



# City of Merced Request for Proposals



## Affordable Housing Development Opportunities

RELEASED: April 1<sup>st</sup>, 2021

DEADLINE: May 20<sup>th</sup>, 2021

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## INTRODUCTION

The City of Merced (“City”), acting as Housing Successor to the Merced Redevelopment Agency (“Housing Successor”), is pleased to announce this Request for Proposals (“RFP”) to dispose of ten lots of vacant land ranging in size from 2,100 to 20,000 square feet. The lots are scattered throughout the City, with nine sites near Downtown Merced and one near the Merced Regional Airport.

The Housing Successor invites proposals from qualified nonprofit or for-profit developers to develop affordable housing on the sites with income limits up to 80% of the Area Median Income.

The Housing Successor will consider proposals to develop any number of properties (i.e. all ten properties, a single property, or any combination thereof). Sites could be assembled to accommodate a scattered site development project for the purpose of securing tax credit financing. The Housing Successor would contribute the land through a long-term, low cost land lease or other terms negotiated with each selected developer. It should be noted that since these properties are Housing Successor properties, they have been declared as exempt from the Surplus Properties Land Act requirements pursuant Government Code Section 54221(f)(1)(A).

## CITY OF MERCED

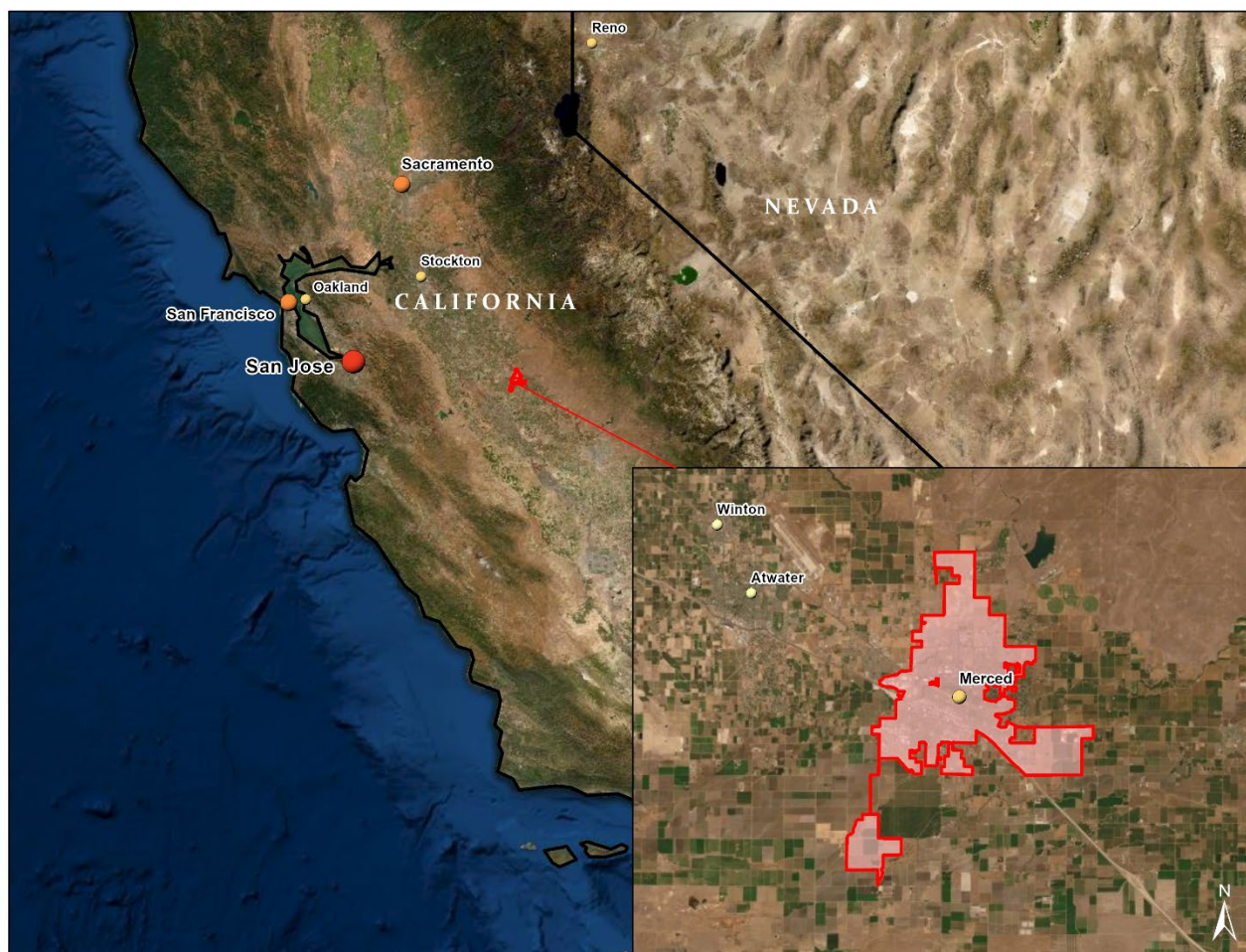
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Merced is a thriving city of over 88,000 residents and 23 square miles. It is located in the northern half of California’s Central Valley, approximately 45 miles north of Fresno, 77 miles east of San Jose and 130 miles southeast of San Francisco. Neighboring cities include Atwater and Livingston. Merced was incorporated on April 1, 1889. The local economy traditionally relied in agribusiness and the presence of the Castle Air Force Base. Over the past 20 years, the economy has diversified to host multiple industries and major retailers driven by a population boom outpacing the State average. Merced is also home to the University of California Merced, which had over 9,000 students enrolled as of Fall 2020.

