



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: September 6, 2022

Approved

Date

9/16/22

COUNCIL DISTRICT: 1, 2, 5, and 6

**SUBJECT: EXCLUSIVE NEGOTIATION AGREEMENTS FOR AFFORDABLE
HOUSING DEVELOPMENTS ON CITY OWNED SITES**

RECOMMENDATION

Adopt a resolution authorizing the Director of Housing, or designee, to:

- a. Negotiate and execute Exclusive Negotiation Agreements and any ancillary documents with the following developers allowing them to entitle affordable housing developments for the following City-owned sites: EAH Housing and/or affiliates for 3707 Williams Road, Habitat for Humanity East Bay/Silicon Valley and/or affiliates for 1749 Mount Pleasant Road, and Santa Clara County Housing Authority and/or affiliates for 255 N. Autumn Avenue and 240 and 260 N. Montgomery Street; and
- b. Negotiate and execute Exclusive Negotiation Agreements and any ancillary documents with BRIDGE Housing and AvalonBay Communities, Inc., and/or affiliates allowing them to entitle a development that includes a community center, market-rate housing and affordable housing for 5585 Cottle Road.

OUTCOME

If the City Council approves this action, the Housing Director will execute the Exclusive Negotiation Agreements (ENA) for the entitlement and potential development of affordable housing and, where indicated, market-rate housing and community centers on the above-referenced San José City-owned sites. This action will increase the number of affordable homes, increase the availability of homes for extremely low- and very-low-income households, and convert vacant/underutilized lots into affordable housing.

BACKGROUND

The need for affordable housing continues to grow every day as rising living expenses and the low availability of affordable housing continues to negatively impact San José residents. To address the housing needs of residents, the Housing Department has acquired or identified several sites owned by the City for potential affordable housing developments.

Overview of Each Site

3707 Williams Road (West Community Center): This 0.47-acre site was originally acquired by the City in 2004 through joint efforts of the San José Redevelopment Agency; Parks, Recreation and Neighborhood Services (PRNS); and the Police Department. PRNS was designated as the lead department that would manage the site. In October 2020, City Council authorized the Housing Director to negotiate and execute documents required to transfer this site from PRNS to the Housing Department for \$6.2 million using Low- and Moderate-Income Housing Asset Funds. The site currently is being used by the Silicon Valley Korean American Federation as a community center and the Police Department as a rest stop. The General Plan land use designation for the site is Public/Quasi-Public and the zoning is Commercial Pedestrian. Staff from PRNS and the Housing Department have periodically met with members of the Silicon Valley Korean American Federation to propose possible new locations to ensure a smooth relocation of their organization. PRNS has offered to allow the Silicon Valley Korean American Federation to operate out of the San Tomas Community Center located at 4093 Valerie Drive in San José. The organization is currently in the process of submitting an updated proposal for operations out of this PRNS site. The proposed PRNS site is approximately three miles from its current location, allowing the Silicon Valley Korean American Federation to continue offering services in its target community.

1749 Mount Pleasant Road (Old Fire Station #21): This 0.48-acre site was originally acquired by the City in 1963. It was used by the Fire Department to operate Fire Station 21 until 2016, when Fire Station 21 was rebuilt on another site. Since 2016, the building remains unused by the Fire Department and the City. In October 2020, City Council authorized the Housing Director to negotiate and execute documents required to transfer this site from the Fire Department to the Housing Department for \$900,000 using Low- and Moderate-Income Housing Asset Funds. The abandoned fire station will be demolished once the entitlement process for the new development is completed. The General Plan land use designation is Residential Neighborhood and the zoning is Single-Family Residential for this site.

255 N. Autumn Avenue and 240 and 260 N. Montgomery Street (Autumn and Montgomery): These sites, comprised of three parcels totaling 0.8 acres, were recently acquired by the City from Google LLC, on June 15, 2021, as part of the Community Benefit Agreement for a purchase price of \$1 to meet the affordable housing requirements in the Google Development Agreement. The San José Downtown Association has a short-term lease with the City to use 255 N. Autumn Avenue for storage. Vacant business buildings are located on 240 and 260 N. Montgomery Street. The General Plan designation is Downtown and the zoning is Downtown – Primary Commercial for these sites.

