

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: June 19, 2020

CAO File No. 0220-00540-1443

Council File No. 19-1061

Council District: 11

To: The Mayor  
The Council

From:  Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated February 18, 2020; Received by the City Administrative Officer on March 6, 2020; Additional Information Received through June 18, 2020

Subject: **REQUEST FOR APPROVAL TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE DEVELOPMENT OF SUPPORTIVE HOUSING ON THE CITY-OWNED PROPERTY AT 3233 SOUTH THATCHER AVENUE**

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### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Note and file the Housing and Community Investment Department (HCID) transmittal dated February 18, 2020 (Report) relative to the request to execute a Disposition and Development Agreement (DDA) for the development of supportive housing on the City-owned site located at 3233 South Thatcher Avenue; and,
2. Authorize the General Manager of the HCID, or designee, to negotiate and execute a DDA with the selected developer Thomas Safran & Associates Development, Inc. (Developer) for the City-owned site located at 3233 South Thatcher Avenue (APN: 4229-002-901), or the Developer's to-be-formed Limited Partnership as a condition of financing, based on the Key Terms and Conditions negotiated with the Developer and attached to this report and in substantial conformance with the Draft DDA template attached to the HCID's Report.

### SUMMARY

The Housing and Community Investment Department (HCID) requests authority to negotiate and execute a Disposition and Development Agreement (DDA) with Thomas Safran & Associates Development, Inc. (Developer) for the development of affordable housing on the City-owned property located at 3233 South Thatcher Avenue (Property) in Council District 11. Subsequent to the release of their transmittal dated February 18, 2020 (Report), the HCID confirmed that there was a typographical error in the Assessor's Parcel Number (APN) for the subject Property. The

APN has been corrected in the recommendation of this report.

The Developer was selected from a Request for Qualifications/Proposals (RFQ/P) process for the development of affordable and supportive housing on City-owned parcels, including the subject Property, as described in the HCID's Report. The HCID entered into an Exclusive Negotiation Agreement (ENA) with the qualified Developer on March 7, 2017 and is now requesting authority to execute a DDA with the Developer, based on the Key Terms and Conditions contained in the Term Sheet attached to this report. The project will result in 97 affordable housing units for individuals and families and one unrestricted manager unit. The HCID indicates that 49 of the 97 affordable units will be set aside for homeless individuals and families.

### Ground Lease Terms

In accordance with the Housing Development Land Conveyance Policy approved by City Council on November 8, 2017 (C.F. 17-0862), the HCID will utilize long-term ground leases for development of affordable housing projects on publicly owned land by executing a DDA and Ground Lease, where feasible. The subject Property will be transferred to the Developer through a long-term Ground Lease with a maximum term of 99 years. Subsequent to the release of their Report, the HCID provided a revised Term Sheet to incorporate revisions related to the ground lease terms for the project after this Office raised concerns that a base annual ground lease payment of \$10,000 and residual receipts rent for the first 67 years of the Ground Lease increases the development costs for affordable housing. After discussing multiple options with this Office, the HCID agreed to revise the Term Sheet to reflect the following changes: 1) reduced the annual rent of the ground lease from \$10,000 to one dollar; 2) removed residual receipts rent charged; and, 3) reduced the initial term of the ground lease from 67 years to 55 years to accord with California law. The Developer agreed to the revised Ground Lease terms. This Office concurs with the Department's recommendations as amended to incorporate the revised Term Sheet (Attachment).

### **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. Potential project funding sources include State tax-exempt bonds, State grants and/or loans, State tax credits, private financing, Project-Based Section 8 vouchers, and a Proposition HHH Supportive Housing Loan, among others. There is no additional cost to the City, and no funding commitments are being made at this time.

### **FINANCIAL POLICIES STATEMENT**

The recommendations in this report comply with the City's Financial Policies.

*RHL:MOF:02200141c*

Attachment