Merced is known as the “Gateway to Yosemite” as it is located about 55 miles, or a two-hour drive from Yosemite National Park. In addition, the 10<sup>th</sup> and most recent University of California campus was built in the city in 2005. As of spring 2017 UC Merced had more than 10,000 students enrolled.

Merced County, like most jurisdictions in the Central Valley, is primarily an agricultural county. In 2016 the County was ranked fifth in total agricultural production by a county in California. The City, however, is economically driven by government investment and employment. Four of the top five employers in 2010 were some form of government entity.

## Exhibit 1: City of Merced



Source: RSG Inc, City of Merced

### COMMUNITY HOUSING NEED

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The sites in this RFP have been identified as suitable locations for much needed affordable housing in the City. According to a recent analysis of the City's housing element, a large percentage of the City is burdened with high housing costs in relation to their income. Based on median household incomes, 48 percent of households cannot afford homeownership, while 44 percent spent more than 30 percent of their income on rental housing. To compound matters, a majority of the City's residents are renters (58 percent) but 69 percent of the housing stock are single-family homes.

Periodically, all cities and counties in the state are required to submit Annual Progress Reports (APRs) that document the jurisdictions progress in meeting its Regional Housing Needs Assessment (RHNA) allocation. In the most recent RHNA period (2015-2023), Merced issued permits for 227 units, none of which were in the low-income or below categories. Far more are needed to satisfy the growing demand

for housing in the City. The City's 2020 Consolidated Plan also identified affordable rental housing as a major need in the City.

## PROJECT SITES

### SITE LOCATIONS

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The ten parcels of vacant land available under this RFP are located on I Street, 18<sup>th</sup> Street, 19<sup>th</sup> Street, and South R Street.

