

STAFF REPORT

TO: HONORABLE CHAIR AND BOARD MEMBERS

**FROM: ROBERT PERRAULT, EXECUTIVE DIRECTOR
BRUCE BUCKINGHAM, DEPUTY DIRECTOR BAB**

**SUBJECT: DISCUSSION OF AFFORDABLE HOUSING PROJECT STATUS ON
SOUTH 10TH STREET & FARROLL ROAD**

BACKGROUND

In May 2010, the Board authorized the Agency to negotiate terms and enter into a Development and Disposition Agreement with Vernon & Associates to construct an affordable housing project on the Agency-owned property located at the northwest corner of South 10th Street and Farroll Road.

Mr. Vernon has prepared two preliminary site plans for the project consisting of a four and five unit low-income project (reference Attachments 2 & 3). After further analysis, Mr. Vernon has determined that the only economically feasible project for him to move forward with is the five unit project. Mr. Vernon is requesting that the Agency provide the property at no cost and that the Agency pay \$120,000 of the estimated \$160,000 City fees.

The proposed five unit project and the terms Mr. Vernon is requesting are modifications to the terms outlined in the Request for Proposal (RFP). Consequently, staff believes that the Board should determine whether the proposed project and terms meet the Agency's goal for an affordable housing project, prior to preparing a Development and Disposition Agreement for Board consideration. Specifically, staff is requesting that the Board provide staff with direction based on the new five-unit site plan and proposed terms by Mr. Vernon.

DISCUSSION

Last fiscal year, the Agency purchased the property located at the northwest corner of South 10th Street and Farroll Road with the intent of constructing an affordable housing project on the site. The site is zoned R-3 and is approximately 7,000 square feet and constrained by its triangular shape. In January 2010, the Agency issued an RFP to solicit qualified parties interested in partnering with the Agency to construct an affordable housing project with up to four units. The RFP identified the Agency would provide 75% of the land value at no cost (i.e., a 25% loan) and would consider other means of subsidizing the development cost, including payment of City fees.

APPROVED FOR FORWARDING



**ROBERT PERRAULT
EXECUTIVE DIRECTOR**

**Please Review for the Possibility of a
Potential Conflict of Interest:**

- | | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Bright |
| <input type="checkbox"/> Shoals | <input type="checkbox"/> Molnar |
| <input type="checkbox"/> Nicolls | <input type="checkbox"/> Peterson |

Meeting Date: February 22, 2011

Agenda Item No. IA-1

The Agency received four proposals and a selection committee consisting of the Agency Executive Director, Agency Counsel, and the Agency Deputy Director reviewed the proposals and determined that the proposal submitted by Vernon & Associates to construct four low-income units best met the criteria outlined in the RFP (reference Attachment 1). In May 2010, the Board accepted staff's recommendation to negotiate a Development and Disposition Agreement with Vernon and Associates.

Mr. Vernon's original proposal assumed that the Agency would finance the project, eliminating the need for private financing. Mr. Vernon also indicated that if Agency financing was not available that other cost savings or increased revenues (i.e., an additional unit) may be necessary. As a result of the Agency not having adequate funds to finance the project, Mr. Vernon explored other alternatives.

Consequently, Mr. Vernon prepared two conceptual site plans with a four and five unit low-income project (reference Attachments 2 & 3). Upon further analysis, Mr. Vernon has determined that the five unit project is necessary for him to proceed with the project to ensure adequate profit and overhead to cover the financial and marketing risks associated with the project. Mr. Vernon has prepared a project proforma for the five unit project (reference Attachment 4).

As a result, Mr. Vernon is proposing a five unit low-income project subject to the following terms:

- He will secure a loan for all construction costs. The San Luis Obispo Housing Trust Fund has expressed interest in providing a portion of the loan amount.
- The Agency would provide the property at no cost.
- The Agency would pay \$120,000 of the City's building and planning fees.