5585 Cottle Road (Southside Community Center): Originally constructed as a school in the 1960s, this site was converted to a Community and Senior Center in the early 2000s. PRNS currently manages the site and uses the existing facilities to host preschool services, senior services, and other community activities. The Southside Community Center remains an asset of PRNS and has not been purchased by the Housing Department. The sale of the property will be included in the terms negotiated with the selected developers. The objective of PRNS and the Housing Department is to rebuild the existing community center and include affordable housing on the site. The General Plan designation is Public/Quasi-Public and the zoning is Single-Family Residential/Commercial Neighborhood for this site.

Lot North of Evans Lane and Canaos Garden Avenue (Evans Lane): This 5.94-acre site, made up of two parcels, is located on the east side of Evans Lane between Curtner Avenue, Highway 87, and Almaden Expressway. Both parcels are known collectively as Evans Lane. The General Plan designation is Urban Residential, and the zoning is Planned Development. The parcels were acquired by the Housing Department in December 2002 and June 2005, using Low- and Moderate-Income Housing Funds. The Housing Department issued a Request for Proposal to develop affordable housing and amenities at Evans Lane, and Allied Housing was selected as the developer in 2016.

In January 2019, City Council approved entitlements for the development of 61 residential permanent supportive housing units and eight prefabricated modular affordable housing units made from recycled shipping containers. The plans also included a community garden, dog park, satellite library, community room with office space, loop road, bioretention, and hydromodification basin. Environmental clearance for the proposed development was obtained in parallel with the entitlement process.

In February 2019, the City issued a predevelopment loan to Allied Housing to fund the predevelopment costs. Subsequently, the developer was unable to secure additional financing for the construction and completion of the Evans Lane project due to the novel design of the housing project.

In July 2020, the City completed the construction of an emergency interim housing community on one portion of the site to provide shelter to 49 families who are experiencing homelessness (up to 108 individuals) in response to the COVID-19 pandemic. The other portion of the site remains undeveloped and vacant.

1488 N. First Street (SureStay): This site was purchased by the Housing Department in July 2020 using \$14.5 million in Homekey funds from the State of California to provide immediate housing for individuals experiencing homelessness. The General Plan designation is Urban Village and the zoning is Commercial Neighborhood/Light Industrial for this site. Homekey was established by the state in response to the COVID-19 pandemic. The site currently provides shelter for over 60 people. Abode Services provides property management and services for the residents who are mostly elderly and disabled. After November 2025, the site can be redeveloped to expand services to include low-income households. Proposals received for this site must follow the requirements set forth by Homekey.

Request for Proposal (RFP) Applications Summary

The Housing Department published an RFP in December 2021 for housing developers to submit development proposals for the City-owned sites by April 2022. Each proposal was evaluated and the developers with the highest preliminary scores for each site were invited to present to the evaluation panel. Scores from the preliminary application and presentation were added together to determine the final score and selection. The City received a total of 10 applications as described in Table 1.

Table 1: Summary of Applications Received

Site Name	Site Address	Applicant
West Community Center	3707 Williams Road	EAH Housing
		First Community Housing
Old Fire Station #21	1749 Mount Pleasant Road	Habitat for Humanity East Bay/Silicon Valley (Habitat)
Autumn/Montgomery	255 N. Autumn Avenue and 240 and 260 N. Montgomery Street	Santa Clara County Housing Authority (Housing Authority)
		Mercy Housing
		The Core Companies
Southside Community Center	5585 Cottle Road	BRIDGE Housing/AvalonBay Communities
		EAH Housing and The Core Companies
Evans Lane	Lot north of Evans Lane and Canaos Garden Avenue	Eden Housing/Seven West Capital
SureStay	1488 N. First Street	Housing Authority

ANALYSIS

The RFP included six sites and ten proposals were received. Housing staff and consultants completed the initial review and the preliminary scoring. Each proposal was scored based on the general categories: development intent summary; applicant qualifications; development description and plan; timeline and budget; and submission completeness. The developers with the highest preliminary scores were invited to present to the evaluation panel as an opportunity to be awarded additional points. The evaluation panel consisted of staff from the Housing Department, County of Santa Clara Office of Supportive Housing, and PRNS. Table 2 provides an overview of the scoring.