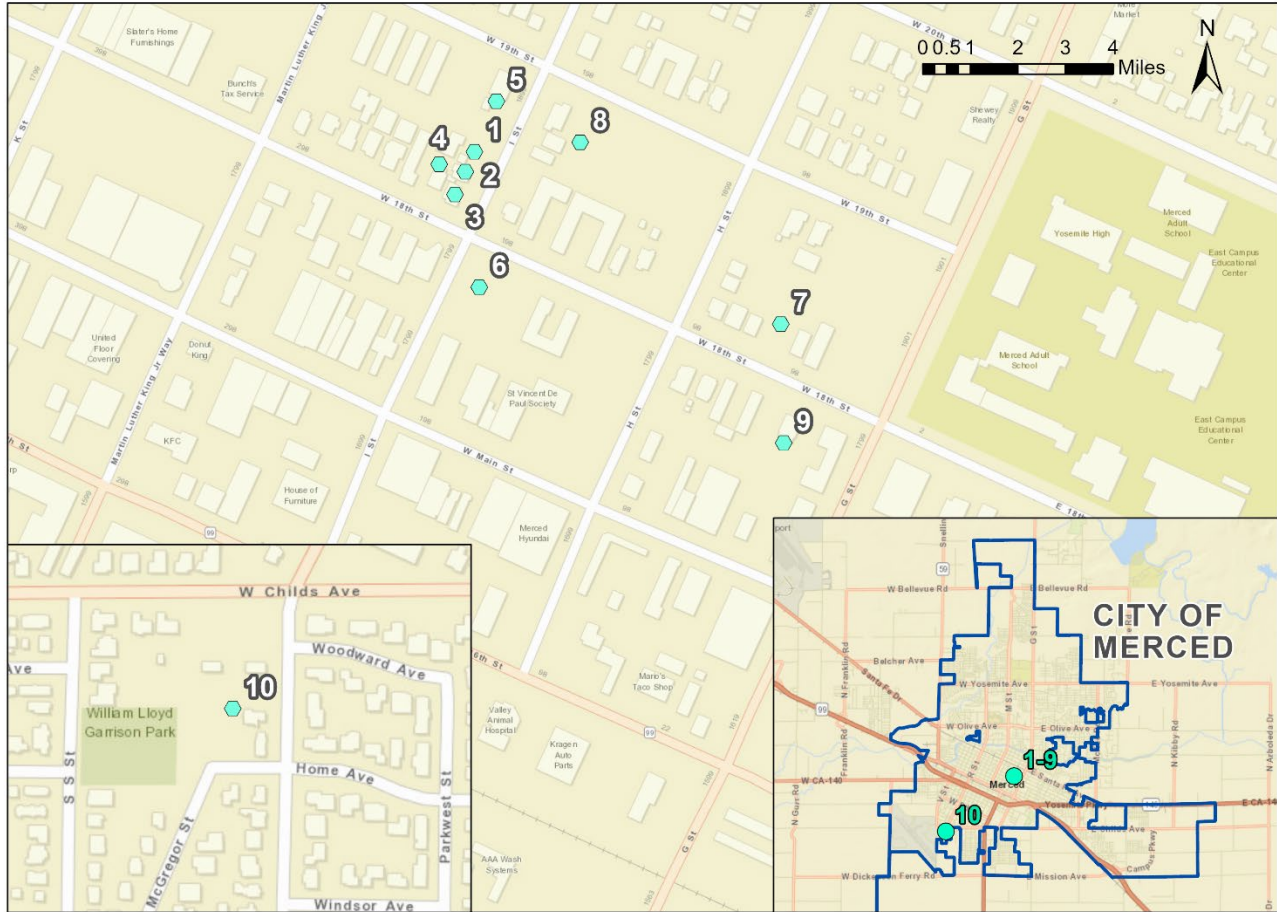
Sites 1 through 4 are contiguous parcels, while 5 through 10 are separated. The City's Downtown area encompasses sites 1 through 9. No specific plan or special zoning ordinance covers these sites. Site 10 however, is located in the southern part of the City near the Merced Regional Airport. This region is part of the South Merced Community Plan, which seeks to revitalize and guide future development of the southern part of the City but is *not* classified as a specific plan under state law. Therefore, site 10 is subject to the City's regular zoning ordinances. Exact locations for the sites can be seen in Exhibit 2. The sites are scattered throughout the City and some could be assembled to accommodate a scattered site development project for the purpose of securing tax credit financing. Although the City is looking to maximize the number of affordable units, it is also looking to maintain the existing character of the local community.

