



Agenda Report

January 28, 2019

TO: Honorable Mayor and City Council
FROM: Department of Housing
SUBJECT: HERITAGE SQUARE SOUTH DEVELOPMENT PROCESS AND AUTHORIZATION TO NEGOTIATE A DEVELOPMENT AGREEMENT WITH BRIDGE HOUSING

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA only applies to projects that may have an effect on the environment; and
2. Authorize the City Manager to enter into negotiations with BRIDGE HOUSING to become the developer for a mixed-use project on the City-owned property known as Heritage Square South without competitive selection based upon the best interests of the City, as set forth in this staff report, and to return to City Council with a proposed Development Agreement after completion of a community outreach process. Competitive bidding is not required pursuant to City Charter Section 1002(F)(Professional or Unique Services).

BACKGROUND:

At its regular meeting of December 17, 2018, the City Council directed staff to pursue the development of the City-owned "Heritage Square South" site, which is comprised of an approximately 1.5-acre block of parcels bounded by Fair Oaks Avenue on the west, Painter Street on the north, Orange Grove Boulevard on the south, and Wheeler Lane on the east. As directed, the site would be developed with a mixed-use project with the development program consisting of the following key components:

- a) Retail space on the first floor totaling 10,000 to 15,000 square feet, adequate for two to four retail tenants;

- b) Permanent supportive housing for seniors on two floors above retail, at a density of 65 to 70 units, based on current zoning limits plus a 35% density bonus; and
- c) Surface and subterranean parking.

Staff is returning to Council this evening to obtain further direction as to the proposed development process, as discussed in the balance of this agenda report, which consists of: 1) negotiation of a Development Agreement with BRIDGE HOUSING for the development of the project; and 2) community outreach.

IT IS IN THE BEST INTERESTS OF THE CITY TO AUTHORIZE NEGOTIATION OF A DEVELOPMENT AGREEMENT WITH BRIDGE HOUSING

BRIDGE HOUSING successfully developed, owns and operates the Heritage Square Senior Apartments directly adjacent to this Site. Using BRIDGE HOUSING to develop the adjacent site provides a unique opportunity for unified management, including parking, shared common areas, shared maintenance and joint delivery of support services. Importantly, BRIDGE HOUSING is well qualified to undertake this development. BRIDGE HOUSING has over 16 years of experience with mixed-use and supportive housing developments. Since 2002, BRIDGE has successfully completed 11 supportive housing projects (682 total units) and 30 mixed-use projects (4,034 total units). Of the mixed-used projects, five include supportive housing components. Attached to the staff report is background information on BRIDGE HOUSING. In addition there would be a meaningful saving of time in a direct engagement with BRIDGE HOUSING in lieu of undertaking an RFP process, as indicated below.

PRELIMINARY DEVELOPMENT TIMELINE

As summarized in the table below, it is anticipated that the development timeline in which the City engages BRIDGE HOUSING directly as the developer, would be approximately 35 months, beginning with formation of the working group through construction start.

Task	Number of Months
Form Working Group	2
Community Outreach, Negotiations with BRIDGE HOUSING, City Council Approval of Development Agreement	6
Design Review & Approval	10
County & State Funding Commitments	7
Plan Check Approval	10
Total Months to Start Construction	35

In 2013, the state designated the Heritage Square South site as a Housing Asset to be used primarily for affordable housing. As such, under state law, the development of the

site must commence by the end of February 2023 pursuant to a binding development agreement. Otherwise, the property must be sold through the City's surplus disposition process and the sale proceeds returned to the Housing Successor's Low and Moderate Income Housing Asset Fund, net of the amount of federal HOME funds (which must be repaid to HUD) originally invested by the City to acquire Heritage Square South.

COMMUNITY OUTREACH PROCESS

A critical component of the development process is outreach to the community during the negotiation of the Development Agreement and prior to its being finalized. The proposed community outreach plan for Heritage Square South, described below, is based on the community outreach activities that were successfully utilized for the Heritage Square senior project developed by BRIDGE Housing:

- 1) Identify and meet separately with stakeholders, including adjacent resident associations, faith-based organizations, schools, childcare centers, homeowner associations, and surrounding businesses and residents
- 2) Utilize an advisory project working group comprised of one District 3 Northwest Commissioner, one District 5 Northwest Commissioner, two representatives from businesses located in close proximity to the site, and the Housing Director. The working group would be selected by the Housing Director. The working group would provide input on project design, retail tenant preferences, house rules, and security measures.
- 3) Staff recommendations for the development and funding agreement, and project environmental review would be brought forward through a public approval process involving the Northwest Commission (advisory), the Economic Development and Technology Committee (recommendation), and City Council (approval).

COUNCIL POLICY CONSIDERATION

The proposed action is consistent with the City's General Plan Housing Element, and it also supports and promotes the quality of life and the local economy – a goal of the City Council's Strategic Objectives.

ENVIRONMENTAL ANALYSIS

The action proposed herein is the identification of a developer and a development process. That action is exempt from CEQA pursuant to State CEQA Guidelines Section 15061(b)(3), the "general rule" that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that an activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

However, prior to the first discretionary action for any proposed project to be developed on Heritage Square South, the appropriate CEQA review will be undertaken to analyze the potential effects of the project on the environment. When CEQA review is conducted, the proposed project will be subject to any mitigations measures that could be identified during CEQA review and the conditions of approval associated with obtaining land use entitlements.

FISCAL IMPACT

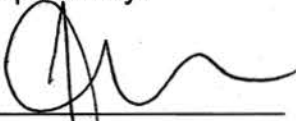
The proposed action will have no net fiscal impact to the FY 2019 operating budget of the Department.

Respectfully submitted,



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Approved by:



STEVE MERMELL
City Manager

Attachment: BRIDGE HOUSING – Background and Experience