



CITY COUNCIL AGENDA STATEMENT



October 20, 2020

File ID: 20-0423

TITLE

REPORT ON THE JOINT REQUEST FOR QUALIFICATIONS/REQUEST FOR PROPOSALS SOLICITATION FOR THE CITY-OWNED 707 F STREET AND SAN DIEGO METROPOLITAN TRANSIT SYSTEM-OWNED 750 E STREET

RECOMMENDED ACTION

Council receive the report.

SUMMARY

In April 2019 the City of Chula Vista, in partnership with the San Diego Metro Metropolitan Transit System (MTS), released a Request for Qualifications/Request for Proposals (RFQ/RFP) to solicit the most qualified development partners that would develop a high density, mixed-use, transit-oriented development on the City-owned 707 F Street and MTS-owned 750 E Street. The solicitation process concluded in January 2020 with the City and its partners having analyzed qualifications and proposals from four development teams. While the City and its partners concluded their evaluations and ranked the development teams in the order of the most to least qualified, state law known as Assembly Bill 1486 was enacted and effectively halted the City's ability to pursue partnerships with any of the development teams without first going through a different process than was utilized through this solicitation.

As part of Assembly Bill 1486, which was codified as the Surplus Lands Act, new regulations that promote the development of affordable housing became effective just prior to the onset of a global pandemic. Based on the impact of these regulations, coupled with the economic impact of the pandemic, staff has suspended consideration of all proposals received in response to the RFQ/RFP solicitation for the City-owned 707 F Street and MTS-owned 750 E Street.

DISCUSSION

On April 18, 2019 the City of Chula Vista, in partnership with the San Diego Metropolitan Transit System (MTS), released a phased Request for Qualifications/Request for Proposals (RFQ/RFP) to solicit development partners that would construct a high density, mixed-use, transit-oriented development on the City-owned 707 F Street and MTS-owned 750 E Street. Together, the sites constitute approximately ten acres and are located directly adjacent the Blue Line Trolley, with E Street to the north and F Street to the south. Cumulatively, the sites comprise nearly one full city block. At the conclusion of the first phase of the City-led RFQ/RFP solicitation period on July 31, 2019, the City received development proposals from four development teams seeking to partner with the City and MTS for development of the sites. The development

teams include Affirmed Housing; Grapevine Development; MountainWest Real Estate; and, Thomas Safran & Associates.

Selection Criteria and Ratings

The RFQ/RFP outlined the selection criteria in the solicitation (Attachment 1 – “RFQ/RFP” Pp. 20-22). The phased approach to the RFQ/RFP was strategic. Phase I of the solicitation was designed to evaluate the qualifications of each development team by assessing each team’s experience and credentials in planning, designing, financing and constructing high density, mixed-use development projects. During Phase I, a team of raters was assembled that included staff from both the City and MTS. These raters ranked all four development teams and determined they all met the minimum qualifications. While all four teams were scored and the RFQ had only assumed a maximum of three proposals to move forward, staff decided to invite all four developers to participate in Phase II. As a result, in September 2019 (prior to the effectiveness of Assembly Bill 1486), all development teams were provided a 90-day period to develop more fully conceptualized development proposals for the sites. The 90 days concluded on December 3, 2019 with the City having received Phase II submissions from all four development teams.

Phase II of the RFQ/RFP was designed to exact specific development proposals from each development team to validate the feasibility of their vision and review their basic financial pro-forma. During Phase II of the process, a Selection Committee was assembled and comprised of: City staff; MTS staff; the City’s Economic, Market and Financial Analysis consultant, Keyser Marston Associates; and two outside developers with experience in developing, residential, retail, industrial, office and hotel projects throughout the United States, California and Chula Vista. On December 9, 2019 the Selection Committee met with all four development teams and received presentations on each team’s vision for the sites, including each team’s financing structure for the proposed developments. In evaluating each development proposal during Phase II, the Selection Committee assessed the composition, configuration and characteristic of each proposed development, as well as the ability for each development to be financed and constructed. In January, each member of the Selection Committee completed quantified analyses and ratings for each of the team’s development proposals.