The cluster of sites located near 18<sup>th</sup> street are a few blocks away from State Route 99. Just up 18<sup>th</sup> street, on G street are Yosemite High School, Independence High School, and Sequoia High School. Merced rail station is also a short distance away from these properties. Shopping amenities in the vicinity are highway oriented with well-known brands like In-n-Out Burger, Subway, Taco Bell, Wendy's, and Little Caesar's Pizza. More local brands include Bar-B-Q Pit, Bella Luna Bistro, and H & W Drive-In. The Merced County seat of government is also nearby including the courthouses, museum, and the police department. Site 10, at 73 South R street, is located next to the Merced Regional Airport as well as Golden Valley Health Centers and Reyes Elementary School.



Exhibit 2: Site Locations

**Merced Housing Successor Properties**



Source: RSG Inc, City of Merced

The following table summarizes the corresponding basic information including address, zoning, lot size, height restrictions, and setbacks.

**Table 1: Project Site Details**

Address	#	Lot Size (AC)	Lot Size (SF)	Zoning Code	Land Use	Maximum Height	Setbacks <sup>1</sup>
1823 I Street	1	0.05	2,100	R-4	High Density Residential	40 ft	6-15 ft
1815 I Street	2	0.06	2,400				
205 W. 18 <sup>th</sup> Street	3	0.07	3,000				
211 W. 18 <sup>th</sup> Street	4	0.17	7,500				
202 W. 19 <sup>th</sup> Street	5	0.17	7,500				
1744 I Street	6	0.11	5,000				
49 W. 18 <sup>th</sup> Street	7	0.25	10,800				
150 W. 19 <sup>th</sup> Street	8	0.17	7,500				
26 W. 18 <sup>th</sup> Street	9	0.17	7,500				
73 South R Street	10	0.47	20,416	R-1-6	Low Density Residential	35 ft	5-20 ft <sup>2</sup>

<sup>1</sup>Setbacks for R-4 include: 15 ft exterior front yards, 10 ft exterior side yards (corner lots only), one 10 ft interior yard, all other interior yards of 6 ft.

<sup>2</sup>Setbacks for R-1-6 include: 20 ft exterior front yards, 10 ft exterior side yards (corner lots only), 15 ft exterior cul-de-sac yards, one 10 ft interior yard, all other interior yards of 5 ft

## HOUSING SUCCESSOR AND SURPLUS LANDS ACT LEGAL REQUIREMENTS

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Disposition of the Sites are subject to both Housing Successor Law and the Surplus Properties Lands Act. It should be noted that the more restrictive requirement shall apply in cases where the law conflicts. Developer responses should demonstrate an understanding and acknowledgement of these requirements.

### HOUSING SUCCESSOR REQUIREMENTS

The Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”) houses all former redevelopment agency housing assets and is subject to requirements detailed in Health and Safety Code (“HSC”) Section 34176.1. The City oversees expenditure of the Housing Asset Fund and disposition of its related assets. The Housing Successor is required to ensure that any property disposition activities or expenditure of Housing Asset Funds used for a

All affordable housing units developed with this funding source must be income restricted for at least 15-years for mutual self-help units, 45-years for home ownership units and 55-years for rental units.

If any Housing Asset Fund monies or assets are used for affordable housing development, it triggers a requirement to spend at least 30% of such expenses or residual land value assisting extremely low income households (30% AMI) and no more than 20% on low income households (between 60-80% AMI) per five-year compliance period. The first five-year compliance period was January 1, 2014 through June 30, 2019. Note that housing successors must report expenditures by category each year, but compliance with income proportionality limits is measured every five years.

