



CITY OF GLENDALE, CALIFORNIA REPORT TO THE GLENDALE HOUSING AUTHORITY

AGENDA ITEM

Report: Selection of an Affordable Housing Developer in Response to a Request for Qualifications Issued by the Housing Authority July 29, 2020 to Develop an Affordable Housing Project for Families on Housing Authority Owned Property at 900 E. Broadway.

- 1) Motion Authorizing the Executive Director to Execute an Exclusive Negotiating Agreement with Meta Housing Corporation for Purposes of Negotiating an Agreement to Develop an Affordable Housing Development for Families on Housing Authority Owned Property at 900 E. Broadway.
- 2) Motion Directing Staff Regarding Selection Process
- 3) Motion Selecting Another Proposer for Purposes of Negotiating an Agreement to Develop an Affordable Housing Development for Families on Housing Authority Owned Property at 900 E. Broadway.

COMMISSION/COMMITTEE ACTION

Item Type: Action Item

Approved for October 27, 2020 **calendar**

ADMINISTRATIVE ACTION

Submitted by:

Philip S. Lanzafame, Director of Community Development

Prepared by:

Peter Zovak, Assistant Director of Community Development
Mike Fortney, Principal Housing Project Manager

Approved by:

Roubik Golanian, Interim City Manager

Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

RECOMMENDATION

The Community Development Department (CDD) recommends that the Housing Authority of the City of Glendale (Housing Authority) authorize the Executive Director to execute an Exclusive Negotiating Agreement (ENA) with Meta Housing Corporation to develop an affordable housing project for families in response to a Request for Qualifications (RFQ) issued July 29, 2020 for Housing Authority owned land at 900 E. Broadway.

BACKGROUND/ANALYSIS

In October 2019, the Housing Authority acquired 900, 912, 920 E. Broadway and 117 S. Belmont Street from Tobinworld for \$12.1M. Tobinworld had owned the site for over 20 years and operated their school for developmentally disabled students. In 2019, Tobinworld listed the property for sale on the open market with plans to voluntarily shut down. The purpose of the Housing Authority's acquisition was for a future affordable housing development.

In total, the site is 1.6 acres and is split evenly in half by a north/south alley connecting Broadway and Harvard Street. To the west of the alleyway is 900 E. Broadway. Developed in the 1970s, it is improved with a single story 11,120 sq. ft. concrete block structure and a surface parking lot. The structure served Tobinworld as a multi-purpose space including office, classrooms and gathering areas. The site is zoned C-3 which is equivalent to R-1250 and with over 90 ft. of frontage along Broadway, is equivalent to R-1000. Zoning would allow for 35 units. A Density Bonus of 35% increases the unit count to 48 units, with 42 at market and 6 reserved for affordable housing. CDD staff has recommended a higher density of 100 units to the acre, or 80 units on the site given the project would be 100% affordable to very low and low income families. That requires an approximately 229% Density Bonus.

To the east of the north/south alley lies 912 and 920 E. Broadway and 117 South Belmont (aka 920 E. Broadway). This half of the site is improved with two-story office buildings used as offices and classrooms. 912 E. Broadway is also improved with two residential units. One houses Tobin, the son of the owner and namesake of the school, and the other houses Tobin's caretaker. These three buildings, known as the Harrower Lab, are listed in the Glendale Register of Historic Places. They were constructed between 1920 and 1921 by Dr. Harrower for use as a medical lab. At the time, it was the largest private employer in the City of Glendale.

Since acquisition of the site, CDD staff has contracted with KFA Architects to conduct 'Fit Plans' for both 900 and 920 E Broadway to further analyze the development potential of both sites. KFA's scope of services was expanded to include entitling both sites. The entitlement process has proceeded concurrent with the RFQ process in an

effort to entitle the site and partner with a developer in time to apply for 9% Affordable Housing Tax Credits in the March, 2021 Tax Credit round.

At its meeting on July 21, 2020, the Housing Authority authorized staff to issue separate RFQs. One to develop a new construction, family rental project at 900 E. Broadway and a separate RFQ for the adaptive re-use and historic preservation of the existing, historic buildings at 920 E Broadway into an affordable rental housing project for seniors.

Prior to the release of the RFQ for 900 E. Broadway, the Housing Authority directed staff to explore the possibility of increasing the number of units at 900 E. Broadway. In response, CDD staff met with the design team to study the feasibility of increasing the number of affordable units. The concept plans provided to the Housing Authority on July 21 included 80 units with a mix of approximately 40 one-bedroom units, 20 two-bedroom units and 20 three-bedroom units. That unit mix met the standard for a 9% Affordable Housing Tax Credit Project. To increase this number, the design team and staff converted many of the one-bedroom units into smaller studio units. In doing so, the design team also had to increase the two and three-bedroom unit count in order to continue to meet the Tax Credit requirement of no less than 25% two and 25% three bedroom units. The end result was a 10% increase in the total number of units, from 80 to 88 requiring a Density Bonus of approximately 251%.

