



# City of Chula Vista

## Staff Report

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**File#:** 16-0120, **Item#:** 3.

RESOLUTION NO. 2016-041 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AGREEMENT WITH BALDWIN AND SONS, LLC, ("DEVELOPER") FOR THE DEVELOPMENT OF A 100 BED ATHLETE HOUSING PROJECT AT THE OLYMPIC TRAINING CENTER IN SATISFACTION OF A PORTION OF DEVELOPER'S OBLIGATIONS UNDER THE CITY'S BALANCED COMMUNITIES POLICY

### **RECOMMENDED ACTION**

Council adopt the resolution.

### **SUMMARY**

Baldwin and Sons, LLC, ("Developer") proposes to develop and construct a 100 bed athlete housing facility located at the Olympic Training Center ("OTC"). The housing facility is being provided to satisfy a portion of Developer's inclusionary housing obligations for Otay Ranch Village 2 (as set forth in its existing Balanced Communities Affordable Housing Agreement with the City) and Otay Ranch Freeway Commercial ("PA-12") (as shown in its attendant SPA amendment), and is consistent with the City's Balanced Communities Policy ("Inclusionary Housing Policy") (and implementing guidelines) provisions regarding the provision of alternative forms of housing. The additional beds at the OTC will both service a special needs population and are necessary and desirable for effective operations of the OTC facility. Developer will also be providing a needed "day-use" lockers and showers at the OTC. Developer's remaining affordable housing obligation is expected to be developed "on-site." City Council approval of this item will authorize the City Manager to finalize and sign a housing development agreement ("Housing Development Agreement") for the development of the OTC housing project.

### **ENVIRONMENTAL REVIEW**

#### **Environmental Notice**

The Project was adequately covered in previously adopted/certified Final Environmental Impact Report (EIR 89-11) for the Olympic Training Center Sectional Planning Area (SPA) Plan.

#### **Environmental Determination**

The Director of Development Services has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA) and has determined that the project was adequately covered in previously adopted/certified Final Environmental Impact Report (EIR 89-11) for the Olympic Training Center Sectional Planning Area (SPA) Plan. Thus, no further environmental review or documentation is necessary.

**BOARD/COMMISSION RECOMMENDATION**

Not applicable

**DISCUSSION**

The City's Inclusionary Housing Policy requires the provision of housing for all economic groups and distribution of affordable housing throughout the City. The City requires 10 percent of any new subdivision in excess of fifty (50) units to be made affordable for low and moderate-income families (5% low and 5% moderate), known as the Affordable Housing Obligation. The primary objective of this policy is to increase affordable housing opportunities in the new planned communities in the eastern part of the City.

Currently, based on maximum "build-out," Developer's inclusionary housing obligations are estimated to be as follows: (1) Village 2 consists of 165 Low Income units and 172 Moderate Income units and (2) PA 12 consists of 30 Low Income Units and 30 Moderate Income Units, totaling 195 Low Income and 202 Moderate Income Units.

The implementing guidelines for the City's Inclusionary Housing Policy provide that Developers may seek to satisfy its Affordable Housing Obligation at a different location, also known as an Off-Site Alternative, through the following types of options:

- Constructing new affordable units at a different site;
- Acquiring and rehabilitating existing market rate units to affordable units;
- Transfer of affordable housing credits from the City or another developer; and
- Provision of housing projects or programs to meet the special needs of certain population groups within the community such as, but not limited to, persons with disabilities, homeless, veterans, elderly, students, and national level student/amateur athletes.

The City may approve alternatives to the construction of new inclusionary units where the proposed alternative advances the City's housing goals and provides a more effective and feasible means of satisfying the requirements and greater public benefit.