The evaluations were conducted pursuant to the land use, economic and financial objectives of each agency. The City favored development and long-term leasing of 707 F Street to developers and operators in comparison to a near-term sale but would nonetheless entertain lease-purchase agreements or immediate disposal of its site. The City’s objectives for 707 F Street, in order of priority from highest to lowest are:

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

MTS’s objectives for 750 E Street favor development of the aforementioned land uses in the opposite order of priority.

In conducting the RFQ/RFP ratings and evaluations, each development team and development proposal was scored by individual phase. Additionally, staff combined ratings for each phase and analyzed results based on gross and weighted totals. The result of rater's analyses is not presented in this report because the process is still open. Should the city desire to continue to pursue and engage these development partners, the City would first need to comply with Assembly Bill 1486 and ask these four developers for updated project proposals and financials that are reflective of the economic impact of the global pandemic.

Assembly Bill 1486 (Surplus Lands Act)

In October 2019, in the middle of the City and MTS solicitation, the California legislature approved, and the Governor signed into law, Assembly Bill 1486, also known as the Surplus Lands Act (Attachment 2). The Surplus Lands Act introduced sweeping changes that removed the ability of local agencies to prioritize economic development activities over the production of affordable housing. The Act mandates that surplus lands must first be offered for sale or lease to affordable housing developers through a written notice of availability sent to all entities that are on the list of affordable housing developers maintained by the State Department of Housing and Community Development (HCD). The Act requires HCD to maintain an up-to-date listing of all notices of availability throughout the state on its website. The Act prohibits any local agency, that has received an offer from an entity desiring to lease or purchase surplus land, from disallowing residential use on the site as a condition of sale or lease. Furthermore, if the local agency receives offers from more than one entity, it must give priority to the developer who proposes the greatest number of units and the deepest level of affordability for the affordable units. The Act also provides the local agency the ability to negotiate concurrently with all entities that provided a notice of interest to purchase or lease its surplus land. Prior to agreeing to terms for the disposition of surplus land, the local agency is required to provide HCD with a description of the process followed and a copy of any recorded restrictions against the surplus land. If the local agency is found to violate the Act the local agency could be liable for up to 50 percent of the final sales price.

Given that the Surplus Lands Act was enacted after the City had begun its solicitation, staff contacted HCD to inquire whether the City could continue pursuit of the solicitation irrespective of new regulations established by the Surplus Lands Act. HCD's response confirms that the City is subject to the Surplus Lands Act and that the only mechanism available for the City to continue with its solicitation would be for the City Council to take legislative action to deem the property "exempt surplus land" pursuant to Government Code Section 54221(f)(1) (Attachment 3) or pursue a legislative amendment. If the City Council were to deem the property as "exempt surplus land," the City would still be obligated to comply with the provisions of the Surplus Lands Act, which requires development of either: 1) a housing development with ancillary commercial ground floor uses with 100 percent of the residential units restricted for low or moderate income households; or, 2) a mixed-use development with no less than 300 residential housing units with at least 25 percent restricted for lower income households.

The Surplus Lands Act provides wide ranging, one-size-fits-all modifications that failed to recognize the unique attributes and needs of cities like Chula Vista that already provide much of their region's housing needs and are focused on the creation of jobs and diversified revenue streams. The Act has effectively impaired the City's ability to pursue partnerships with the development teams. At the end of the 2020 California legislative session there was some progress to amend the Surplus Lands Act to allow the City and

MTS solicitation to proceed; however, the amendments failed to complete the legislative process in time for the Governor's consideration. Any future amendments would need to be part of future legislative consideration.

Based on new regulations that became effective through the Surplus Lands Act, coupled with the onset of a global pandemic, staff has suspended consideration of all proposals received in response to the RFQ/RFP solicitation for the City-owned 707 F Street and MTS-owned 750 E Street.

CURRENT-YEAR FISCAL IMPACT

There is no current-year fiscal year impact as a result of accepting this report.

ONGOING FISCAL IMPACT

There is no on-going fiscal impact as a result of accepting this report.

ATTACHMENTS

1. Request for Qualifications/Request for Proposals
2. Assembly Bill 1486 (Surplus Lands Act)
3. Email Response from HCD – April 28, 2020

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