



CITY COUNCIL AGENDA STATEMENT



December 18, 2018

File ID: 18-0542

TITLE

- A. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AUTHORIZING THE RELEASE OF A REQUEST FOR QUALIFICATIONS/PROPOSALS FOR THE DEVELOPMENT OF 707 F STREET AND 750 E STREET

- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A REIMBURSEMENT AGREEMENT WITH SAN DIEGO METROPOLITAN TRANSIT SYSTEM TO EQUALLY SHARE COSTS FOR ECONOMIC, MARKET, AND FINANCIAL CONSULTING SERVICES FOR THE SOLICITATION AND EVALUATION OF DEVELOPER QUALIFICATIONS AND PROPOSALS FOR THE DEVELOPMENT OF 707 F STREET AND 750 E STREET

- C. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY AND KEYSER MARSTON ASSOCIATES, INC. IN AN AMOUNT NOT-TO-EXCEED \$72,000 FOR ECONOMIC, FINANCIAL, AND MARKET CONSULTING SERVICES FOR THE SOLICITATION AND EVALUATION OF DEVELOPER QUALIFICATIONS AND PROPOSALS FOR THE DEVELOPMENT OF 707 F STREET AND 750 E STREET

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

The City of Chula Vista is proposing to coordinate with San Diego Metropolitan Transit System (MTS) to release a Request for Qualifications/ Proposals (RFQ/P) to solicit developer qualifications and proposals for the development of City-owned 707 F Street and MTS-owned 750 E Street. Staff is also recommending entering into a Reimbursement Agreement with MTS to equally share the costs for professional economic, financial and market consulting services to evaluate developer proposals. In addition, staff recommends entering into an agreement with Keyser Marston Associates, Inc. for \$72,000 for economic, financial and market consulting services to solicit and evaluate developer proposals for City-owned 707 F Street and MTS-owned 750 E Street in Chula Vista.

ENVIRONMENTAL REVIEW

The proposed activity has been reviewed for compliance with the California Environmental Quality Act (CEQA) and it has been determined that the activity is not a "Project" as defined under Section 15378 of the

state CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Notwithstanding the foregoing, it has also been determined that the activity qualifies for an exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

Background:

The City-owned property located at 707 F Street in Chula Vista was previously used as the City's Public Works Corporation Yard and has not been utilized for that purpose since approximately 1999 when the City's Public Works administration and operations uses were relocated to 1800 Maxwell Road. Since vacating the approximately six-acre property, the City has utilized it for various purposes. Over the last nearly 20 years the site has been leased to organizations such as a sand and gravel operation and food storage and distribution services provided by South Bay Community Services. Improvements to 707 F Street have outlived their useful life and demolition of the site is expected in the first quarter of calendar year 2019.

Directly north of and adjacent to the City-owned 707 F Street, is the E Street Transit Center at 750 E Street, which is owned by the San Diego Metropolitan Transit System (MTS). This site is approximately four acres and provides ancillary support for the UC San Diego Blue Line Trolley. The site is currently improved with 267 vehicular surface parking spaces, bus transfer terminals and a small building currently occupied by Cool Down Coffee. Given the underutilization of both the 707 F Street and 750 E Street sites, City-staff and MTS-staff have discussed coordinating efforts to jointly solicit development proposals from potential developers for both City- and MTS-owned properties. MTS Board action indicating support of the City releasing a RFQ/P for both sites is required and will take place prior to the City releasing said RFQ/P.

In April 2007, the City adopted the Urban Core Specific Plan, which establishes land use and development standards applicable to approximately 1,700 acres in Western Chula Vista. This Specific Plan was subsequently amended in 2011 and 2015. The 707 F Street and 750 E Street properties are located within the Urban Core 15 (UC-15) District of the Urban Core Specific Plan. The UC-15 District is identified as the E Street Trolley Transit Focus Area. The Urban Core Specific Plan establishes that primary land uses in the UC-15 District are: mixed-use residential, residential; office (not allowed on the ground floor façade, except for access); and hospitality. A comprehensive list of permitted, conditionally permitted and prohibited uses is available within the Urban Core Specific Plan Land Use Matrix (Attachment 1).

Development standards for the UC-15 District provide for a minimum Floor Area Ratio of 4.0 and a maximum Floor Area Ratio of 6.0. Minimum building height for the sites is 45 feet or approximately 4 stories and maximum building height is established at 210 feet or approximately 20 stories. Additional development standards such as setbacks, open space requirements and parking regulations are established by the Land Use & Development Standards section of the Urban Core Specific Plan (Attachment 2).

The vision for the E Street Trolley Transit Focus Area is to develop a robust mix of multi-family residential (for rent or for sale), office, retail and hospitality uses at high densities. Despite underutilization of the 707 F Street site since approximately 1999, the City had been reluctant to pursue its redevelopment. This was due to market conditions in Western Chula Vista that were unable to support the development types and intensities envisioned for the property.

Currently, western Chula Vista is experiencing a significant revitalization with momentum surging to redevelop vacant and underutilized properties. Much of this momentum is sustained by projects like the 1,600-room Gaylord Hotel and associated 275,000 square foot convention center at the Chula Vista Bayfront, which are anticipated to break ground in early 2020. Milestones achieved to redevelop the Bayfront have and continue to function as a catalyst for other redevelopment projects in Chula Vista. In fact, the city currently has more than 1,000 residential units in design or development in Western Chula Vista alone. With market conditions improving, the opportunity exists to attract revenue and employment-based development proposals for the 707 F Street and 750 E Street sites.