Staff has prepared a project comparison of the four and five unit projects to illustrate the number and types of incentives and/or concessions that would be required for the respective projects (reference Attachment 5). The four unit project requires more incentives/concessions than currently allowed under Zoning Code Part 49 Affordable Housing Density Bonus. This is primarily a result of the more restrictive development standards required by Zoning Code Part 40 Planned Unit Developments.

The five unit project is eligible for the State's Affordable Housing Incentive law which allows for less restrictive parking requirements. In addition, State law allows for three additional incentives/concessions or more, if development standards physically preclude development. Consequently, the five unit project could be approved if findings were made that the non-parking related incentives/concessions granted were necessary because the City's development standards created impediments to the construction of affordable housing.

As a result of increasing the number of units to five and modifying the terms of the RFP, staff is requesting direction from the Board, prior to proceeding with the preparation of an Agreement. Based on the financial concessions requested by Mr. Vernon, the Board should consider whether this is the best project for the Agency to partner with Mr. Vernon and whether the terms are acceptable.

If the Board determines that the proposed project meets the Agency's goals for an affordable housing project, staff will prepare a draft Agreement for the March 21, 2011 meeting. Mr. Vernon would then proceed with preparing and submitting a development application to the City. The five unit project would require a recommendation by the Planning Commission and final action by the City Council.

If the Board determines that the proposed project/terms are not acceptable, then the Selection Committee would open discussions with another qualified firm that responded to the RFP.

ALTERNATIVES

The Board has the following alternatives to consider:

1. Provide staff with direction on whether the conceptual five unit project and proposed financial terms are acceptable.
2. Direct staff to initiate negotiations with another entity that responded to the RFP.
3. Recirculate the RFP with potentially different terms.
4. Provide alternative direction to staff.

RECOMMENDED ACTION

It is recommended that the Board provide staff with direction on whether the conceptual five unit project and proposed financial terms are acceptable.

FISCAL IMPACT

The fiscal impact resulting from the project as proposed by the developer is \$120,000 from the Agency Housing Set-Aside Fund for payment of City fees. The land cost of \$386,000 has already been paid by the Agency to the City, but the waiver of the 25% loan that was part of the original terms potentially adds \$96,500 to the Agency's contribution to the project.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act. A copy of the staff report and agenda were sent to Mr. Vernon.

ATTACHMENTS

1. RFP for Affordable Housing Project
2. Four Unit Conceptual Site Plan
3. Five Unit Conceptual Site Plan
4. Five Unit Project Proforma
5. Project Comparison Chart



**City of Grover Beach
Request for Proposals
10th Street & Farroll Road Affordable Housing Project
January 22, 2010**

Objective

The City of Grover Beach and the Grover Beach Improvement Agency ("City") are seeking a qualified contractor / developer and/or non-profit agency ("Proposer") to partner with the City in the development of an affordable housing project on property currently owned by the Agency. In August, 2009, the City initiated an RFP; however, only one proposal was submitted and that proposal would have required additional financial support from the City/Improvement Agency. In addition, that proposal only provided for two residential units and the City / Agency wishes to see as many units on the site as is physically and financially possible.

The property consists of 7,047 sq ft and is zoned R-3 multi-family residential. It is the City's intent to partner with a successful Proposer having the capability to design, entitle and build up to four (4) single family units. The City / Agency wishes to achieve the maximum number of units that the site can appropriately support. Once completed on the site, the units shall be offered to families qualifying as *low-income* or *very-low income* households in accordance with San Luis Obispo County Affordable Housing Standards (see Attachment 1).

