

Report Prepared by: *Scott McBride, Director of Development Services*

..Title

SUBJECT: Report to Council to Consider Selection of Affordable Housing Development Partners for Housing Successor Agency In-Fill Properties Including Authorization for the Execution of Exclusive Negotiation Agreements with the Selected Development Partners Subject to Approval by the City Attorney, and the Execution of all Documents by the City Manager or Deputy City Manager

REPORT IN BRIEF

Selection of Affordable Housing Development Partners for Housing Successor Agency (HSA) In-Fill Properties, authorizing the execution of Exclusive Negotiation Agreements (ENA) with the selected Development Partners subject to approval by the City Attorney, and authorizing the execution of all documents necessary to implement direction by the City Manager or Deputy City Manager.

RECOMMENDATION

City Council – Adopt a motion:

A. Selecting Affordable Housing Development Partners for the Housing Successor Agency In-Fill Properties including:

- Linc Housing – Sites 1 through 5
- Habitat for Humanity Merced County – Sites 6 and 8
- Housing Development Corporation Monterey County – Sites 7 and 9
- Custom Containers 915 – Merced Rescue Mission – Site 10

B. Authorizing the execution of Exclusive Negotiation Agreements (ENA) with the selected Development Partners subject to approval by the City Attorney; and,

C. Authorizing the execution of all documents necessary to implement direction by the City Manager or Deputy City Manager.

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ALTERNATIVES

1. Approve, as recommended by Staff; or,
2. Approve subject to conditions other than recommended by Staff (identify specific findings and/or conditions amended to be addressed in the motion); or,
3. Deny; or,
4. Continue to a future meeting (date and time to be specified in the motion).

AUTHORITY

Merced Charter, Section 200.

CITY COUNCIL PRIORITIES

Fiscal Year 2021/22 Adopted Goals and Priorities, 4. Housing & Homelessness, ii. Policy Direction.

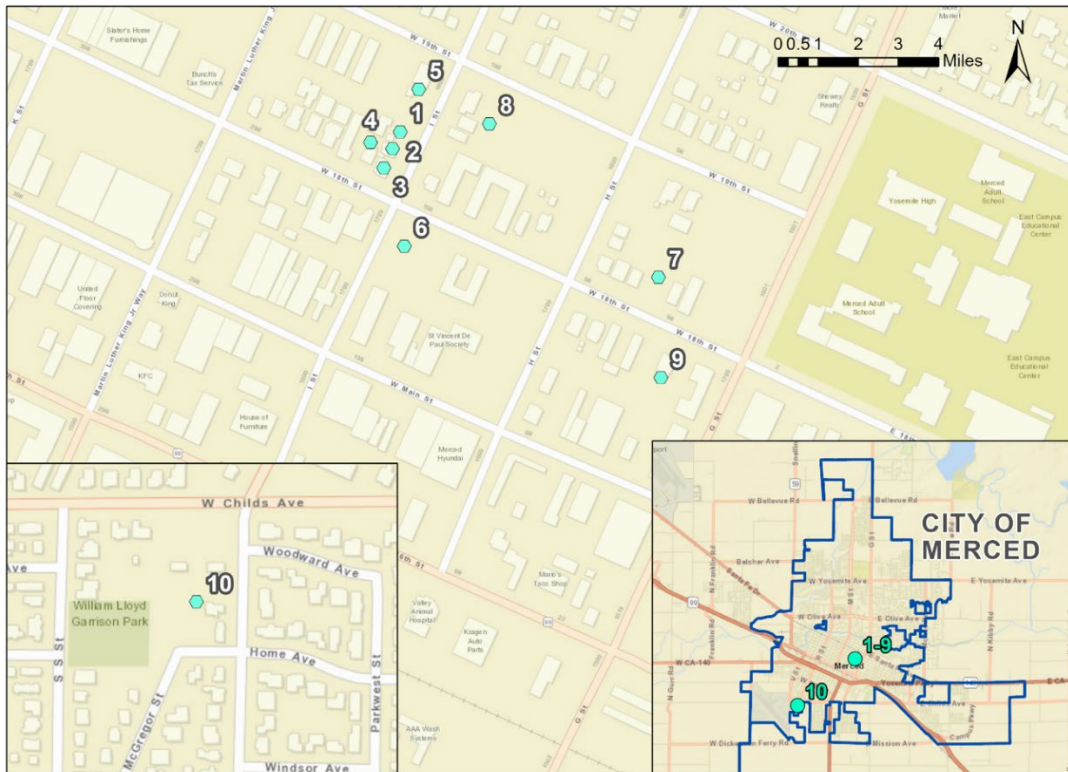
DISCUSSION

Background

The City of Merced is the Housing Successor Agency (HSA) to the former Merced Redevelopment Agency (RDA). After the dissolution of the former RDA in 2011, ten parcels of vacant land were transferred to the HSA. The properties are scattered throughout the City, with nine sites near Downtown Merced and one on South R Street. The following Exhibit and Table demonstrate the location and other details of the parcels.