Request for Qualifications/Proposals (RFQ/P):

The proposed RFQ/P solicits developer qualifications and proposals for the development of 707 F Street and 750 E Street. Staff proposes to prioritize the preferred land use composition and intensities for the City-owned 707 F Street property. For example, staff recommends having a higher preference for employment generating uses that also provide long term revenue. The following land uses are in order of priority from highest to lowest:

1. Office
2. Hotel
3. Retail
4. Market Rate Housing – For Rent
5. Market Rate Housing – Sale of Planned Unit Development/Condominiums
6. Affordable Housing

It is anticipated that 750 E Street (MTS-owned) may reverse the City priority list, based on a recent update to a MTS policy that supports prioritizing their sites for affordable housing. The priority list for MTS could look more like this following list:

1. Affordable Housing
2. Market rate rental housing
3. Office
4. Hotel
5. Retail

The difference in priorities further support the coordinated solicitation of qualifications and proposals for these two properties as they are complimentary to each other and should be jointly planned, phased and developed as one coordinated master plan development.

Furthermore, staff recommends prioritizing transactions that lease the site for development because that will result in on-going long term revenues to the City verses a sale that generates one time revenue. Some

asset classes will require the sale of land (i.e. for-sale residential) but priority will be given to those who propose long term ground leases for office, hotel, retail and rental housing. MTS has indicated that it will not entertain any proposals resulting in the sale of MTS-owned property.

The solicitation is designed to identify the most qualified development team(s) who share the vision of the City and MTS. The most qualified development team(s) who share the principles identified above will be invited to work with staff on the development of a more fully developed proposal. The intent of the solicitation is to find the most qualified partner(s) who are willing and able to work collaboratively with MTS and the City on the development of a master plan that is financially viable and able to be implemented.

Reimbursement Agreement with MTS:

To solicit and evaluate developer proposals for development of 707 F Street and 750 E Street, both the City and MTS require the expertise of economic, market and financial consulting services to assist in developing the RFQ/P, evaluate developer proposals, negotiate with developer(s) and structure potential transactions. City staff proposes entering into a Reimbursement Agreement with MTS (Attachment 3) to equally share the payment of costs for the City to procure the services to the benefit of both agencies.

Agreement with Keyser Marston Associates, Inc. for Economic, Financial and Market Consulting Services:

Pursuant to Chula Vista Municipal Code Section 2.56.090 (Contracts for supplies, equipment, or services of \$100,000 or less), the City released a Request for Qualifications (RFQ) to solicit consultants to provide economic, market and financial consulting services to the City through its competitive bidding process. The City received eight responses to the RFQ. A rating panel consisting of the City's Finance Director, Economic Development Director and Senior Economic Development Specialist evaluated responses and short-listed three consultants with the ability and qualifications to provide the City with these services. The three short-listed consultants include: Keyser Marston Associates, Inc.; Kosmont Companies; and Jones, Lang LaSalle. These consultants will remain on an as-needed/on-call eligibility list for a period of five years. During that time, the City may select any of these three consultants to provide services on projects.

City and MTS staff agree that for the purposes of soliciting and evaluating developer qualifications and proposals for 707 F Street and 750 E Street in Chula Vista, Keyser Marston and Associates, Inc. is the most appropriate and qualified to provide consulting services. This is due to several factors, including: 1) the consultant's history and experience working on projects in Chula Vista; 2) the consultant's history and experience working as a consultant to the City and MTS; and 3) cost. The projected cost for Keyser Marston Associates, Inc. to provide economic, market and financial consulting services to solicit and evaluate developer qualifications and proposals for 707 F Street and 750 E Street is \$72,000. Pursuant to the reimbursement agreement with MTS, the City and MTS would each be equally responsible for half the projected cost of services, which is \$36,000. The City proposes entering into both the Reimbursement Agreement with MTS and the professional services agreement with Keyser Marston Associates (Attachment 4) whereby the City would administer the contract with Keyser Marston Associates and MTS would reimburse the City for half the cost.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter. A conflicts map identifies that no property holdings of the City Council are located within 500 feet of the subject properties at 707 F Street and 750 E Street (Attachment 5).

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. Solicitation of developer proposals in coordination with MTS for City-owned 707 F Street and MTS-owned 750 E Street, as well as procuring professional services to solicit and evaluate proposals with the cost of those services equally shared by the City and MTS is in direct alignment of the City's strategic goal of ensuring economic vitality as the City seeks to leverage and fully utilize its real property assets.

CURRENT-YEAR FISCAL IMPACT

There will be no impact to the General Fund for this project given that funds have been allocated in the fiscal year 2019 budget to procure professional consulting services for economic, financial and market analysis with reimbursement of half those costs provided by MTS. The total cost of the contract is \$72,000 with MTS committing to reimburse the City for half the cost. Therefore, the cost to the City is \$36,000.

ONGOING FISCAL IMPACT

Costs for procuring professional consulting services for economic, financial and market analysis are not anticipated beyond fiscal year 2019 and therefore ongoing fiscal impact is not anticipated.

ATTACHMENTS

1. Urban Core Specific Plan Land Use Matrix
2. Urban Core Specific Plan – Land Use & Development Standards
3. Reimbursement Agreement with MTS
4. Professional Services Agreement with Keyser Marston Associates, Inc.

Staff Contact: Kevin Pointer, Senior Economic Development Specialist