Table 2: Scoring Categories and Maximum Point Allocations

Criteria	Maximum Achievable Score
Development Intent Summary	5
Applicant Qualifications	25
Development Description and Plan	50
Timeline and Budget	25
Submission Completeness	5
Presentation Score	10
Total	120

Each site is unique when considering its location, surrounding neighborhood, size, current use, potential development opportunities, and other qualities. Therefore, the proposals that were selected from the RFP process were deemed to be feasible, met goals set by the City, and were most likely to fit the needs of the community.

Table 3: RFP Final Score Table

Site	Applicant	Initial Application Score (Max 110 Points)	Average Presentation Score (Max 10 Points)	Total RFP Score (Max 120 points)
West Community Center	EAH Housing	94	9.1	103.1
	First Community Housing	89	6.9	95.9
Old Fire Station #21	Habitat	84	8.3	92.3
Autumn/Montgomery	Mercy Housing	99	9.5	108.5

	Housing Authority	101	9.4	110.4
	The Core Companies	62	N/A	62
Southside Community	BRIDGE Housing/AvalonBay Communities	100	9.4	109.4
	EAH Housing and The Core Companies	98	8.4	106.4
Evans Lane	Eden Housing/Seven West Capital	89	7.8	96.8
SureStay*	Housing Authority	N/A	N/A	N/A

*The SureStay was not scored due to the recommendation to transfer the property rather than enter into an Exclusive Negotiating Agreement for this property.

Proposals Summary and Descriptions

The following proposal summaries and descriptions are preliminary and are likely to evolve during the entitlement process. Table 4 and section below provide a summary of the number of units, the number of affordable and market-rate units, and a general description for each of the proposed developments presented to the Housing Department as a part of the RFP process. A brief summary of each of the recommended proposals is included in Attachment A.

Table 4: Recommended Selected Proposals Summary

Site	Applicant	Target Population	Total # of Units	Affordable - Rental Units	Affordable For-Sale Units	Market Rate For-sale	Market Rate Rental	Manager's Units
West Community Center	EAH Housing	Family	59	58	0	0	0	1
Old Fire Station #21	Habitat	Family	8	0	8	0	0	N/A
Autumn/Montgomery	Housing Authority	Family + Permanent Supportive Housing	246	242	0	0	0	4
Southside Community	Bridge Housing	Family + Senior	456	254	0	0	200	2
TOTAL			769	554	8	0	200	7

West Community Center: Staff recommends entering into an ENA with EAH Housing for the West Community Center site. EAH Housing proposed a five-story, 59-unit development comprised of a mix of one-, two- and three-bedroom apartments. More than 50% of the apartments will be for families, and 40% of the apartments will target individuals and families who are at 30% of Area Median Income (AMI) which is annual income of approximately \$35,000 to \$50,000, depending on household size for one to four persons as of the City of San José 2022 Income and Rent Limits. EAH Housing's Real Estate Management team provides complete property management and asset management services as well as a "Staywell" program with a focus on health and wellness; financial literacy and workforce readiness; and digital literacy offering more than 30 years' experience in permanent supportive housing services.

Old Fire Station #21: Staff recommends entering into an ENA with Habitat for the Old Fire Station #21 site. Habitat proposed eight affordable for-sale, two-story townhouse residences. These will be two-, three-, and four-bedroom attached townhomes ranging from 992 to 1,412 square feet, on individual lots, offering a total of 14 parking spaces. The townhomes will be sold to low-income families earning on average 60-80% AMI, which is approximately \$70,700 to \$134,000, depending on household size for one to four persons. There will be a minimum 45-year resale restriction recorded against the land, and Habitat will retain first option of purchase. Estimated sales price for each home will be approximately \$387,000.

Autumn and Montgomery: Staff recommends entering into an ENA with the Housing Authority for the Autumn and Montgomery site. The Housing Authority proposal includes 246 apartments over two 12-floor towers with a two-phased construction. Tower one will provide 126 affordable one-, two-, and three-bedroom apartments for families where 46% of the units will be reserved for households at or below 30% AMI, which is an annual income of around \$35,000 to \$50,000, depending on household size, for one to four persons. The remaining units will be restricted to households at or below 60% AMI, which is an annual income of approximately \$70,000 to \$100,000, depending on household size, for one to four persons. Tower two will offer 116 studio and one-bedroom apartments at 30-50% AMI. The two projects will also reserve 20%, or 49, of their units for residents in need of permanent supportive housing.