Property Description and Location

As noted, the property consists of 7,074 sq ft and is located at **920 10th Street at the corner of 10th Street and Farroll Road** in the City of Grover Beach. The parcel is further identified as APN 060-352-018. The site is generally rectangular in shape and is situated on the corner of South 10th Street and Farroll Road. The width of the lot tapers from 65.42' to only 29' in the rear. The property is within easy walking distance of downtown Grover Beach and provides easy access to public transportation. The Agency purchased the property in June, 2009 and it is unencumbered. A Phase II environmental review will have been completed for the property prior to entering into an agreement for development of the property. The subject property is located in a residential zone, with multi-family residential and single family residential units in the immediate area. Currently the site is unimproved and has a slope from north to south that drains to the road. The site was previously used as a drainage basin; however, the installation of storm drains in the street has eliminated the need for this basin. However, there is no sewer main fronting the property so the project design will need to identify how the project will make the appropriate connection.

City of Grover Beach / Improvement Agency Assistance

The Grover Beach Improvement Agency is the owner of the subject property. The City will enter into a *Development and Disposition Agreement*, a *Loan Agreement*, and a *Regulatory Agreement* with the successful proposer for this project.

The *Disposition and Development Agreement* will serve as the master agreement and will incorporate all responsibilities and performance criteria to be met by the successful proposer as well as the City, to include conditions of the grant by the City.

The *Loan Agreement* will identify the mechanism to loan the successful Proposer a percentage of the value of the property depending on the level of affordability of the units.

At this time, the City is proposing that in the event the project is completed and sold / rented to *low-income* households:

25% of the value of the land will be made available to the project as a loan with the remainder made available as a grant to the project.

In the event the project is completed and sold/ rented to *very-low income* households:

10% of the value of the land will be made available to the project as a loan with the remainder made available as a grant to the project.

For the purposes of calculation, the "value of the land" shall be based on the purchase price the Agency paid for the land in 2009, which was \$386,000, including associated costs incurred by the City.

The loan will carry no interest or payments with total proportional repayment due at the sale and or completion of the units. For example, on a 4 unit project, 25% of the loan amount would be due at the sale and or completion of the units.

In the event of breach by the Proposer, all loan and grant amounts would be due upon demand by the City.

The *Regulatory Agreement* will provide the mechanism for the transfer of the actual property and will carry with it a requirement to guarantee the affordability of the units for a period of forty-five (45) years.

The City is willing to consider other means of subsidizing the costs of development of the units as low or very-income which may include paying the costs of processing and development impacts fees. We are asking that each proposer identify the level of support that may be required in order for the proposal to be feasible. The City will consider the level of support and the number of affordable housing units being provided in weighing each proposal.

Obligations of Successful Proposer

The successful Proposer will be responsible for design, entitlement and development of the project through the sale of developed properties to qualified homeowners. Specifically, the Proposer will be responsible for:

1. Developing a project that meets the affordability requirements as set forth in this RFP;
2. Designing a project that complements the neighborhood and meets all applicable development standards of the City;
3. Completing the required environmental review;
4. Completing the entitlement process for this project with the City;
5. Completing all permitting requirements established through the entitlement process;
6. Constructing the project; and
7. Completing the sale of the units to qualified homeowners.

Submittal Requirements

The following are submittal requirements for this Request for Proposals:

Ten (10) copies of materials requested in sections 1-3 below, are required to be submitted.

1. **Development Entity** - Please describe the development entity and identify the principals with names and addresses. Provide relevant qualification and project specific experience of the principals.
2. **Proposer History** - Describe past relevant project experience. Please provide the following information for each past project identified:
 - Location and photographs of the projects; and
 - Brief history of the project and the identification of any unique challenges encountered.
 - Time within which the project was completed (from application to occupancy)
3. **Project Description** - Provide a brief project description including: at a minimum, your approach to the project; the number and type of units to be constructed; any anticipated financial partners for the project; a project budget; additional support that you are proposing over and above the provision of the land necessary to achieve a feasible project and a project timeline.
4. **Financial Capability** - Two (2) copies of the financial materials must be submitted under separate, sealed cover, along with other submittal materials. The submittal envelope must clearly designate the envelope as "Financial Capacity Documents" and should include the following:
 - Certified financial statement for the proposer or proposer team that clearly indicates the proposer has the financial capability to complete the project.
 - List of the specific relationships (and contact information) for the entity (or entities) that provided the debt and equity invested in the projects identified in the "Proposer History Section".
 - A Profit and Loss Statement for the last three (3) years.
 - Any real estate loan obligation of the proposer / proposer team that have been subject to foreclosure notice.
 - A Letter of Credit for Project Costs or Identification of Cash on Hand for the project.

