

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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Date: November 16, 2016

To: Municipal Facilities Committee
Homeless Strategy Committee

From: Miguel A. Santana, City Administrative Officer

Sharon M. Tso, Chief Legislative Analyst

Rushmore D. Cervantes, General Manager, Housing and Community Investment Department

Subject: **REQUEST FOR AUTHORITY TO ESTABLISH A LIST OF PREQUALIFIED DEVELOPERS FOR HOUSING DEVELOPMENT ON CITY-OWNED SITES AND APPROVAL OF THE DISPOSITION RECOMMENDATIONS FOR THE EIGHT CITY-OWNED PROPERTIES INCLUDED IN THE AFFORDABLE HOUSING OPPORTUNITY SITES INITIATIVE REQUEST FOR QUALIFICATIONS/PROPOSALS (RFQ/P)**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

- 1) Approve the prequalified list of 39 developers (Attachment A – List of Prequalified Developers for Housing Development) identified through the Affordable Housing Opportunity Sites (AHOS) Request for Qualifications/Proposals (RFQ/P) for three years plus two one-year extensions;
- 2) Approve the disposition recommendations for the eight city-owned sites, a total of twelve parcels as outlined in Attachment B – List of AHOS – Site Recommendations;
- 3) Instruct the Los Angeles Housing and Community Investment Department (HCIDLA), with assistance from the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), and City Attorney, to enter into Exclusive Negotiating Agreements (Attachment B – List of AHOS – Site Disposition Recommendations) with approved qualified housing developers based on the highest scoring development strategy recommended for the selected site and report back within 90 days with an update of potential Disposition and Development Agreement (DDA) strategies or recommendations to proceed with a DDA detailing specific deal points and terms for development of the site;

- 4) Instruct the General Manager, Economic Workforce Development Department with the assistance of the CAO and CLA to proceed with the sale of Old Fire Station #5 at 6621 W. Manchester Avenue and the Old Fire Station No. 53 at 438 N. Mesa Street at fair market value for economic development purposes and to report to Council with deal terms before finalizing the purchase and sale agreements. All proceeds will be deposited in the Affordable Housing Trust Fund to finance supportive housing units, pursuant to a previous Council Action;
- 5) Instruct the General Manager, HCIDLA or designee, with the assistance of the CAO and CLA to issue a RFP to the pre-qualified list of developers, approved through this RFP/Q, for a modular/prefabricated permanent supportive housing project on the 238 W. Imperial Highway site;
- 6) Authorize the General Manager, HCIDLA or designee, with the assistance of the CAO and CLA to solicit future proposals from the prequalified list of developers for additional City-owned sites that have been evaluated through the City's Asset Management Framework and identified as appropriate sites for affordable housing, and to report to request authority prior to execution of any resulting agreements; and
- 7) Authorize the General Manager, HCIDLA or designee, to issue subsequent supplemental RFQ/P solicitations to augment the pre-qualified list of housing developers or expand the scope of services, as needed.

SUMMARY

As part of the Fiscal Year 2016-17 Adopted Budget, both the Mayor and Council affirmed the City's commitment to addressing homelessness and approved the Affordable Housing Opportunities Sites (AHOS) Initiative launched by the Office of the City Administrative Officer (CAO). The AHOS Initiative is the implementation of Strategy 7D of the City's Comprehensive Homeless Strategy, which proposes the use of City-owned land for affordable or homeless housing. On July 1, 2016, the Council instructed the CAO, with assistance from pertinent departments, to prepare and release an AHOS Request for Qualifications/Proposals (RFQ/P). The primary goals of the RFQ/P are as follows:

- 1) Identify qualified developers capable of producing various types of housing on identified City-owned sites and establish a pre-qualified list of developers;
- 2) Obtain feasible, viable development strategies appropriate for sites included in RFQ/P for permanent and affordable housing for which the City could immediately enter into negotiations on; and
- 3) Through the review process, determine which sites are more appropriate for sale. The proceeds from any sale would be deposited in the Affordable Housing Trust Fund to finance supportive housing units.