As a part of the Housing Authority proposal, the Housing Authority and LifeMoves provided a vision for the site with a larger master-planned area to create an integrated housing and supportive housing campus that aligns with the Downtown West Redevelopment Area. The master plan includes the Autumn and Montgomery site, the adjacent site owned by LifeMoves, and the Housing Authority office site located across Julian Street.

Southside Community Center: Staff recommends entering into an ENA with BRIDGE Housing and AvalonBay Communities, Inc. for the Southside Community Center site. BRIDGE Housing and AvalonBay Communities, Inc. proposed a two-phase development for the Southside Community Center that will build an expanded community space in addition to both affordable and market-rate rental housing on the current community center site. The proposal includes 123 affordable family rental units, 133 affordable senior rental units, 200 market-rate rental units, a new 30,000 square foot built out community center that includes a multi-classroom 6,000 square foot preschool, and a 10,000 square foot open pad for future community center

facilities. The proposed concept will serve a range of age groups and incomes, from seniors to families with children. Eligible household incomes will range from a low of 30% AMI, which is an annual income of approximately \$35,000 to \$50,000, depending on household size, for one to four persons, up to market-rate. The City will work with the developer through the ENA process to determine details including the construction of the community center and funding of relocation costs. The developer has hired a relocation consultant to propose three possible temporary sites for the community programs, services, and activities during construction all located within a five- to ten-minute drive from Southside Community Center.

Evans Lane: A recommendation to authorize execution of an ENA for the Evans Lane site is not included in this memorandum. A single proposal was submitted for the Evans Lane site; staff determined it did not fully meet the objectives and requirements for this site. The proposed number of new units on the site was significantly less than allowable on the site and expected by the staff.

SureStay: A recommendation to authorize execution of an ENA for the SureStay site is not included in this memorandum. Given the Homekey requirement to operate the site as extremely-low-income housing until November 2025 and that it received only one proposal, staff is pursuing an alternative plan for the site. A single proposal was submitted by the Housing Authority. Staff is in communication with the Housing Authority and is seeking approval from the California Department of Housing and Community Development for the redevelopment plan for the site. Staff is seeking approval from City Council for the transfer of this site to the Housing Authority on September 27, 2022, as a separate action.

Next Steps

The selected developers from the RFP process will work closely with the City to enter into ENAs. These agreements will include specific requirements for each site as well as milestones and timelines for the developers to meet. Expected next steps that the developers must complete, as outlined in the ENAs, include obtaining land use entitlements and financing for the construction of their developments. An ENA is not a commitment to develop or convey interest in land to a developer, it is an agreement to negotiate only with a specific developer, and a right of entry to be used while the developer pursues entitlements on the site. Once the site is entitled and the environmental review is complete, staff will return to the City Council for additional approvals.

CONCLUSION

If the City Council approves this recommendation, the Housing Director, or her designee, will be authorized to execute ENAs with the housing developers that were selected through the RFP process published in December 2021. Prior to any execution of ENAs, staff will negotiate terms and milestones with each developer.

EVALUATION AND FOLLOW-UP

Upon approval of any ENA agreements and fulfillment of the associated ENA requirements, including entitlement and environmental review, staff will return to City Council for approval of the next actions. Next actions include transfer of the Southside Community Center site from PRNS to Housing, funding commitments for the development, and ground lease agreements for each site. Prior to disposition of any City-owned site, the City must comply with the Surplus Lands Act and the proceedings and findings required under that Act. Additionally, for the City sites acquired with Low- and Moderate-Income Housing Asset Funds, the City Council must approve of the disposition agreement after a noticed public hearing. The public hearing will include a Health and Safety Code Section 33433 Report summarizing the value of the property and the terms of disposition.

It is anticipated that the Housing Department will provide construction and permanent financing for these developments within two years of the execution of an ENA.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum aligns with one or more of Climate Smart San José energy, water, or mobility goals. All proposals are on sites that are within one mile of public transit. The West Community Center design proposal will have a solar orientation. The proposal for the Old Fire Station #21 site includes all-electric designs with photovoltaic panels to achieve a net zero energy usage. The Autumn/Montgomery proposal includes dedicated bike parking, rooftop photovoltaic panels, and an all-electric design. The Southside Community Center proposal will be all electric and include low-flow faucets, LED light fixtures, ENERGY STAR certified appliances, and potentially, a solar rooftop.

