

REPORT**REPORT NO: HCR 08-44**

DATE ISSUED: April 18, 2008

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of April 25, 2008

SUBJECT: Delegation of Limited Authority to Housing Commission Board

REQUESTED ACTION:

Seek limited authority from the Housing Authority for the Housing Commission Board to approve the acquisition of property and to authorize execution of all documents to effectuate acquisition of real property in conjunction with the public housing disposition project pursuant to the provisions of San Diego Municipal Code Section 98.0301 (c) (7) and Section 98.0301(d)(7).

STAFF RECOMMENDATION:

That the Housing Authority delegate limited authority to the Housing Commission Board to approve the acquisition of property offered in response to a Request for Proposals (RFP) issued on February 25, 2008, as long as the terms of the acquisition meet specific parameters set by the Housing Authority and as included in this report.

BACKGROUND:

In November 2006 and January 2007, the Housing Commission and Housing Authority, respectively, approved a plan and submission of an application to the U.S. Department of Housing and Urban Development (HUD) to dispose of 1,366 public housing units throughout the City of San Diego. The desired outcome of the plan was to re-position and leverage the housing portfolio to provide a funding source and funding stream for the development of additional affordable units. A secondary purpose was to decrease the Housing Commission's dependency on federal public housing operating subsidy.

Subsequently, on September 10, 2007 HUD approved the disposition application and on September 30, 2007 provided 1354 tenant protection vouchers for current residents of the disposed public housing units. Residents in place received a Housing Choice Voucher that allows the household to be fully supported and have a broader choice of housing opportunities.

A significant consideration in HUD's approval of the disposition application and plan is the Housing Commission's commitment to create at least 350 additional housing units, affordable to and occupied by low-income families for a period of 55 years.

DISCUSSION:

The slow down in the housing market has provided a unique opportunity for the Housing Commission to begin to meet the requirement of developing 350 additional units. As a public agency, the Housing Commission follows certain procurement rules and regulations, including formal public solicitations. In accordance with the Procurement Policy, a Request for Proposals was released on February 25, 2008. Attachment 1 includes a brief summary of the RFP and the evaluation criteria. The RFP was designed to provide the most flexibility possible so that a variety of proposals is likely to be received, e.g., existing properties, partially developed properties, vacant property. Housing Commission staff has been contacted by a number of developers and/or agents who are interested in submitting proposals.

A selection committee has been constituted as an Ad Hoc advisory Committee as defined in the Brown Act; it includes the Chairman of the Housing Commission Board, Sal Salas and Vice Chairman, Tony Yip. Recommendations will be made to the Committee by the Director of Asset Management, Steven Snyder, General Counsel of the SDHC and a financial advisor.

Once proposals are submitted and reviewed for responsiveness, and working with the selection committee, negotiations may be opened on a number of proposals.

As a public agency and, unlike the private sector, once negotiation has progressed to the point of agreement, the Housing Commission must seek approval from both the Housing Commission Board and the Housing Authority. As in most business dealings, time is of the essence. Since meeting agendas are very full at this time of year and the docketing process is lengthy, it is recommended that the Housing Authority delegate limited approval authority to the Housing Commission for the purpose of completing acquisitions related to the public housing disposition project in the most expeditious manner. Further, it is recommended that this authority be limited to those acquisitions that meet the following specific parameters:

- Appropriate Council office is advised of the proposed acquisition/development and approves of the project;
- Acquisition price is at or less than appraised value (independent appraiser);
- Contractor or Developer has no prior defect litigation or has adequate explanation for same;
- For vacant parcels, proof that the property is appropriately entitled and City permits (if any) have been submitted; and
- All Council offices will be advised of project under consideration;

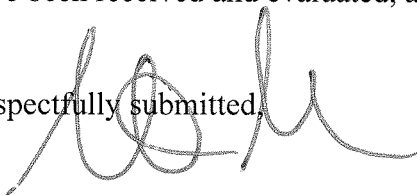
As with all Housing Commission actions, the Housing Authority has up to ten (10) days following the action to "call" an item for Housing Authority review and approval.

In addition, the Housing Commission will adhere to all City requirements regarding community participation and environmental review.

FISCAL CONSIDERATIONS:

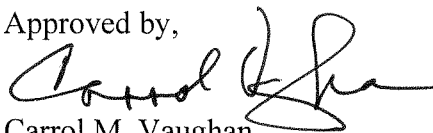
The Housing Commission has prepared a Request for Proposals for financing terms. Once proposals have been received and evaluated, a contract recommendation will be presented for approval.

Respectfully submitted,



Steven Snyder
Director, Facilities

Approved by,



Carrol M. Vaughan
Interim President & Chief Executive Officer

Attachment 1: Summary of Request for Proposals

ATTACHMENT 1

Request for Proposals Creation of San Diego Housing Commission Owned Affordable Housing

- I. Purpose – To solicit proposals from entities including non-profit and for-profit developers, apartment and condominium project owners, and land owners interested in partnering with the SDHC in the creation of SDHC owned affordable housing. The SDHC seeks to create a minimum of 350 units through this effort affordable to individuals and families at 80% Area Median Income or less. The SDHC desires to maximize the affordability of these units while minimizing development cost and ongoing subsidy.
- II. Development Methodology – Any and all methods for development will be considered including acquisition of new or recently completed as new condominiums/apartments/mixed use developments, purchase of vacant land with or without plans and/or entitlements, and turnkey developments. It is the interest of the SDHC to participate financially in these contracts through the leveraging of real property assets that have newly been unencumbered as a result of the recent Public Housing disposition.
- III. Submission Requirements – As appropriate, submission requirements include Development Entity, Development Team, Financial Capacity, Developer Experience, and Business Terms.
- IV. Selection Criteria – Selection Criteria include Public Subsidy (acquisition and ongoing); Price per Square Foot; Timeline for Delivery and Occupancy; Project Size; and Financial Capacity to Deliver.
- V. Process – In conjunction with the Selection Committee, SDHC staff intends to receive and review submissions; Develop a short list of advantageous proposals; conduct a series of interviews; select entities with whom to enter into negotiations; perform necessary “due diligence” and finalize negotiations; and present contracts for required board approval(s).