The City received 49 responses and 73 development strategies in response to the RFQ/P. This report requests approval to establish the list of pre-qualified housing developers; requests approval of the disposition recommendations for all eight sites (12 parcels); and requests authority for HCIDLA to solicit future proposals from the prequalified list for City-owned sites

that have been evaluated through the City's Asset Management Framework and identified as appropriate sites for affordable housing. The total market value of these sites, based on Class A appraisals, is estimated at \$91.5 million.

BACKGROUND

The City of Los Angeles is facing a homelessness crisis. There are approximately 28,464 people who are living unsheltered in the City Los Angeles (2016 Homeless Count), and there are thousands more who are at risk of homelessness. During FY 2015-16, Mayor Garcetti and the City Council made addressing homelessness a top priority. In February 2016 the Mayor and Council approved the Comprehensive Homeless Strategy (CHS). The CHS analyzed various ways to address the problem of homelessness and listed 64 specific short, medium and long-term strategies for achieving the goal of reducing the number of people in Los Angeles living without safe, adequate shelter and services.

To create new housing opportunities for the homeless by using existing surplus or underutilized City-owned properties, the Council adopted CHS Strategy 7D - "Using Public Land for Affordable and Homeless Housing." In furtherance of the CHS goals, the Mayor and Council approved \$138 million to address homelessness in the FY 2016-17 Adopted Budget, of which \$47 million is anticipated to come through the AHOS Initiative in the form of housing or revenue generated from the sale or lease of the properties. As part of the overall CHS and since approval of the budget and the AHOS Initiative in July 1, 2016, the CAO has worked extensively with staff from across the City to set up this alternate model, a property review and evaluation process, for housing delivery and implementation of Strategy 7D. This work resulted in the first AHOS Request for Qualifications/Proposals (RFQ/P) that would identify and pre-qualify firms engaged in housing development as well as secure viable potential development strategies for which an exclusive negotiating agreement could be executed.

RFQ/P PROCESS, SELECTION PANEL AND APPEALS

The response to the AHOS RFQ/P included 49 development entities responding with 73 development strategies for the 12 parcels. Although the goal of this RFQ/P was to identify permanent supportive housing projects for these sites, the RFQ/P allowed for other housing types to ensure a mix of units on sites with more than one parcel and also to ensure that the qualified list would identify developers for future City-owned sites the City may want to develop.

The housing types that firms have been qualified to develop include the following:

- Permanent Supportive Housing
- Affordable Multifamily Housing
- Mixed-Income Housing
- Affordable Homeownership
- Innovative Methods of Housing

RFQ/P Process

The RFQ/P was issued on July 25, 2016 with a deadline for submission of September 15,

2016. The City received numerous inquiries, questions from the media and support from the affordable housing community. There was a Pre-Submission Conference on August 9, 2016, which was attended by over 100 interested parties. In addition to their qualifications, the RFQ/P required developers to also submit one or more development strategies for up to twelve parcels (the Lincoln Heights DOT Site included five parcels, which could be treated as individual or joint sites).

Forty-nine development entities responded to the RFQ/P and were evaluated for the list. Most developers submitted their experience and capacity qualifications as single entities but there were two joint respondents. There were 73 total development strategies submitted, of which 10 strategies were jointly submitted by two developers.

Selection Panel

The five-member Selection Panel for the RFQ/P consisted of four City staff and one non-City staff engaged in housing work. City staff consisted of representatives from the CAO, CLA, HCID, and the Department of City Planning (DCP). The non-City panelist was from the County of Los Angeles Chief Executive Office (County CEO) Homeless Initiative.

As prescribed in the RFQ/P, the Selection Panel evaluated and scored two areas: 1) experience and capacity of the developer or development team, and 2) the strength of a development strategy. If a developer submitted more than one development strategy, the points for the highest scoring strategy were added to their experience and capacity points to determine the overall score. One developer did not submit a development strategy and was removed from further consideration.

The Selection Panel recommended 36 of the 49 respondents be pre-qualified based on their scores. Each of these developers achieved the minimum qualifying score of 80 points on their response to the RFQ/P.

