



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: January 20, 2011

Approved

Date

1/24/11

**COUNCIL DISTRICT 3
SNI AREA: NA**

**SUBJECT: EXCLUSIVE NEGOTIATION AGREEMENT WITH FIRST
COMMUNITY HOUSING FOR DEVELOPMENT OF THE FORMER
JAPANTOWN CORPORATION YARD PARKING LOT SITE FOR
JAPANTOWN SENIORS APARTMENT DEVELOPMENT**

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the Director of Housing ("the Director") to enter into an Exclusive Negotiation Agreement between the City and First Community Housing ("FCH") for the development of the Japantown Seniors affordable housing development to be located on the former City Corporation Yard Parking Lot site located at 675 North Sixth Street just South of East Taylor Street (the "Site").

OUTCOME

The City Council's approval of the Director's authorization to enter into an Exclusive Negotiation Agreement ("ENA") between the City and FCH will enable FCH to continue development planning under its existing Planned Development ("PD") permit. At such time as FCH is able to secure gap construction and permanent financing, FCH will obtain permits and start construction of the planned affordable 75-unit Japantown Seniors Apartment project.

BACKGROUND

As part of the FY 2009-10 Budget, the City Council approved the Housing Department's acquisition of City owned properties for the purpose of affordable housing development. The Site was acquired by the Housing Department from the General Services Department for the appraised value of \$2,200,000 during that fiscal year.

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FCH obtained a Planned Development Permit, file number PD08-015, on June 16, 2010. The project is expected to contain studio and one-bedroom units affordable to seniors earning between \$21,750 and \$24,850 per year (Extremely Low Income) and between \$36,250 and \$41,400 per year (Very Low Income). The exact mix of units and affordability is yet to be determined. The Site is located just south of an existing senior residential development and across the street from the former City Corporation Yard that is planned for high density housing and a mix of commercial and civic uses.

The Site and the nearby City Corporation Yard have a long history of development planning that dates back to the City Council's decision to relocate the Japantown City Corporation Yard and seek proposals for redevelopment of these sites. FCH was first selected as part of a development team with the Olsen Company and again with Williams & Dame, for development of the inclusionary housing portion of a mixed use development containing residential, commercial, and public amenities on the former corporation yard site. After Williams & Dame dropped out as developer in 2008 due to the weak for-sale market, FCH decided to pursue funding of the affordable senior apartment project and has submitted updated project information to the Housing Department.

FCH has strong community support for development of the senior affordable apartment project that was always part of the earlier development plans. FCH has participated in over 10 neighborhood meetings beginning in February 2006 through May 2008. The senior apartment project was incorporated in all of these meetings and in the environmental impact report as a key component.

ANALYSIS

FCH is very committed to this project. This is evidenced by their investment of approximately \$315,000 for development of the project - primarily for architectural drawings and fees in connection with obtaining a Planned Development Permit.

The Planned Development Permit for the Site expires June 16, 2014 if construction has not commenced by that date. In addition, the Site has hazardous materials. Historic-era Japanese and Chinese artifacts have also been discovered by the Archaeological Studies Center. The permit provides for expiration by June 16, 2012 if a Planned Development Permit Adjustment has not been obtained by that date that confirms remediation of hazardous soils conditions and addresses the treatment of the historic artifacts. The term of the ENA will be affected by these expiration dates.

Assuming the City Council authorizes the Director to enter into an Exclusive Negotiation Agreement with FCH, the Housing Department would enter into an ENA that enables FCH to be ensured that the City will negotiate solely with FCH for the development of the Project during the term of the Agreement. The security provided by the ENA will enable FCH to continue development activities and seek additional funding. The ENA also will protect the City's rights to the property in the event the project plan or the developer is no longer viable.

EVALUATION AND FOLLOW-UP

At such time as FCH has obtained financing necessary to complete the project, Staff will return to the City Council with a complete project budget and a request that the City Council consider a ground lease between the City and FCH.

POLICY ALTERNATIVES

The Housing Department considered the following alternative before recommending entering into an Exclusive Negotiating Agreement with FCH for development of the Japantown Seniors affordable housing development:

Alternative #1: *The City could reject FCH's proposal and reissue the RFQ.*

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

Cons: FCH 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.

Reason for not recommending: FCH has a proven track record to produce affordable housing on time and within budget. Not moving forward would result in this parcel remaining undeveloped which would not be in the best interest of the neighborhood. FCH would be adversely impacted financial as they have already made substantial investments in time and money due on this site.

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 Council Agenda.

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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 for Fiscal Years 2007/08-2011/12* in increasing the supply of affordable housing, and with the City's *Consolidated Plan, 2005-10* in providing units for very low- and extremely low-income households and for large renter households.

COST SUMMARY/IMPLICATIONS

1. **SOURCE OF FUNDING:** N/A. No funding is being requested at this time.
2. **FISCAL IMPACT:** The recommended action will have no cost implications to the City.

CEQA

Resolution No. 74384, GP07-03-04, PDC08-010

/s/

LESLYE CORSIGLIA
Director of Housing

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