The RFQ issued on July 29, 2020 included the revised preliminary entitlement package for an 88-unit family rental project and was issued to the development community (more than 100 organizations and 250 individuals) throughout the Southern California region. On August 13, 2020, a site walk-through/predevelopment conference for developers/architects/consultants was held at the site outdoors with COVID-19 related safety measures in place. Approximately one week later, CDD staff emailed a list of questions and answers from the pre-submittal conference to all those on the initial RFQ distribution list in order to inform both those who were in attendance and those unable to be present for the pre-submittal conference.

RFQ Response

The deadline to respond to the RFQ was September 14th. On that date, the Housing Authority received twelve submittals in response to the RFQ. Below is the full list of all the developers (in alphabetical order) who submitted responses:

Abode Communities	Many Mansions
Bridge Housing	McCormack, Baron, Salazar
Clifford Beers	Michaels
Decro Group	Meta Housing
EAH Housing	Related
LINC Housing / National CORE	West Hollywood Community Housing Corporation

On September 15th, CDD staff assembled four copies of each of the 12 submittals and distributed them to the RFQ Review Team consisting of staff from Planning, Urban Design, Concierge and Housing. The RFQ Review Team evaluated the submittals based upon the following:

- Development experience;
- Development team/partnerships;
- Developer vision;
- Financial feasibility;
- Housing affordability;
- Sources and uses;
- Additional benefits;
- Project timeline; and
- Compliance with the RFQ.

Each of the twelve developer teams were contacted by members of the RFQ Review Team for clarifying or additional information, some multiple times as many of the developer teams provided complex financing proposals and numerous alternative financing and development scenarios.

The RFQ Review Team's first focus was to review the responses and determine which met the Housing Authority's requirement to develop the project substantially as presented in the RFQ package while limiting the Housing Authority's maximum financial participation. The RFQ stated the Housing Authority's contribution would consist of the land through a long term land lease and upwards of \$5M using a combination of Federal HOME dollars and local affordable housing funds. Three of the development teams did not meet these criteria.

The RFQ Review Team looked at developer experience in terms of number of units and projects developed and under management as well as where those projects are located. Many of the developer teams had an abundance of experience throughout California. In particular, the RFQ Review Team was looking for experience developing projects in LA County, but outside the City of Los Angeles, especially when proposing to finance the project with 9% Affordable Housing Tax Credits.

All of the development teams demonstrated a thorough understanding of affordable housing development and management. Most identified all essential members of their team including the developer, architect, management company and service provider. Many of the team members (individuals and companies) were known to the RFQ Review Team, either through previous submittals to RFQs and RFPs or work done in Glendale. The RFQ Review Team did have the pleasure of researching and learning more about a number of teams though that had never responded to RFQs or RFPs or yet to work in Glendale.

The response to developer vision varied greatly between development teams with some responses having a very well thought out vision for the project while others were very limited in expressing a vision. Those teams able to articulate a well thought out vision for the site were looked upon more favorably.

Financial feasibility and sources and uses were thoroughly reviewed by members of the Review Team. The RFQ did encourage development teams to seek additional sources of funds, primarily to reduce the funds needed from City of Glendale. A small number of teams had very simple sources and uses of funds, relying primarily on 9% Affordable Housing Tax Credits and funds from Glendale, while others proposed a number of financing sources. The result of many of the additional sources though did not reduce Glendale's financial participation. Instead, much of the additional sources of funds would have reserved 20% to 50% of the project's units to extremely low or very low income special needs populations including formerly homeless, victims of domestic abuse, and other special needs. There was concern with some of the responses relying on sources of funds that may not be achievable due to the project's timeline. Other concerns stemmed from the feasibility of securing levels of funding from sources that may not be competitive.

Both housing affordability and project timeline are tied to a degree to sources and uses. Nearly all of the submittals' housing affordability focused on populations earning between 30% and 60% Average Median Income (AMI), which is typical of a 9% Affordable Housing Tax Credit funded project. There were a few outliers though that relied more heavily on populations earning 80% AMI with one submittal having a substantial number of units reserved for those earning 90% AMI. In terms of project timeline, many demonstrated an ability to deliver a fully constructed project in the Fall or Winter of 2023 with lease-up completing shortly after construction completion or by Spring 2024. A small number of proposals though could not deliver a completed project before 2024, often due to timing of additional sources of funds.

All of the submittals were considered compliant with the RFQ. An example of a non-compliant submittal would have been one where the proposal was for an ownership project or if rental, a significant number of units were proposed at rent levels not considered affordable.