Additionally, HSC Section 34176.1 requires that all real properties acquired by the former Merced Redevelopment Agency prior to February 1, 2012 and transferred to the Housing Successor be developed pursuant to the requirements detailed in HSC Section 33334.16. All of the Housing Successor’s property falls within in these parameters and must be developed for affordable housing purposes by February 25, 2023.

### SURPLUS PROPERTIES LANDS ACT REQUIREMENTS

On October 9, 2019, Governor Gavin Newsom signed AB 1486 into law, thereby amending the Surplus Properties Land Act (California Government Code Section 54220, et seq.), effective January 1, 2020. The Surplus Properties Land Act requires local agencies that are disposing of surplus land to first offer the property to affordable housing developers and other public agencies for the purpose of affordable housing or open space for a 90-day period prior to disposing of the land or participating in negotiations with any prospective buyers. Local agencies are defined as “every city, whether organized under general law or by charter, county, city and county, and district, including school districts of any kind or class.” Surplus land is defined as any land (with some specified exceptions) that is 5,000 square feet or larger and is determined to no longer be necessary for the agency’s use. Pursuant to the Surplus Properties Land Act, local agencies must officially declare surplus land either “surplus land” or “exempt surplus land”, as supported by written findings, before the local agency may take any action to dispose of the



land. The Housing Successor has declared that the Housing Successor properties are “exempt surplus land”.

Government Code Section 54221(f) lists specific types of land that qualify as “exempt surplus land.” This list includes “Surplus land that is transferred pursuant to Section 25539.4 or 37364” (see Government Code Section 54221(f)(1)(A)). Government Code Section 37364 reaffirms the Legislature’s position that housing is a vital concern and of utmost importance in the state. It allows properties to be exempt from the Surplus Properties Land Act if a legislative body determines that any real property or interest therein can be used for affordable housing, as defined in Health and Safety Code Section 50093, then it can be considered exempt. However, there are a few stipulations required for the property disposition:

- Not less than 80% of the area of any parcel should be used for housing development.
- Not less than 40% of the total number of units shall be made available to households earning 75% of the AMI or less and at least half of which shall be affordable to very low income households.
- Units must be restricted by a regulatory agreement for no less than 30 years.

## REQUEST FOR PROPOSALS

The City seeks to engage a prospective community partner and assess their development qualifications based on selected criteria, including, but not limited to:

- Expertise and experience of the development entity and team in designing and constructing high quality affordable housing projects;
- Vision and design for a market-feasible affordable housing project that implements the City’s vision for the community and promotes the community character of Merced;
- Economic viability and financial strength of the proposed project, including marketability and feasibility; and
- Financial and organizational capacity of the team to successfully complete the project in a timely manner, including the ability to secure financing and leverage other funding sources to build the highest quality housing project.

All proposals shall be submitted by no later than **5:00 PM on April 1, 2021**. Late proposals will not be accepted. See the “Submittal Requirements and Schedule” section for more detailed instructions.

The City will be hosting an informational conference call on April 15, 2021 at 2:00 P.M. to provide an overview of this RFP and answer clarifying questions from prospective development teams. To participate in the conference call, please send an e-mail to [skim@webrsg.com](mailto:skim@webrsg.com) using the subject line “Merced Housing Successor Property Disposition Call” and with contact information (name, title, company, phone number, e-mail address) for representatives from your organization that will participate on the call. An e-

mail with dial-in instructions will be sent to the participants. For substantive, technical questions about the information contained in this RFP, please plan on participating on the informational conference call.