Proposed Project

The Developer is proposing to build an off-site project in satisfaction of a portion of its Affordable Housing Obligations within Otay Ranch Village 2 and PA-12 ("collectively, the "Obligations"). The Developer proposes to develop and construct a 100 bed housing project for student/amateur athletes with fixtures, appliances, meeting rooms, storage lockers, and associated facilities, along with a stand-alone day-user shower, restroom and locker facility (at a to be determined location at the OTC), and attendant landscaping (collectively, the "Project") located at the Olympic Training Center ("OTC"). Upon completion of construction, anticipated by July 1, 2017, the Project will be owned by the City of Chula Vista. Key terms of the Housing Development Agreement, currently being finalized, to implement the Project include the following:

1. Developer shall construct or cause to be constructed a one hundred (100) bed housing project with fixtures, appliances, meeting rooms, storage lockers, and associated facilities, along with a stand-alone day-user shower, restroom and locker facility (at a to be determined location on the OTC), and attendant landscaping of high quality as approved

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by the Director of Development Services, at the Olympic Training Center in Chula Vista. After approval of the completed project by the City Manager, Developer shall transfer to the City, for the City's sole ownership, the project without any encumbrances, liens, or any outstanding costs or debts arising from or related to the project.

2. Developer shall secure all financing necessary for the development and construction of the Project.
3. Developer shall deliver the Project for occupancy and use by national level student/athletes by on or before July 1, 2017.
4. Upon completion of the Project, Developer will receive 100 Low Income Housing Units credit (the "OTC Housing Credit") against Developer's existing Affordable Housing Obligations. This credit will partially satisfy Developer's Obligations. The remaining estimated Obligation are anticipated to be provided on-site.
5. The City's approval of the Project and credit towards the Developer's Affordable Housing Obligation is based upon the assumptions and information presented by the Developer and filed with the Affordable Housing Review Application for the Project as submitted and reviewed by the City's Development Services Housing Division. It is expected that any substantive revisions in such assumptions and information which would lead to a significant change in the Project, may therefore proportionally reduce the level of credit towards Developer's existing Affordable Housing Obligations.

A more detailed Term Sheet, site location, and schematics of the Project are included as Attachment 1.

#### Public Benefit

The City may approve alternative methods of compliance where the proposed alternative provides a more effective and feasible means of satisfying the requirements and greater public benefit. This determination shall be based on findings approved by City Council that the proposed alternative meets one or more of the following:

- Advances the specific goals and objectives of the Housing Element;
- Achieves a balance of housing opportunities within the community;
- Provides a preferred product type in light of the housing needs of the surrounding area and need;
- Offers opportunities to meet the special needs of population groups such as, but not limited to, persons with disabilities, homeless, veterans, elderly, students, and national level student/amateur athletes;
- Offers locational advantages relative to the needs of lower income households; and/or
- Offers greater feasibility and/or cost effectiveness than new construction.

Staff finds that the Project will advance the City's housing goals and provides greater public benefit to the Chula Vista community. The Project will provide housing for national level student/amateur athletes and meet their special needs. In pursuit of their athletic careers, student/amateur athletes

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are typically only employed part time and in need of more affordable housing. With limited housing opportunities available at the OTC, athletes seek affordable housing within the community and often times in distant areas due to the lack of such choices within closer proximity. Its location on site will provide athletes affordable and appropriate housing and immediate access to the OTC facility and its training amenities. The greater Chula Vista community will also benefit from the increased capacity of the OTC, as a result of the additional beds and the day-visit facilities, and enhancement of the long-term feasibility of the OTC.

With the approval of the Project, Developer anticipates starting construction of the development immediately, with completion anticipated by July 2017. The Project offers greater feasibility and/or cost effectiveness by delivering a 100-bed unit housing facility by the July 2017, well in advance of the requirements of the existing Affordable Housing Agreement. Under this Agreement, fulfillment of the affordable housing obligation is not anticipated until 2021 based upon market demand and the building permit thresholds.