After more than three weeks of reviewing each of the proposals, each member of the Review Team chose what it considered to be the best three to five responses based on the evaluation criteria. On October 8th, the Review Team met and conferred, with each member sharing his/her findings with the team. Through a collaborative process, the Review Team was able to come to consensus on three development teams whom they believe best responded to the RFQ. These three teams included (in alphabetical order):

1. LINC Housing / National CORE;
2. Meta Housing; and
3. West Hollywood Community Housing Corporation.

Throughout the RFQ process, CDD staff continued to work with KFA Architects to refine the entitlement package. In addition to changes resulting from meetings between KFA and Planning and Urban Design staff, others resulted from ideas presented in some of the twelve RFQ submittals. One significant change stemming from this review is the reconfiguration of the parking to eliminate all surface stalls and provide all parking in two full subterranean levels where previously there was one and a half levels of subterranean parking. This allows construction of five additional residential units, bringing the total count to 93 and requiring a 266% Density Bonus. This is the second time staff has been able to increase the overall number of units, pursuant to Housing Authority direction. The changes also add almost 1,000 square feet of indoor community space while reducing the building mass and brings the courtyard to the level of the paseo. Each of these changes represents a major enhancement of the project without increasing the building's overall size. These changes do come at a cost, some of which will be offset by the additional units, but the Review Team believes the benefits outweigh the costs as the changes also allow a much better connectivity between the project's courtyard and the proposed paseo, along with additional community space inside the building. The result is an entitlement package refined to the point that it is ready for submission and review.

The current entitlement package, attached to this report and available for review in Management Services, still allows for creative design input from the selected developer. In particular, the open spaces (paseo, courtyard and roof top decks) have been minimally designed. Additional refinements to the façade of the building will also need to be made before the entitlement package is ready to be presented to the Design Review Board (DRB). The current entitlement package was prepared by KFA on Friday, October 9th, just a day after the Review Team chose the top three development teams. As a way to help further evaluate the top three candidates, they were provided a link to the refined entitlement package and asked to respond to the changes, in interviews conducted the following Wednesday on October 14th. Their response to the refined entitlement package was one of four areas the developer teams were asked to present. All four items that the three selected developers were asked to respond to included:

1. An introduction of the development team;
2. The team's vision for the site;
3. Comprehensive feedback on the refined entitlements package, and how the refinements may affect their team's schedule, financing, etc.; and
4. Demonstration to the RFQ selection team that their submittal is competitive in securing funding and meeting the proposed timeline.

The three interviews were conducted with the Review Team in the morning of October 14th. All three development teams did an excellent job of presenting their team members and roles, as well as prior relevant experience. Two of the teams did particularly well in describing their vision for the site and gave specific examples of ideas to improve the façade and program the open spaces, with one team clearly demonstrating the most comprehensive vision for all of the open spaces. All three teams responded well and favorably when addressing the refined entitlement package, with one team providing a fully updated proforma, sources and uses and schedule of values. Finally, in demonstrating competitiveness and ability to perform within the proposed timeline, two of the developer teams stood out.

Immediately following the interviews, the Review Team met to discuss the results of the interviews. A clear consensus was formed in identifying the one development team that stood out as exceptional, namely Meta Housing.

Housing Authority Direction/Next Steps

Staff recommends the Housing Authority enter into an ENA (draft attached as Exhibit 2) with Meta Housing while continuing the entitlement process with KFA with the goal of having a DRB approved project in January, 2021. Concurrent with the ongoing entitlement process, staff will negotiate with Meta Housing and bring the deal points of an affordable housing project in the form of a Letter of Loan Commitment in February, 2021 in time for Meta Housing to apply for 9% Affordable Housing Tax Credits. With an award of Tax Credits, the project will need to secure all remaining financing and building permits, and enter into an Affordable Housing Agreement which will be brought to the Housing Authority in the Fall of 2021 for consideration and approval. Construction of the project could then commence with a completion date in late 2023. Marketing and lease-up of the project would begin approximately six months prior to expected Certificate of Occupancy with the goal of having a fully leased and occupied project on or before December 31, 2023.

FISCAL IMPACT

There is no fiscal impact associated with this item. The fiscal impact will be determined once the Housing Authority enters into a Letter of Loan Commitment with Meta Housing for the site, expected in February, 2021.

CAMPAIN DISCLOSURE

Please see Exhibit 5.

ALTERNATIVES

Alternative 1: The Housing Authority may accept staff's recommendation and authorize the Executive Director to execute an ENA with Meta Housing;

Alternative 2: The Housing Authority may direct staff to invite the top three development teams identified by the RFQ Review Team and conduct interviews, ultimately selecting any one of the three development teams for an ENA;

Alternative 3: The Housing Authority may direct staff to return with additional information or analysis on any / all of the 12 RFQ submittals received and reviewed by the RFQ Review Team;

Alternative 4: The Housing Authority may reject staff's recommendation and select another team; or

Alternative 5: The Housing Authority may consider any other alternative not proposed by staff.

EXHIBITS

Exhibit 1: Site Map

Exhibit 2: Draft ENA

Exhibit 3: Current entitlement package for 900 E. Broadway

Exhibit 4: Meta Housing's RFQ response submittal

Exhibit 5: Meta Housing's Campaign Disclosure

Exhibit 6: Remaining Campaign Disclosures