Please note that in accordance with Federal Section 3, small businesses, minority-owned firms, and business enterprises owned by women are encouraged to submit proposals.

Evaluation Criteria

Proposals received will be evaluated based on the following:

1. Project description;

2. Demonstration of financial ability to complete the project;
3. Past experience of proposer / proposer team in completing similar projects in a time and cost effective manner;
4. Level of affordability of the units to be constructed;
5. Any additional support that you are proposing is necessary to make this project feasible.
6. Project timeline, with preference being given to earlier completion date.

Submittal Deadline

Proposals must be received at the City of Grover Beach City Management Office, located at 154 South 8th Street, Grover Beach, CA 93433 by **Friday, February 19, 2010, no later than 4:30 p.m.**

All responses must be addressed to Robert Perrault, City Manager, and marked "Farroll Road Affordable Housing Project".

Screening Process

All proposals meeting the submittal requirements will be initially reviewed by a staff panel consisting of the City Manager, Community Development Director, and the City Attorney. Following this review, the top responders may be invited to an interview. The final selection of the successful proposer will be made by the City no later than March 19, 2010. The City reserves the right to reject all proposals.

Questions regarding this Request for Proposal can be directed to Robert Perrault, City Manager, either in writing at the City Hall address indicated above, by contacting him directly at (805) 473-4567 or by e-mail to bperrault@grover.org.

ATTACHMENTS

1. San Luis Obispo County Affordable Housing Standards

CONCEPT 6

PROJECT DESCRIPTION:

Four (4) attached, three-story multi-family dwelling units. A total of Four (4) Type 'B' Units

SITE INFORMATION

STREET ADDRESS: 10TH STREET & FARROLL ROAD
 APN: 000-000-000
 ZONING: R-3
 LOT SIZE +/-7,082.00 SF (+/-0.16 ACRES)

SITE DENSITY

ALLOWED: TWENTY (20) UNITS PER GROSS ACRE
 CURRENTLY: 0.16 ACRB x 20 UNITS/ACRE = 3.2 UNITS
 PROPOSED: 3.2 UNITS + 25% DENSITY BONUS = 4 UNITS

SITE COVERAGE

Maximum Lot Coverage Required = 35%
 (the amount of lot area covered by structure footprint including the garage and any cantilevered living space)
 7,082 SF x .35 = 2,467 SF
 Total Lot Coverage Proposed = 2,711 SF
 2,711 SF / 7,082 SF = 38%

OPEN SPACE

Minimum Open Space Area Required = 35%
 (landscape areas, open patios, open walkways, lawns and outdoor common recreation areas)
 7,082 SF x .35 = 2,467 SF
 Walkways/Driveway Areas: 2,246 SF = 31%
 Landscape Areas: 2,125 SF = 30%
 Total Open Space Proposed: 4,371 SF = 61%

SETBACKS

MIN. FRONT YARD SETBACK = 15 FEET; PROPOSED = 15 FEET
 SIDE YARD SETBACK (FARROLL RD) = 10 FEET; PROPOSED = 10 FEET MIN.
 SIDE YARD SETBACK (INTERIOR) = 5 FEET; PROPOSED = 5 FEET
 REAR YARD SETBACK = 10 FEET; PROPOSED = 10 FEET

PARKING

(2) CAR GARAGE PER UNIT AND (1) GUEST OPEN SPACE PER UNIT REQUIRED.
 20'x20' Interior Clear Garage Space
 10'x20' Guest Space
 8'x16' Compact Space (Up to 30% Compact Allowed)

UNIT TYPE 'B'
 (2) CAR GARAGE PER UNIT AND (1) GUEST UNCOVERED TANDEM PER UNIT PROPOSED.