Typical development of affordable housing is financed leveraging multifamily housing revenue bonds issued by the City's Housing Authority, Low Income Housing Tax Credits, other Federal or State of California financing programs, and financial assistance by the City, with ownership of the housing maintained by the developer. Greater feasibility and cost effectiveness is achieved for this Project as the Developer is solely responsible for financing the development costs, with ownership of the Project by the City of Chula Vista. Developer is forgoing any financial benefit of retaining ownership in a real estate asset.

#### Credit for Alternative Housing Types

Given the uniqueness of alternative housing types, the City Manager, may consider and balance, on a case-by-case basis, the credit received from an alternative housing type towards the Affordable Housing Obligation. Upon completion of the Project, Developer will receive 100 Low Income Housing Units credit (the "OTC Housing Credit") against Developer's existing Affordable Housing Obligation for Otay Ranch Village 2 and PA 12. This credit will partially satisfy Developer's Affordable Housing obligations. The remaining estimated obligations are anticipated to be provided on-site.

The number of affordable housing credits Developer will receive for the Project was analyzed and validated using the "Calculation of Credit for Alternative Housing Types" criteria set forth in the City's Guidelines to the Balanced Communities Policy. Factors considered include the following: (a) the development cost of the Project; (b) In Lieu Fee and cost to build on site affordable housing; (c) the number of beds (100) produced and available year-round to qualified affordable housing resident athletes; (d) the transfer of the Project to the City, resulting in Developer foregoing substantial developer fees, tax credits, residual receipts, refinance and other financial benefits if Developer had developed and/or retained an equivalent project within Village 2 and PA 12; (e) special benefits afforded City and its residents in the form of increased Olympic Training Center capacity and revenue, both as a result of the additional beds and the day-visit facilities, enhancing the long-term feasibility of OTC operations; and (f) Developer's fulfillment of a significant portion of its obligation substantially earlier than its current projected performance trigger date of July 2021.

The City, as discussed above, will execute a Housing Development Agreement and all associated

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documents with terms reviewed by the City Attorney's office and satisfactory to the City that outlines the Developer's Obligations to deliver the Project in order to receive credits to offset existing affordable housing obligations in Otay Ranch Village 2 and PA 12.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council and has found no property holdings within 500 feet of the boundaries of the property that is subject to this action. In addition, staff has conducted a decision maker conflict of interest review concerning Councilmember Miesen and has determined that a potential conflict of interest may exist because it may be reasonably foreseeable that a financial effect on a business entity in which Councilmember Miesen has a financial interest may be material.

Staff is not independently aware, and has not been informed by any City Councilmember, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

### **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. The development and provision of quality affordable housing opportunities for low income households and those with special needs throughout the City supports the Economic Vitality goals as it promotes the development of quality neighborhoods that provide a full complement of uses and services in a balanced fashion. With only 16 percent of the housing within the areas east of Interstate-805 available as multifamily housing, the provision of varied housing choices will expand the availability of housing opportunities for all economic segments of the community. With 57 percent of Chula Vista households earning less than the U.S. Department of Housing and Urban Development's area median income, the development of affordable housing addresses the City's Connected Community goals as it provides housing to meet residents' needs and priorities. The increased capacity of the Olympic Training Center and the enhancement of its long term feasibility for its operations support the Economic Vitality goal as the City will be able to maximize the use of this valuable asset as an economic driver.

### **CURRENT YEAR FISCAL IMPACT**

Approving the terms of the agreement will have no fiscal impact in the current fiscal year.

### **ONGOING FISCAL IMPACT**

The Project is expected to have a net positive fiscal impact to the City based on the fact that it is being transferred to the City at no cost and based on projections that the revenues it will generate at the OTC will far exceed the costs of maintenance. The Point Loma Trust is expected to ultimately bear the costs of Project maintenance, and the benefits of the Project revenue, under the terms of the Operator Agreement to be brought back for City Council approval in the next few weeks.

### **ATTACHMENT**

Attachment 1: Term Sheet, including site location and Project schematic

*Staff Contact: Kelly Broughton, Development Services Director*

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