	Approved	Pass

REPORT TO HOUSING AUTHORITY

SUBJECT

Update on the Selection of a Developer for 2330 Monroe Street Affordable Housing Development (Housing Authority)

EXECUTIVE SUMMARY

Following an extensive community outreach process, a Request for Proposals (RFP) was issued for the development of 2330 Monroe Street located at the southeast corner of Monroe Street and San Tomas Expressway. Staff completed its review of the submitted proposals and is now recommending the selection of Freebird Development Company. Staff is requesting direction from the Council to begin negotiation of an Exclusive Negotiations Agreement for future Council consideration.

BACKGROUND

After redevelopment agencies (RDA) were dissolved on February 1, 2012, the City, as Housing Successor to the dissolved RDA, was designated to assume all housing assets (including land) of the former redevelopment agency and these assets were placed into a Housing Successor Fund. The Housing Successor must initiate development activities on any land that it obtained from the former RDA consistent with the intent to provide housing that is 100% affordable to persons and families of low and moderate income within five years after the Department of Finance confirmed the property as a housing asset. The 2.474-acre property located at 2330 Monroe Street is one of those properties (Property). It was confirmed as a housing asset by the Department of Finance on July 13, 2013, and the City's evaluation and selection of a developer properly initiates development activities within the appropriate time period.

Site Description

2330 Monroe Street is a vacant City-owned parcel at the southeast corner at the intersection of San Tomas Expressway and Monroe Street. The site is irregularly shaped, and slopes upward sharply from the Monroe Street sidewalk. The site

adjoins the rear yards of eleven (11) single family residential properties to the east and south on Sheraton Drive and El Capitan Ave. Multifamily development is located to the north on the opposite side of Monroe Street. A new City park is located to the west on the opposite side of San Tomas Expressway.

Land Use and Zoning

The site is currently zoned as Single Family (R1-6L). The land is designated as right-of-way on the General Plan Land Use diagram. Redevelopment of the site for new housing will subsequently require City Council and/or Planning Commission approvals of a General Plan Amendment, Rezoning, Architectural Review and California Environmental Quality Act (CEQA) and potentially National Environmental Policy Act (NEPA) review.

General Plan Consistency

Proceeding with the proposed development of the site for affordable housing will implement the City's General Plan. Section 8.12-7.1 of the Housing Element in the General Plan identifies the City's goals for neighborhood conservation, housing production, housing support, and housing opportunities. These goals include the following:

- Create and maintain high-quality, livable, and unique residential neighborhoods and preserve established single-family neighborhoods.
- Manage growth in the City by designating suitable vacant / underutilized sites for new residential development and ensure compatibility with community goals.
- Provide housing within the community for persons of all economic levels, regardless of religion, gender, sexual orientation, marital status, national origin, ancestry, familial status, source of income, or mental or physical disability.
- Provide an adequate variety of individual choices of housing tenure, type and location, including higher density where possible, especially for low and moderate income and special needs households.

Community Feedback

Because of the high degree of community interest and sensitivity related to use of the site for affordable housing prior to issuance of the RFP, a community engagement program was designed to inform the community about the RFP process and to allow the community to identify objectives for the site before a developer was engaged. Staff conducted a community meeting/workshop on December 7, 2017 with approximately 50 members of the public participating. The community workshop covered topics such as affordability; site layout and density; housing types; and amenities.

Following the community meeting, Staff conducted an online survey to allow for additional community participation and refinement of earlier input. This approach recognized the importance of community engagement and transparency, while allowing the City to obtain innovative development proposals that meet both City and community goals and leverage a very valuable City asset.

The outreach process emphasized community visioning and planning workshops that facilitated meaningful community engagement, identified community priorities, and gathered ideas from those who live and work in the projects areas. The Housing Division published all meeting materials online and prepared a full Community Visioning Report which included the input from all outreach activities. The Community Visioning Report recorded each and every piece of feedback received and was incorporated into the RFP (Attachment 1: 2330 Monroe Street RFP and Community Report). The developer's ability to address community concerns was listed as one of the selection criteria.

DISCUSSION

A RFP for the development of the Property was issued on March 30, 2018 and eight competitive proposals from highly qualified development firms were received by the May 31, 2018 deadline.

RFP Selection Timeline

Community Engagement	December, 2017
RFP Available	March 30, 2018
Question and Answer Period	April 16, 2018
Proposals due	May 31, 2018
Evaluation	June 18, 2018
Selection of Developer	June/July, 2018

The interview panel consisted of the following members: Assistant City Manager, Ruth Shikada; Director of Community Development, Andrew Crabtree; Community Development Housing Manager, Jonathan Veach; Community Development Planning Manager, Reena Brilliot; County Office of Supportive Housing, Consuelo Hernandez; and Housing Development Officer, Eric Calleja

Of the eight proposals, three Respondents were selected for an interview based on financial feasibility, financial competitiveness, and responsiveness to community feedback as presented in their proposals. The three finalists were: Freebird Development Company, Santa Clara County Housing Authority (SCCHA), and Premiant Development, LLC. Based on the interviews, Staff sent follow-up questions to both Freebird Development Company and SCCHA, the top two finalists. Ultimately, the interview panel made a unanimous decision to select Freebird Development Company as the recommended Developer.

Overview of the Freebird Proposal

Freebird Development Company, LLC ("Freebird"), a joint venture between experienced developers Robin Zimble and L+M Development Partners, Inc. ("L+M"), was selected as the recommended developer on the basis that Freebird has assembled a strong development team with demonstrated expertise in the delivery of affordable housing, a commitment to community accountability, and the creative skills needed to realize the community's vision for the site. As more thoroughly described in (Attachment 2: Freebird Development Proposal), Ms. Zimble is a leader in the affordable, mixed-income, and community development field with over 15 years of experience both the public and private sectors. Over the last 10 years, Ms. Zimble has overseen the development and closed on financing for over 1,850 units totaling over \$900 million in investment, including six projects in California and multiple mixed-income projects similar to the one proposed for 2330 Monroe Street.