SECOND FLOOR TO FIRST FLOOR RATIOS

SECOND FLOOR AREA NOT TO EXCEED 80% OF THE FIRST FLOOR AREA (INCLUSIVE OF THE GARAGE) PER UNIT.
 UNIT TYPE 'B' PROPOSED 80%

BUILDING HEIGHT

REQUIRED: (3) STORIES, NOT TO EXCEED THIRTY-TWO (32) FEET.
 PROPOSED: (3) STORIES, 30 FEET

REQUESTED INCENTIVES:

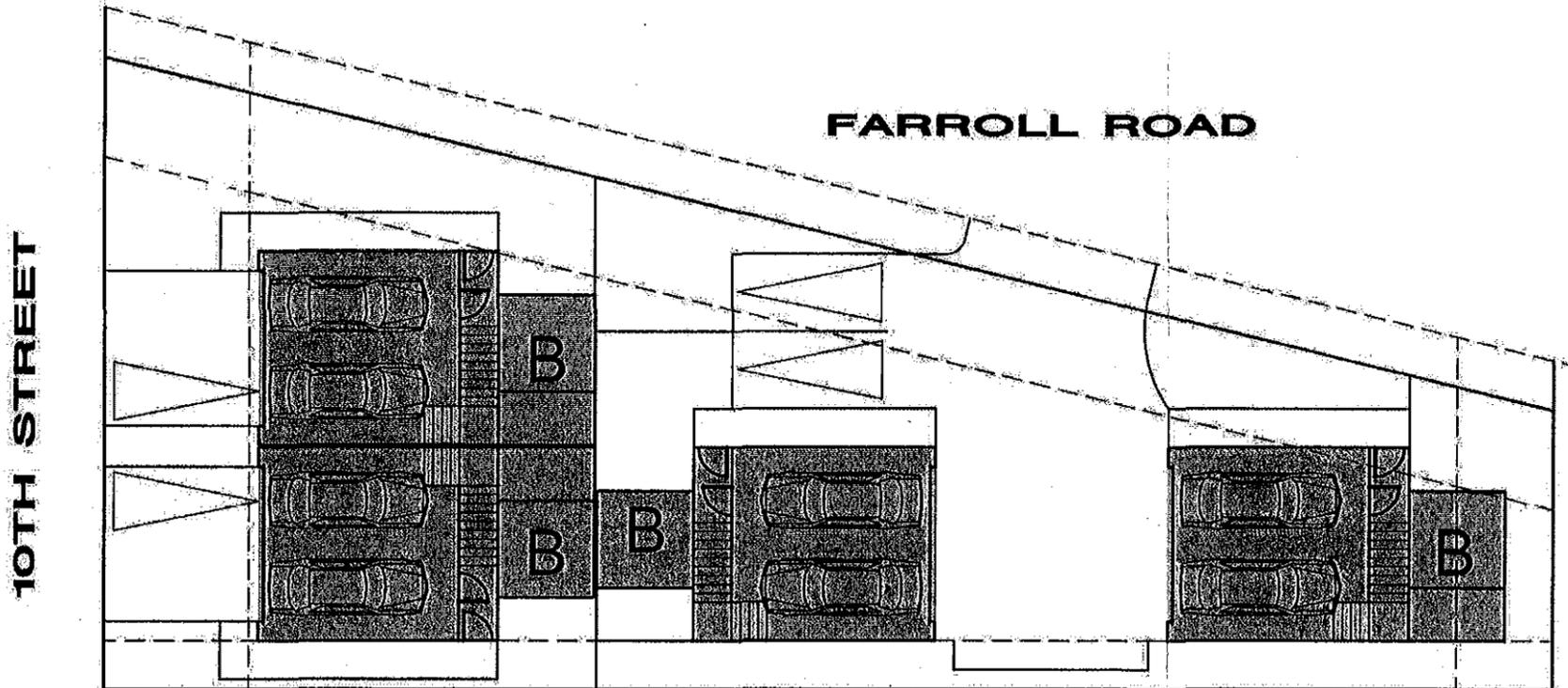
1. REQUIRED PARKING BE ALLOWED TO BE LOCATED IN THE FRONT, SIDE AND REAR YARD SETBACKS.
2. INCREASE IN MAXIMUM LOT COVERAGE (UP TO PERCENT PERMITTED UNDER R-3 ZONE - 60%)