Questions regarding this RFP and not addressed in the informational conference call must be submitted in writing no later than April 29, 2021 at 5:00 P.M. After that, questions may not receive a response. A list of the questions and answers will be sent to call participants on May 6, 2021. Please send questions to:

Suzy Kim, Senior Associate  
RSG, Inc  
17872 Gillette Ave, Suite 350  
Irvine, CA 92614  
Phone: (714) 316-2116  
Email: [skim@webrsq.com](mailto:skim@webrsq.com)

Questions specifically regarding zoning and design should be addressed to:

Scott McBride  
Development Services Director  
City of Merced  
678 W 18<sup>th</sup> St  
Merced, CA 95340  
Phone: (209) 385-6818  
Email: [mcbrides@cityofmerced.org](mailto:mcbrides@cityofmerced.org)

Please refer to the Merced Zoning Ordinances for more detailed development information and requirements. The South Merced Community Plan is also linked below for more information on Site 10's location:

*Merced Residential Zoning Districts Ordinance*  
(<https://www.cityofmerced.org/Home/ShowDocument?id=4248>)

*South Merced Community Plan*  
(<https://www.cityofmerced.org/Home/ShowDocument?id=5210>)

## AFFORDABLE HOUSING FINANCING SOURCES

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The City is providing no extra financial assistance other than the properties themselves. Developers are encouraged to seek external funding sources such as Low-Income Housing Tax Credits, California Department of Housing and Community Development ("HCD") funding, Merced County funding, and other gap financing.

### Potential Funding Sources

- 9% Tax Credits & 4% Tax Credits

- *Veterans Housing and Homeless Prevention Program (VHHP)*
- *Affordable Housing and Sustainable Communities Program (AHSC)*
- *Multifamily Housing Program (MHP)*
- *Project Based Vouchers (PBV's)*
- *Mental Health Services Act (MHSA)*

## SELECTION CRITERIA AND DEVELOPER RESPONSIBILITIES

Selection criteria include:

- The completeness of the submitted proposal;
- Expertise and experience of the development entity and team in designing and constructing similar high-quality affordable housing projects in a timely manner;
- Vision and design for a market-feasible affordable housing project that implements the City's vision for the community and promotes the community character of Merced;
- Completeness and competitiveness of proposed financial structure and project cost estimate identified in the preliminary development pro forma;
- Economic viability and financial strength of the proposed project, including marketability and feasibility, as well as reasonableness of financing and cost assumptions;
- Financial and organizational capacity of the team to successfully complete the project, including the ability to secure financing and leverage other funding sources to build the highest quality housing project; and

The City may conduct interviews depending on the proposals submitted. Each applicant's demonstrated experience, qualifications, completeness, clarity, communication, and professionalism as demonstrated through its oral presentation and answers to questions will be used in ranking teams in order of preference. The City reserves the right to require evidence of managerial, financial, or other abilities prior to award of an agreement.

### DEVELOPER RESPONSIBILITIES

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Once selected, the developer will be responsible for completing the conceptual development plan. A general description of the developer's responsibilities includes, but is not limited to, the list below:

- *Site Plan.* Development entity will work with City staff and advisors to create a Project Site development concept. The site plan will identify means of livability, neighborhood compatibility, and sustainable development and operations.

- *Project Financing.* The developer will be expected to secure financing for the project's hard-costs and soft-costs including analysis of the need and/or use of the land value as part of the gap financing in a preliminary development pro forma. Once the Project Site development concept has been accepted by the City, the development entity will then prepare development and operating budget proposals. Depending upon the mix of construction and permanent financing, the budget may need to incorporate prevailing wages for on-site construction work. The developer is expected to provide detailed project cost estimates and evidence of financing during negotiations.
- *Project Entitlements.* The developer is responsible for securing entitlements. The entitlements include, but are not limited to, project-level environmental review, design and site plan review, completion of building plan check process, acquisition of all required permits, and payment of all applicable fees. The City anticipates that the project entitlement responsibilities will be addressed during the negotiations phase.
- *Policy and Legal Compliance.* The developer will be required to comply with State Law, and all City codes, permits, and fees.
- *Development Construction.* The development entity will construct the approved development. The construction schedule will depend, in part, on funding availability. The selected developer will be required to comply with all Federal, State and local requirements, including prevailing wage requirements, if the final development funding necessitates prevailing wages.