The team architect, HKIT, has an extensive track record including award-winning work in the City of Santa Clara and throughout the Bay Area. The project's nonprofit general partner and resident service provider, Housing Choices Coalition, has strong local community connections, having been founded in the City of Santa Clara more than 20 years ago, and which are maintained through the organization's current service to an active network of hundreds of City of Santa Clara families of people with developmental disabilities.

The proposed financial structure for the project is very attractive for the City. The City will retain long-term ownership of the parcel through a ground lease. The terms of the ground lease are still to be determined, but the duration of the lease is likely to be 55 years and will provide ongoing revenue to the City in the form of residual cash flow receipts once the City's loan is repaid (anticipated in Year 35). Furthermore, the City will be able to minimize its capital contribution (\$4.5 million), leverage other federal and local subsidies (\$12.2 million), and provide the City a return of its principal plus interest at a rate of 3%. The following is a summary of the proposed financing structure:

Unit Mix			Permanent Sources	
	Total	Percentage		Amount
30% AMI	13	20%	Tax Credit Equity	\$ 9,628,467
50% AMI	8	12%	CalHFA Take-Out	\$ 15,205,168
60% AMI	13	20%	City of Santa Clara	\$ 4,466,535
80% AMI	9	14%	Measure A or MHP	\$ 2,606,829
100% AMI	11	17%	Deferred Developer	\$ 1,300,000
120% AMI	10	15%	Deferred Oper Res	\$ -
Manager	1	2%	Deferred Rep Res	\$ -
Total	65	100%	Total Sources	\$ 33,206,998

Freebird's proposal to provide housing for moderate-income, "workforce" households responds to the community's desire to create homes in the City for people who work in a variety of much-needed lower-paying jobs-jobs. The City's existing market rate rental housing is out of reach for many

working families, including those supported by workers in public service, health care, education, retail, hospitality, and social services. While workers in the lowest-paid jobs (from minimum wage to 60% AMI) can apply for five-year wait lists for affordable housing, families in the 60% to 120% AMI range are excluded even from typical affordable housing.

A unique aspect of Freebird's proposal is its set-aside of 20% of the units for Santa Clara's growing population of adults with developmental disabilities. This provision would address a previously unmet goal of the City's 2014-2022 Housing Element: to collaborate with developers to create inclusive housing for people with developmental disabilities served by San Andreas Regional Center.

Finally the proposal shows that Freebird recognizes the importance of community engagement, input and response, and will work closely with the community to better shape the project and garner support. The proposal's Community Engagement Plan presents an extensive community engagement strategy with five (5) community meetings during the initial design phase and quarterly project updates post entitlements. Ms. Zimble and Housing Choices Coalition together also employed a similar strategy in Sunnyvale to gain community support for the preliminary design concept for a 90-unit project at Mathilda and Iowa Avenues, directly across the street from an affluent, single family community.

In response to community concerns about privacy, the proposed project utilizes several mitigating measures including placing the density along Monroe Street with a generously sized "All Abilities" play area, courtyard, and surface parking between the bulk of the building and the neighboring single family homes, large setbacks from Monroe and San Tomas, a sound barrier between Monroe and the new building, and an attractive privacy fence along the property line shared with the neighboring single-family homes.

It is important to note that the development proposal is flexible. Given the Community Visioning Report and the limited available public subsidy, Freebird proposed a two-story, 55-unit project that reflects community input and is financially feasible. If through further community engagement process there is support for more units and development of three stories on all or a portion of the site, Freebird could potentially increase the unit count as described in (Attachment 3: Modified Proposal - 65 units).

If the Council authorizes staff to proceed with Freebird Development, an Exclusive Negotiation Agreement (ENA) with Freebird will be prepared for future Council consideration. After an ENA is authorized, there will continue to be engagement opportunities for the public. Redevelopment of the site for new housing will subsequently require City Council and/or Planning Commission approvals of a General Plan Amendment, Rezoning, Architectural and Environmental Review. Staff will continue to work closely with community members and other interested stakeholders throughout these processes

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

There is no cost to the City for the RFP process other than administrative time and expense

addressed within the City's operating budget. As noted above, implementation of the proposed project would generate ongoing revenue to the City's Affordable Housing Fund.

COORDINATION

This report has been coordinated with the Department of Finance and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

On December 7, 2017, the City's Housing and Community Services Division held a community engagement workshop at City Hall to discuss plans for the future development of the Site. Approximately 50 community members heard a presentation from City staff and participated in guided workshops covering a range of topics

In addition to the workshop, the Housing Division published all meeting materials online and issued an online survey to collect feedback. The full Community Visioning Report is included with the RFP as Attachment 1.

ALTERNATIVES

1. Note and File Staff's Recommendation of Freebird Development's Proposal for the Development of 2330 Monroe Street
2. Direct Staff to initiate an Exclusive Negotiation Agreement (ENA) with Freebird Development, for future Council consideration
3. Any other Council direction

RECOMMENDATION

Alternatives 1 & 2:

1. Note and File Staff's Recommendation of Freebird Development's Proposal for the Development of 2330 Monroe Street.
2. Direct Staff to initiate negotiation on an Exclusive Negotiation Agreement (ENA) with Freebird Development for future Council consideration.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. 2330 Monroe Street RFP and Community Report
2. Freebird Development Proposal
3. Modified Proposal - 65 units