3. SECOND FLOOR TO FIRST FLOOR RATIOS TO EXCEED 80%

10th Street & Farroll Road

Affordable Housing Feasibility Study
 Grover Beach, California

4-UNIT



CONCEPT 6



LEONARD GRANT, ARCHITECT
 LICENSE NUMBER C28093
LGA

SCALE: 1" = 16'-0"
 DATE: JAN. 03, 2011

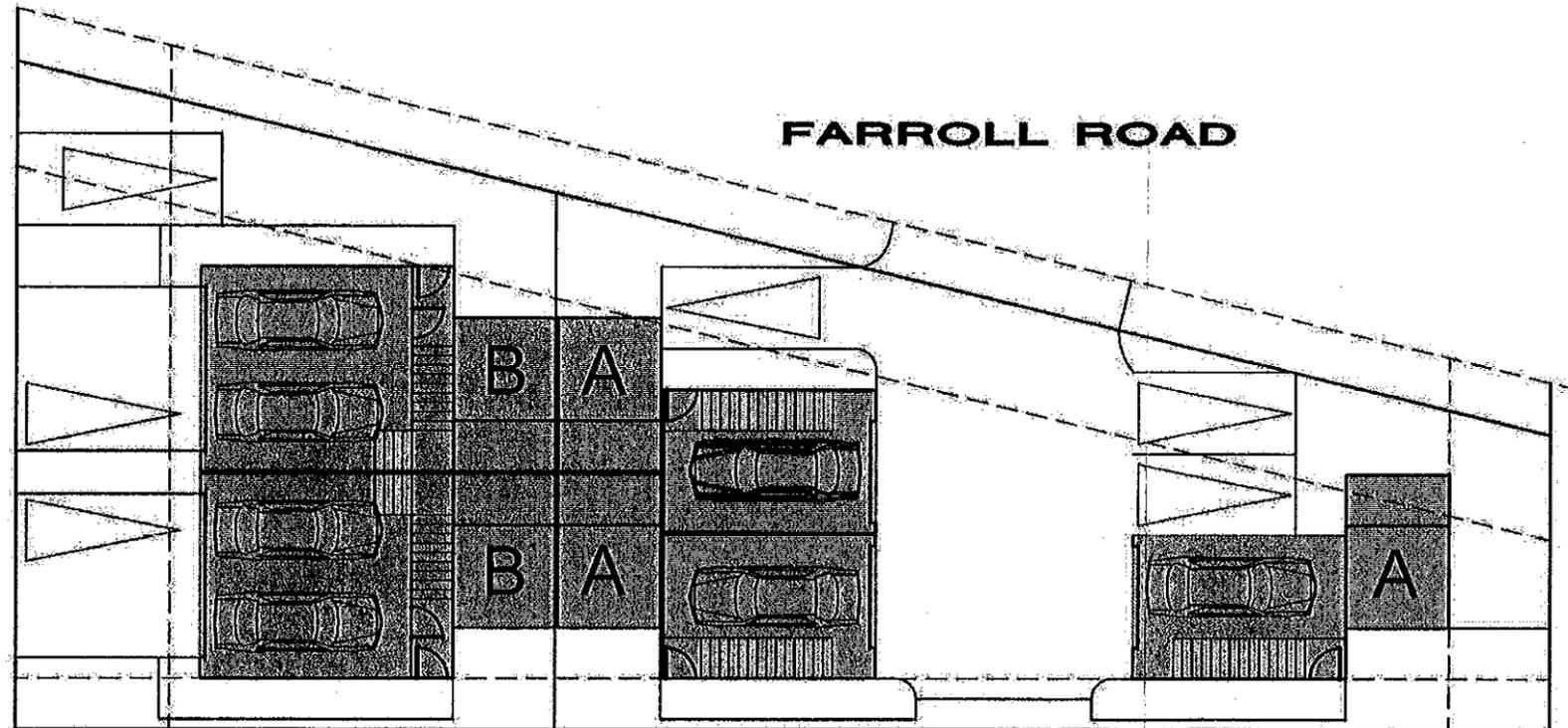
10th Street & Farroll Road

Affordable Housing Feasibility Study

Grover Beach, California

5-UNIT

10TH STREET



CONCEPT 5



CONCEPT 5	
PROJECT DESCRIPTION: Four (4) attached and One (1) detached, three-story multi-family dwelling units. The dwelling unit mix shall be Two (2) Type 'A' Units and Two (2) Type 'B' Units for a total of Five (5) Units	
SITE INFORMATION STREET ADDRESS: 10TH STREET & FARROLL ROAD APN: 000,000-000 ZONING: R-3 LOT SIZE: +/-7,082.00 SF (+/-0.16 ACRES)	
SITE DENSITY ALLOWED: TWENTY (20) UNITS PER GROSS ACRE CURRENTLY: 0.16 ACRE x 20 UNITS/ACRE = 3.2 UNITS PROPOSED: 3.2 UNITS + 56% DENSITY BONUS = 5 UNITS	
SITE COVERAGE Maximum Lot Coverage Required = 35% (the amount of lot area covered by structure footprint including the garage and any cantilevered living space) 7,082 SF x .35 = 2,467 SF Total Lot Coverage Proposed = 2,776 SF 2,776 SF / 7,082 SF = 39%	
OPEN SPACE Minimum Open Space Area Required = 35% (landscape areas, open patios, open walkways, lawns and outdoor common recreation areas) 7,082 SF x .35 = 2,467 SF Walkways/Driveway Areas: 2,561 SF = 36% Landscape Areas: 1,745 SF = 24% Total Open Space Proposed: 4,306 SF = 60%	