## SUBMITTAL REQUIREMENTS AND SCHEDULE

Proposals must be received by May 20, 2021 at 5:00 P.M. No submittals will be accepted after 5:00 P.M. All submittals shall have a cover letter addressed to:

Scott McBride  
 Development Services Director  
 City of Merced  
 678 W 18<sup>th</sup> St  
 Merced, CA 95340  
 Phone: (209) 385-6818  
 Email: [mcbrides@cityofmerced.org](mailto:mcbrides@cityofmerced.org)

The prospective developer shall submit an electronic copy of the proposal via email to Scott McBride at [mcbrides@cityofmerced.org](mailto:mcbrides@cityofmerced.org) and Suzy Kim at [skim@webrsq.com](mailto:skim@webrsq.com). If the proposal is too large to e-mail, a file sharing link may be provided. The proposals shall be signed by an authorized official of the firm and the City reserves the right to reject any and all proposals. All submittals shall include the initial design concept, developer identification, developer experience and qualifications, financial structure and financial capacity of developer, as described below.

The City reserves the right to waive any irregularity, informality, or technicality in the proposals if determined to be in the City's best interest. The issuance of and response to this RFP is not a guarantee of award of funds or that the City will proceed with a project. There is no reimbursement for costs associated with responding to this RFP. Contents of each proposal shall include the following sections. The sections must be divided by tabs, and the total submittal may not exceed 40 pages, excluding the "Developer Identification" section in the total page count.

## INITIAL DESIGN CONCEPT

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Provide the Project Site development concept. Identify your firm's vision for this development and how it would fit into your firm's overall business strategy. Proposals should illustrate the firm's understanding of Merced, the local community, and the importance of a development project at the Project Site. Applicants shall comply with the City approved Development Code and applicable local modifications. Proposal should illustrate that the developer understands legal requirements and property disposition restrictions.

## DEVELOPER IDENTIFICATION

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Identify the development entity's name, street address, mailing address, telephone number, facsimile number, and e-mail address. Specify the legal form of the organization (e.g., corporation, partnership, joint venture, other), and identify persons with the authority to represent and make legally binding commitments for the development entity.

Provide a narrative that details whether your firm develops, or develops and operates, affordable housing complexes. Please describe the firm's specialization.

Identify other members of the development team including architects, engineers, contractors, financial or equity partners, lenders, and any known participating developer entities. Provide relevant experience for each team member, a description of his or her previous projects, and their role in the cited projects and this proposed project.

(Not included in total page count)

## DEVELOPER EXPERIENCE AND QUALIFICATIONS

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Provide descriptions for at least three previously completed projects similar to the proposed project and their respective locations. Include project timelines, showing all pertinent dates of the project development. Include all funding sources utilized for the project. Provide the names and telephone numbers of project references (private and/or public sector) for each project described.

## FINANCIAL STRUCTURE AND FINANCIAL CAPACITY OF DEVELOPER

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Submittals to this RFP must demonstrate that the development firm has the financial capacity and willingness to carry out the proposed project and to initiate development within 12 months of completing the DDA. Submittals should include the following information:



- Identify the team’s capacity to secure the equity and financing required to construct and operate the proposed development. Include the developer or related entities’ financials and holdings.
- Provide pro forma and identify the potential amount of gap financing required and the gap financing resources related to underwriting the cost of development and operations. Define the firm’s experience with securing the other sources of gap financing that may be used for the project.
- Include a statement detailing whether the development entity, or any of the named individuals on the development team, ever filed for bankruptcy or had projects that have been foreclosed. If yes, please list the dates and circumstances.