PUBLIC OUTREACH

Upon execution of an ENA, developers will begin leading community workshops, gathering feedback, and meeting with City staff throughout the planning process. These meetings and the feedback received will be used to ensure the needs of the community are satisfied especially for sites which are proposing an intensive development plan. This memorandum will be posted to the City's website for the September 27, 2022 City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Office of Economic Development and Cultural Affairs Real Estate Division, PRNS, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item was not heard by the Housing and Community Development Commission, as approvals of affordable developments do not fall under the functions, power, and duties of the Commission as delineated in section 2.08.2840 of the San José Municipal Code.

FISCAL/POLICY ALIGNMENT

This recommendation 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, 2020-25* in providing units for very-low- and extremely-low-income households and for large-renter households.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
JACKY MORALES-FERRAND
Housing Director

The primary author of this memorandum is Jimmy Lin, Development Officer. For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

Attachment A: Selected Proposal Summaries for Recommended Developments

ATTACHMENT A: Proposal Summaries for Recommended Developments

**AFFORDABLE
HOUSING
DEVELOPMENTS
APPLICANT
PROPOSALS**

SITE LOCATION

West Community
Center
3707 Williams
Road

District 1

APPLICANT

EAH Housing

PROPOSAL

- Family Affordable Housing
- Up to 59 family apartments
- Relocation plan for the Korean American Federation

NEXT STEPS

September 2022

Present Exclusive Negotiating Agreement (ENA) memo to City Council for approval.

Fall 2022

Begin drafting and negotiating ENA with each developer. Continue discussing options for a new site with the Korean American Federation.



AFFORDABLE HOUSING DEVELOPMENTS

APPLICANT PROPOSALS



District 5

SITE LOCATION

Old Fire Station
1749 Mount
Pleasant Road

APPLICANT

Habitat for Humanity East Bay

PROPOSAL

Eight for-sale affordable two-story townhomes

NEXT STEPS

September 2022

Present Exclusive Negotiating Agreement (ENA) memo to City Council for approval.

Fall 2022

Begin drafting and negotiating ENA with Habitat for Humanity.



Housing



APPLICANT

Santa Clara County Housing Authority

PROPOSAL

- Two 12-story towers with 246 affordable units developed in two stages
 - Family Unit Tower: 126 studio–three bedroom units
 - Smaller Unit Tower: 116 studio–one bedroom units
- Integrating into the broader campus with LifeMoves and Housing Authority
- First site from Google Negotiations

NEXT STEPS

September 2022

Present Exclusive Negotiation Agreement (ENA) memo to City Council for approval.

Fall 2022

Begin drafting and negotiation ENA with Housing Authority.



AFFORDABLE HOUSING DEVELOPMENTS

APPLICANT PROPOSALS



SITE LOCATION

Southside
Community
Center

5585 Cottle Road

District 2



APPLICANT PROPOSAL

Bridge Housing / Avalon

- Total of 456 housing units
- Phase 1
 - 123 Affordable Family & 200 Market rental units
 - 30,000 sqft Community Center
- Phase 2
 - 133 Seniors & 10,000 sqft outdoor pad
- Relocation Consultant “3D strategies” to find locations for relocating the comm center activities for 24–30 months. Three of these properties are located within a 5–1- minute drive of Southside.

NEXT STEPS

September 2022

Present Exclusive Negotiation Agreement (ENA) memo to City Council for approval.

Fall 2022

Begin drafting ENA with Bridge Housing Work with PRNS to plan for relocation of services during construction.



AFFORDABLE HOUSING DEVELOPMENTS APPLICANT PROPOSALS



SITE LOCATION

SureStay
1488 N. First St.

APPLICANT

Santa Clara County Housing Authority

PROPOSAL

- Transfer agreement to the Santa Clara County Housing Authority

NEXT STEPS

Fall 2022

- Present transfer proposal to City Council for approval and work on transfer agreement with the Housing Authority
- Transfer approval by City Council, Housing Authority Board, HCD
- Target closing in early 2023