SETBACKS MIN. FRONT YARD SETBACK = 15 FEET; PROPOSED = 15 FEET SIDE YARD SETBACK (FARROLL RD) = 10 FEET; PROPOSED = 10 FEET MIN. SIDE YARD SETBACK (INTERIOR) = 5 FEET; PROPOSED = 5 FEET REAR YARD SETBACK = 10 FEET; PROPOSED = 10 FEET	
PARKING (2)-CAR GARAGE PER UNIT AND (1)-GUEST OPEN SPACE PER UNIT REQUIRED. 20'x20' Interior Clear Garage Space 10'x20' Guest Space 8'x16' Compact Space (Up to 30% Compact Allowed) UNIT TYPE 'A' (1)-CAR GARAGE & (1) UNCOVERED SPACE PER UNIT PROPOSED. PLUS (1) GUEST UNCOVERED SPACE. UNIT TYPE 'B' (2)-CAR GARAGE PER UNIT AND (1)-GUEST UNCOVERED TANDEM PER UNIT PROPOSED.	
SECOND FLOOR TO FIRST FLOOR RATIOS SECOND FLOOR AREA NOT TO EXCEED 80% OF THE FIRST FLOOR AREA (INCLUSIVE OF THE GARAGE) PER UNIT. UNIT TYPE 'A' PROPOSED 80% UNIT TYPE 'B' PROPOSED 80%	
BUILDING HEIGHT REQUIRED: (3) STORIES, NOT TO EXCEED THIRTY-TWO (32) FEET. PROPOSED: (3) STORIES, 30 FEET	
REQUESTED INCENTIVES: 1. REQUIRED PARKING BE ALLOWED TO BE LOCATED IN THE FRONT, SIDE AND REAR YARD SETBACKS. 2. INCREASE IN MAXIMUM LOT COVERAGE (UP TO PERCENT PERMITTED UNDER R-3 ZONE - 60%) 3. REDUCED MIN. BLDG. SETBACKS FROM PROPERTY LINES & BLDG. SEPARATION REQ. THAT EXCEED MIN. BLDG. CODE STANDARDS AND FIRE CODE STANDARDS. 4. SECOND FLOOR TO FIRST FLOOR RATIOS TO EXCEED 80%	