The City recognizes the sensitive nature of the financial information requested in this RFP. Therefore, such information may be submitted under separate cover and labeled “Confidential.” This information will be used solely for purposes of evaluation and will be kept confidential to the fullest extent allowed by law. Confidential records may be returned to those not selected, if requested.

## SCHEDULE

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All proposals submitted in response to this RFP will be reviewed and evaluated based on the information contained in the respective responses, an investigation of the developer’s past projects and performance, and other pertinent factors. The City will prepare an analysis of all proposals depending upon the number and quality of responses. In addition, the City may request to interview a limited number of finalists. The City reserves the right to request additional information as deemed necessary and appropriate. The City will select one developer with whom to enter into an agreement. If negotiations are successful, the City and developer will enter into a Disposition and Development Agreement (“DDA”) to develop the Project Site.

The selection process is expected to take approximately five months as outlined below. Please note the schedule may be altered at the City’s discretion.

Activity	Date
RFP Issued	<b>April 1, 2021</b>
Informational Conference Call	<b>April 15, 2021</b>
Last Day to Submit Questions	<b>April 29, 2021</b>
Release of Answers to Questions	<b>May 6, 2021</b>
Submittals Due	<b>May 20, 2021</b>
Review of Submittals	<b>May 21, 2021 – June, 21 2021</b>
Interviews (if needed)	<b>TBD</b>
Developer Selection (tentative)	<b>August 2021</b>

## DISCLAIMERS

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This solicitation does not commit the City to award an agreement, to pay any cost incurred with preparation of the proposal, or to procure or agreement for services or supplies. The City reserves the right to accept or reject any or all submittals received in response to this request, to negotiate with any qualified source, or cancel in whole or in part this process at its sole and absolute discretion. Subsequent to negotiations, prospective development entities may be required to submit revisions to their proposals. All persons or entities responding to the RFP should note that any agreement pursuant to this solicitation is dependent upon the recommendation of the City staff and the approval of the City after all legally required steps are taken.

The City reserves the right to postpone selection for its own convenience, to withdraw this RFP at any time, and to reject any and all submittals without indicating any reason for such rejection. As a function of the RFP process, the City reserves the right to remedy any technical errors in this RFP and modify the published scope of services. The City reserves the right to request that specific personnel with specific expertise be added to the team, if the City determines that specific expertise is lacking in the project team. Submittals and other information will not be returned with the exception of sensitive financial data upon request by the submitting entity.

If a Proposer discovers any ambiguity, conflict, discrepancy, omission or other error in the RFP, he/she shall immediately notify the City of such error in writing and request modification or clarification of the document. Any modifications to this RFP may be made by addenda prior to the proposal submittal date. Clarifications will be given by written notice to all parties who have been furnished or who have requested an RFP for proposing purposes, without divulging the source of the request for same.

If a Proposer fails to notify the City prior to the date fixed for submission of proposals of an error in the RFP known to him/her, or an error that reasonably should have been known to him/her, he/she shall submit a proposal at his/her own risk.

The City reserves the right to abandon the RFP process and/or change its procurement process for the agreement at any time if it is determined that abandonment and/or change would be in the City's best interest. The City will not be liable to any contractor for any costs or damage arising out of its response to the RFP.

## DISPUTES/PROTESTS

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The City encourages Proposers to resolve issues regarding the requirements or the RFP process through written correspondence and discussions during the period in which clarifying addenda may be issued. The City wishes to foster cooperative relationships and to reach a fair agreement in a timely manner.

Proposers filing a protest must do so within five (5) calendar days after Notice of Intent to Award. The protesting Proposer shall submit a full and complete written statement detailing the facts in support of the protest. Protest must be sent by certified or registered mail or delivered in person to the Procurement Officer, or designee. The City will provide a decision on the matter. The decision must be in writing and

sent by certified or registered mail, faxed, or delivered in person to the protesting Proposer. The decision of the City is final. Interpretation of the wording of this document shall be the responsibility of the City and that interpretation shall be final.