Protest and Appeals Process

As allowed for in the RFQ/P and detailed in the Protest and Appeal Process section, the Selection Panel completed its review, notified all proposers of the results of the evaluations, and directed the non-qualifying proposers to submit a written appeal regarding procedural issues only. Of the 49 development entities that responded, 13 firms did not receive a qualifying score or were disqualified for non-submittal of the development strategy. The City received a total of four written requests from the 13 firms appealing procedural issues and scheduled hearings. The Protest and Appeals Panel, consisting of representatives from CAO and CLA, conducted hearings during the week of November 7, 2016. As a direct result of the hearings, the panel amended the initial list and further recommended that three of the four firms be added to the proposed pre-qualified list.

PRE-QUALIFIED LIST AND SITE DISPOSITION RECOMMENDATIONS

Pre-Qualified List (Attachment A)

The final number of firms recommended to be pre-qualified at this time is 39. This list of 39 developers will be appointed for a three year term, with the option for two one-year extensions. In order to ensure that the City always has access to the most innovative and efficient housing

developers and also to ensure that firms that did not qualify in this initial round have the opportunity in the future to qualify to be placed on the list, the City may release subsequent supplemental RFQ/P solicitations to augment the list or expand the scope of services. Any such proposed change to the list will be submitted for Council approval.

Disposition Recommendations – (Attachment B)

A. Exclusive Negotiating Agreements

We are recommending that the City enter into Exclusive Negotiating Agreements (ENA) with the highest scoring development strategies on nine (9) parcels. Most of these strategies may not require additional City subsidies for the proposed project. These proposals include a mix of supportive, affordable, and market-rate units. Because the number and types of units may change during the ENA negotiations, specific information on each development strategy is not included in this report. HCIDLA will negotiate these agreements with assistance from the CAO and CLA and report back with detailed Disposition and Development Agreements for each site.

These sites and developers being recommended for ENAs include:

Site	Developer(s) Recommended for ENA
1. Lincoln Heights DOT Lots (5 parcels)	GTM Holdings and WORKS
2. Hillside Parcel	LA Family Housing and Many Mansions
3. Thatcher Yard	Thomas Safran and Associates
4. Old West LA Animal Shelter	Thomas Safran and Associates
5. Venice Dell Pacific Site	Hollywood Community Housing and Venice Community Housing Corporation

These recommendations account for approximately 500 units. Again, the number and type of units may change pending negotiation of the respective exclusive negotiating agreements for each site. Once these recommendations are approved, the developer will work with HCID, the Council Office and the community to finalize the project.

B. Issue an RFP to the Prequalified List

For the Imperial lot at 283 West Imperial Highway, we recommend the issuance of an RFP to the pre-qualified list of developers, approved via this report, for a modular/prefabricated supportive housing project on this site. There is no recommended proposal for this site.

C. Dispose/Sell Properties

We recommend that the following properties be sold at Fair Market Value. The revenue from these sales will be deposited in the Affordable Housing Trust Fund to finance supportive housing units. There are no recommended proposals for these sites. We recommend that EWDD proceed with the sale of these sites.

1. Old Fire Station No. 5, 6621 West Manchester Avenue
2. Old Fire Station No. 53, 438 North Mesa Street

If the City Council disagrees with any of the disposition recommendations, staff can be directed to instead do one of the following for any of the individual sites:

1. Issue a RFP for the site to the pre-qualified list for a specified project type;

2. Sell the site and use the proceeds to develop supportive housing units; or
3. Remove a site from consideration under the AHOS Initiative

NEXT STEPS ON AHOS INITIATIVE

City staff will continue to identify additional City-owned properties that are appropriate for affordable housing through the City's Asset Management Framework. The property review and evaluation process will be led by the CAO, with the assistance from the Mayor's office, CLA, HCIDLA, the General Services Department (GSD), EWDD, and the DCP, and any other pertinent department.