Exhibit 1

Merced Housing Successor Properties



Source: RSG Inc, City of Merced

Table 2
Property Details

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

State law requires the Housing Successor to either develop the properties with affordable housing or sell the properties and deposit the sales proceeds into the Low- and Moderate-Income Housing Asset Fund (Housing Asset Fund) to fund other affordable housing activities. The deadline to initiate development or sell the properties is February 25, 2023.

Surplus Lands Act Exemption

Assembly Bill 1486 amended the Surplus Lands Act effective January 1, 2020. The Act requires cities to offer to sell surplus property to affordable housing developers and other entities before offering them for sale on the open market. The Act allows for certain exemptions, including when property is disposed of to provide affordable housing meeting certain conditions per Government Code Section 54221(f)(1)(A):

- 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 Area Median Income (“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.

The RFP required proposed developments to comply with these requirements. The RFP identifies additional HSA requirements, which include a minimum number of extremely low-income units and an affordability period of at least 15 years for mutual self-help units, 45 years for ownership units, and 55 years for rental units.

In March 2021 the City Council adopted Resolution 2021-17 declaring the properties as exempt surplus land. The resolution was submitted to the State of California Department of Housing and Community Development (HCD) and subsequently accepted.

Request for Proposals

In April 2021, City staff and consultants prepared a Request for Proposals (RFP) inviting proposals from qualified developers to develop affordable housing on the Properties. As stated in the RFP, the Housing Successor will consider proposals to develop any number of properties (i.e. all ten properties, a single property, or any combination thereof). The Housing Successor will contribute the land through a long-term, low-cost land lease or other terms negotiated with each selected developer.

The RFP (attached) provided background information on the properties, City housing needs, and legal requirements for affordability. As noted, proposals will be selected based on the quality of the proposed project(s), legal compliance with affordability requirements, developer experience, and financial capacity.

Summary of Recommended Action

The City Council is being asked to select specific Affordable Housing Developers for specific sites listed in the RFP.

As part of the due diligence process, City Staff with support from our contracted housing support consultants, RSG Inc., reviewed the proposals, arranged for meetings – calls with the responders, and then evaluated the proposals which led to the specific recommendations.

The specific recommendations are as follows:

Sites 1-5

Linc Housing

Sites 6 and 8

Habitat for Humanity Merced County – it should be noted that Habitat originally submitted for Sites 1-3. After discussion options they were open to all sites except Site 10.

Sites 7 and 9

Housing Development Corporation Monterey County (HDC) – although their proposal was for Sites 1 -6 Staff is suggesting these two as another option. The sites are close in proximity to each other which may support concurrent development which helps to reduce construction costs. Should HDC decline this opportunity the Council may consider providing them to Habitat for Humanity Merced County or provide no direction

to these sites and we can seek other options and return at a later time for Council consideration and possible action.

Site 10

Custom Containers 915 – Merced Rescue Mission

Although Custom Containers 915 submitted proposals after the RFP deadline, Staff is recommending proceeding forward with both for the suggested sites. As noted in the RFP the following flexibility was built in:

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.

A detailed review and summary of the various proposals is attached.

Next Steps

After selecting the site developers, the preparation of an Exclusive Negotiation Agreement (ENA) is appropriate. The City has utilized this approach in the past. It provides assurance to the developers that they have specific rights to proceed for the specific sites. As noted in the recommendation these would be in a form to be approved by the City Attorney and to be executed by the City Manager or Deputy City Manager.

In addition to the ENA, next steps by the developers would include submitting applications and plans to obtain necessary entitlements or permits. There may also be project specific financing which is necessary. The transfer of property to the selected developer will be accomplished through the execution of a Disposition Development Agreement (DDA) with each selected developer. These will outline specific terms and conditions of the transaction, list specified affordability requirements, and outline other business terms. Those specific documents will need to be developed, reviewed for legal compliance, and will be scheduled for future specific Council action on each.

IMPACT ON CITY RESOURCES

None.

ATTACHMENTS

1. RFP for Housing Successor Agency In-Fill Sites
2. Linc Housing Proposal
3. Housing Development Corporation Monterey County Proposal
4. Habitat for Humanity Merced County Proposal
5. Custom Containers 915

6. Custom Containers & Merced Rescue Mission MOU
7. Summary of Proposals – Developer Comparison
8. Presentation