LEONARD GRANT, ARCHITECT
LICENSE NUMBER C28073
LGA

SCALE: 1" = 16'-0"
DATE: JAN. 03, 2011

10th and Farroll

1200 sf ea

5.00 units

Job Code	Site Prep	Construction	Soft Costs	Budget	Revised	Actual	Description
Pre Cons 100							
101		Land Cost		\$0			agency to provide land
102-107		Archi, Eng, Survey		\$37,400			
108		School Fees		\$17,820			\$2.97 sf
109		Permits, misc		\$25,000			Agency pays up to \$120k
Site 200							
201-203, 206		Rough grading		\$22,300			import 500 yds, compact
204-205		Utilities		\$24,000			Overhead Dry utilities 60' force main, lift station
207		Site Retention		\$18,000			best practices/ negotiated site retention
207		Site Walls		\$9,000			48" ret wall at south
208		Curb, Gutter, Sidewalk		\$9,900			
209, 803		Driveway Paving, Flatwork		\$13,400			
802-808		Landscape, Irrig, Fence, misc		\$15,800			
809-810		Site Cleanup, Occupancy		\$11,500			
Structure 300							
301-801, 901-902		Buildings Complete		\$438,000			\$73 sf
SUBTOTAL				\$642,120			
Soft Cost 900							
903		Contingency		\$19,264	3%		
903-904		Profit & Overhead		\$64,212	10%		
905-907		Bank Fees, Interest		\$36,500			points, fees, interest
908, 910		Title Fees, Legal, DRE		\$14,900			
909		Insurance		\$19,264	3%		Gen Liab and COC
911		Sales Expense		\$24,600	3%		on \$ 820,000

Revised 2.18.10
 Revised 11.22.10
 Revised 2.1.11

Total Construction Budget \$820,859

Total Revenues **\$820,000** \$164,000 per low income unit

**4 & 5 UNIT PROJECT COMPARISON
FOR CONSISTENCY WITH CITY DEVELOPMENT STANDARDS**

Development Standards	Concept 6	Concept 5
Number of Units Proposed	4	5
Meets R-3 Density (Part 13)	Yes	Yes
Lot Coverage 35% (Part 40)	No	No
Building Setbacks (Part 13)	No	Yes
Building Height 32' (Part 13)	Yes	Yes
Private Open Space Required (Part 40)	No	No
Second Floor Area 80% of First Floor (Part 40)	No	No
Minimum 1100 s.f. unit for 3-bdrm (Part 40)	Yes	Yes
Common Outdoor Use Area (Part 13)	No	No
Parking Not Within Setbacks (Part 40)	No	No
Two Car Attached Garage (Part 40)	Yes	No
One Guest Parking Space/Unit (Part 40)	No	No
 Total Incentives/Concessions	 7	 7
 Consistent with the City's Part 49 Affordable Housing	 No	 N/A
Consistent with State Affordable Housing Law	N/A	Yes
 Parking Space Summary		
Proposed Garage Spaces	8	7
Proposed Guest Spaces	2	4
Total Proposed Parking Spaces	<hr/> 10	<hr/> 11
 Required Garage Spaces	 8	 10
Required Guest Spaces	4	5
Total Spaces Required by City Code	<hr/> 12	<hr/> 15