As sites are identified, they will be released to the pre-qualified list of developers via RFPs. The RFP solicitation, subsequent selection and resulting agreements will be led by HCIDLA, with support from the CAO and the CLA.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund for approval of the recommendations to establish the pre-qualified list of consultants for housing development or for authorization to enter into exclusive negotiating agreements. Property sales revenues are anticipated and will be deposited into the Affordable Housing Trust Fund. There will likely be an impact to the Affordable Housing Trust Fund for those development strategies that require additional subsidy beyond the value of the land. Proposition HHH, approved by voters on November 8, 2016, will allow the City to issue up to \$1.2 billion for supportive and affordable housing and will eliminate the wait for available funding for these types of projects. A full estimate of these costs and impact will be included with the Disposition and Development Agreement (DDA) for each site, and submitted to the Council at the time of approval.

Attachment A – List of Pre-Qualified Developers for Housing Developers
Attachment B – Round 1 – Site Disposition Recommendations

AFFORDABLE HOUSING OPPORTUNITY SITES
FY 2016-17 - ROUND 1
List of Pre-Qualified Developers For Housing Development

After evaluation and scoring by the Selection Panel and Appeals Review Panel of the experience and capacity as well as Development Strategies submitted in response to the September 15, 2016 AHOS RFQ/P, the following firms were deemed pre-qualified.

No.	Firm Name	No.	Firm Name
1	A Community of Friends	21	McCormack Baron Salazar
2	Abode Communities	22	Menorah Housing Foundation
3	Affirmed Housing	23	Mercy Housing
4	AidaLena Holdings	24	META Housing
5	BRIDGE Housing Corporation	25	Neighborhood Housing Services
6	Chelsea Investment Corporation	26	New Economics for Women
7	Clifford Beers	27	PATH Ventures
8	Coalition for Responsible Community Dev	28	Related Companies
9	Community Corporation of Santa Monica	29	Retirement Housing Foundation
10	Community Development Partners	30	Skid Row Housing Trust
11	EAH Housing	31	SRO Housing Corporation
12	East LA Community Corp	32	The Olson Company
13	GTM Holdings	33	The Richman Group
14	Habitat for Humanity	34	Thomas Safran
15	Hollywood Community Housing Corp	35	Venice Community Housing Corporation
16	Highridge Costa	36	Wakeland
17	Holland Partner Group	37	Watts Labor Council
18	LA Family Housing	38	West Hollywood Community Housing
19	Little Tokyo Service Center	39	WORKS
20	Many Mansions		

AFFORDABLE HOUSING OPPORTUNITY SITES FY 2016-17 - ROUND 1

Site Disposition Recommendations Based on RFQ/P Responses

The disposition recommendations reflect the highest scoring development strategies awarded for each of the sites after evaluation and scoring by the Selection Panel. Where indicated, and as prescribed in the September 15, 2016 AHOS RFQ/P and authorized by Council action, HCIDLA will enter into an Exclusive Negotiating Agreement with the developers, proposals will be requested through the Pre-Qualified List, or assets will be sold at Fair Market Value.

Site Name	Address / APN	CD	Disposition Recommendations
Lincoln Heights DOT Lots	2332-2340 N. Workman 5204-016-900 & 901 216-224 S. Avenue 24 5204-005-901 2331-2337 N. Workman and 2330-2338 N. Daly 5204-011-903 2416-2422 N. Workman 5204-015-901 154-164 S. Avenue 24 5204-004-901	1	Developer: GTM Holdings and Works
Hillside Parcel	11681 W. Foothill Blvd 2530-008-901	7	Developer: LA Family Housing/Many Mansions
Imperial Lot	283 W. Imperial Highway 6074-024-900	8	Disposition: Issue a Request for Proposals to Pre-Qualified List
Thatcher Yard	3233 S. Thatcher Avenue 4229-002-901	11	Developer: Thomas Safran & Associates
Old West LA Animal Shelter	11950 Missouri Avenue 4259-020-900	11	Developer: Thomas Safran & Associates
Old Fire Station #5	6621 W. Manchester Avenue 4112-029-900	11	Disposition: Sell at Fair Market Value
Venice Dell Pacific Site (LADOT Lot #731)	200 E. Venice Blvd. 4238-024-900 to -911	11	Developer: Hollywood Community Housing Corp and Venice Community Housing Corp
Old Fire Station #53	438 N. Mesa Street 7449-009-900	15	Disposition: Sell at Fair Market Value