



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Leslye Krutko

**SUBJECT:** SEE BELOW

**DATE:** May 27, 2008

Approved

Date

5-29-08

**COUNCIL DISTRICT:** 6  
**SNI AREA:** N/A

**SUBJECT:** APPROVAL OF THE CORE COMPANIES AS DEVELOPER OF THE FOR-SALE COMPONENT OF THE WILLOW GLEN WOODS AFFORDABLE DEVELOPMENT AND APPROVAL TO ENTER INTO EXCLUSIVE NEGOTIATIONS AND TO EXECUTE AN AMENDMENT TO AN OPTION AGREEMENT BETWEEN THE CITY AND THE CORE COMPANIES

## **RECOMMENDATION**

It is recommended that the City Council:

1. Adopt a resolution approving the selection of The CORE Companies (CORE), or its designated affiliate, as the developer of the for-sale component of the Willow Glen Woods affordable housing development
2. Adopt a resolution authorizing the Director of Housing ("the Director") to enter into an Exclusive Negotiations Agreement and to execute an Amendment to an Option Agreement for the purchase of the property between the City and CORE for the development.

## **OUTCOME**

The City Council's approval of the selection of CORE as the developer of the for-sale component of the Willow Glen Woods affordable housing development will allow CORE to partner with Satellite Housing, Inc, ("Satellite") to apply for a Planned Development ("PD") rezoning to allow for the proposed residential uses. The property still would need to be subdivided and a PD rezoning would need to be considered and approved by Council before the

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development of the for-sale site, the turnkey park, and the affordable multifamily site could proceed.

## **BACKGROUND**

The Housing Department currently owns the 5.94-acre vacant site located on the East side of Evans Lane, North of Curtner Avenue. The site, comprised of two parcels, is within walking distance of the Curtner Avenue Light Rail Station. The City purchased the larger parcel of approximately 4.94 acres from the Valley Transportation Authority in December 2002. The larger parcel formerly housed a Recreational Vehicle storage business. The Department has owned the smaller parcel of approximately one acre since October 1992, when the City Council approved the parcel's transfer from the General Services Department to the Housing Department for the purposes of developing affordable housing.

The site is zoned LI (Light Industrial Zoning District) with a General Plan land use designation of High Density Residential (25-50 DU/AC) with a floating Public Park/Open Space designation. The neighborhood has a mix of rental housing and commercial uses, and during the last ten years, several adjacent properties have transitioned from commercial uses to residential uses.

The City's objectives are to develop for-sale and rental residential uses, as well as a neighborhood park, on the site to assist the formation of a cohesive neighborhood in the Evans Lane area.

On October 17, 2006 the City Council authorized the Director to enter into exclusive negotiations with Satellite Housing (Satellite), a nonprofit developer based in the East Bay, to support the development of rental units on the site. An Option Agreement for the site between the City and Satellite has been executed in order to give Satellite site control and allow it time to conduct a predevelopment assessment and feasibility studies while selection of the for-sale developer was underway.

On April 20, 2007 the Housing Department issued a Request for Qualifications (RFQ) to the development community for the for-sale component of the Willow Glen Woods affordable housing development. Three proposals were received from local developers.

## **ANALYSIS**

Staff performed a review of the submitted development proposals to ensure their compliance with the submittal requirements of the RFQ and determined that two of the proposals met the submission requirements. An inter-departmental panel including staff from Housing, Planning, Parks, and the Redevelopment Agency interviewed the two development teams that submitted the qualifying proposals. After an extensive evaluation of the development entities' project experience, financial capacity, project proposals, and proposed business terms, it was determined that that CORE was the most qualified respondent due in part to their extensive affordable housing development and management experience, the quality of their developments, and the

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thoroughness of their proposal. Therefore, the Department is recommending the selection of CORE as the developer of the for sale site.

Assuming the City Council approves the selection of CORE, the Department would negotiate an amendment to Satellite's existing Option Agreement with the City to purchase the site to include the selected for-sale developer. The business terms of the Amended Option Agreement with Satellite, and any future agreement with a selected for-sale developer, would be based upon the land's appraised value.

Any further agreements, including a Disposition and Development Agreement and any loan documents that the City enters into with Satellite and CORE, would be contingent upon their ability to obtain Planned Development rezoning approval (including all environmental clearances) from the City Council. In addition, the parcels would be subdivided by the developers at a later date once final site plans have been approved by the City. Public improvement costs and other infrastructure costs would be shared between the rental housing and the ownership housing developers.

As a requirement of the General Plan Amendment adopted by the City Council on September 3, 2002, the site will include a one-acre public park. CORE has offered to buy the park site from the City and complete the park improvements at its own expense.

### **EVALUATION AND FOLLOW-UP**

Once the specific terms of the development have been determined, Staff will return to the City Council and request that the City Council hold a public hearing to approve a Summary 33433 Report for the sale and disposition of the property, approve a Disposition and Development Agreement between the City of San José and the approved developers, approve an Amendment to the Option Agreement and to approve funding commitments to both of the projects.

### **POLICY ALTERNATIVES**

The Housing Department considered the following alternative before recommending the selection of CORE as the developer of the for-sale component of the Willow Glen Woods affordable housing development:

**Alternative #1:** *The City could reject CORE's proposal and select another respondent or reissue the RFQ.*

**Pros:** Additional development proposals with alternative development schemes could be evaluated.

**Cons:** CORE is being recommended because they were determined to have the experience and a project proposal that best meets the affordable housing objectives for this specific project. Because CORE was selected via the RFQ process, they are aware of the importance of developing a cooperative

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relationship with Satellite and have been able to identify potential coordination issues in advance. This early sequencing work would be lost if the RFQ was reissued.

**Reason for not recommending:** CORE's proposal met the requirement of the RFQ and the company has a proven track record of being able to work with various nonprofits to produce affordable housing on time and within budget.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater. This Council report will be posted to the City's website for the June 17, 2008, Council Agenda.

### **COORDINATION**

Preparation of this report has been coordinated with the City Attorney's Office and the Department of Planning, Building and Code Enforcement.

### **FISCAL/POLICY ALIGNMENT**

This expenditure is consistent with the Housing Department's *Five-Year Investment Plan, Fiscal Years 2007/08-2011/12*, as adopted by City Council in June 2007.

### **COST SUMMARY/IMPLICATIONS**

1. **SOURCE OF FUNDING:** N/A. No funding is being requested at this time.
2. **FISCAL IMPACT:** No ongoing fiscal impact.

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**BUDGET REFERENCE**

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. For Contract	2007-2008 Adopted Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
443	0070	Loans, Grants & Site Acquisitions	\$45,034,364	\$0	23.01 page 3	6/19/07

**CEQA**

NEPA: Not a Project

CEQA: Not a Project

  
LESLEYE KRUTKO  
Director of Housing

For questions, please contact Leslye Krutko at (408) 535-3851.

Attachments

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**Attachment 1**  
**Development Timeline**

June 2008	Anticipated City Council selection of CORE as for-sale developer
July 2008	Predevelopment due diligence
August 2008	Anticipated land closing
December 2008	Anticipated completion of project design documents
April 2009	Anticipated issuance of PD permit and Tentative Map
August 2009	Anticipated issuance of Building Permit
August 2009	Anticipated start of construction
April 2010	Anticipated start of public marketing
October 2010	Anticipated completion of construction
April 2012	Sale of last unit and project close out