

TO: Andrew P. Powers, City Manager

FROM: Jaime Boscarino, Finance Director

DATE: February 28, 2023

SUBJECT: Hillcrest Site (382 and 384 N. Erbes Road) Exclusive Negotiating Agreement

RECOMMENDATION:

1. Approve the Exclusive Negotiating Agreement between the City of Thousand Oaks and People's Self-Help Housing Corporation, San Luis Obispo, CA, for the development of the City-owned parcel at 382 and 384 N. Erbes Road as a for-sale affordable housing project.
2. Approve the Right of Entry Agreement between the City of Thousand Oaks and People's Self-Help Housing Corporation, San Luis Obispo, CA, for the development of the City-owned parcel at 382 and 384 N. Erbes Road as a for-sale affordable housing project.
3. Authorize City Manager to initiate preparation of a Disposition and Development Agreement between the City of Thousand Oaks and People's Self-Help Housing Corporation.
4. Find that this action is not a project as defined under the California Environmental Quality Act.

FINANCIAL IMPACT:

No Additional Funding Requested. Minimal staff time to complete staff report, Exclusive Negotiating Agreement (ENA), and Right of Entry is included in the Adopted FY 2022-23 General Fund Budget. Future financial impact to the City, which may include the donation by the City of the subject site and deferral of development impact fees, will be included in the draft Disposition and Development Agreement to be considered by City Council at a future meeting.

BACKGROUND:

On May 11, 2021, City Council authorized staff to begin negotiations with the property owner of 382 and 384 N. Erbes Road (Hillcrest Site) to acquire the site for the purpose of developing affordable housing. On August 31, 2021, City Council approved the sale and purchase agreement between the City and Hillcrest Christian School. The City subsequently secured a clean property title report and Phase 1 environmental due diligence was completed. Escrow closed and the City assumed title to the property on November 10, 2021.

On June 24, 2022, the City issued a Request for Proposals/Qualifications (RFP/Q) to more than 500 developers seeking project proposals for the property. The City received three (3) responsive proposals and conducted interviews with each of the proposers. In addition to the interviews, the City's consultant conducted follow-up due diligence and evaluation of development pro-formas. People's Self-Help Housing Corporation (PSHHC) was unanimously selected as the most qualified proposal.

On November 1, 2022, after a comprehensive evaluation process, City Council selected PSHHC to develop affordable housing at the Hillcrest Site (Project) and authorized the City Manager to initiate preparation of an ENA between the City and PSHHC.

DISCUSSION/ANALYSIS:

The purpose of the proposed ENA (Attachment #1) is to establish procedures and standards for negotiation by the City and PSHHC of a Disposition and Development Agreement (DDA) and facilitate the due diligence necessary to fully develop the Project. The ENA establishes a negotiating term of 180 calendar days, with the option for both parties to agree to three (3) 90 calendar-day extensions, for a potential negotiating period of 450 calendar days. The City Manager would have the authority to grant the extensions provided that PSHHC has demonstrated sufficient progress toward a mutually acceptable DDA. This term should allow ample time for the City and PSHHC to reasonably and in good faith negotiate the terms and conditions for a mutually acceptable DDA.

The proposed ENA requires PSHHC to provide the City with a detailed financial analysis for the Project within 90 days after the effective date of the ENA. This will include development costs of the Project, development budget, proposed housing affordability levels, and financing sources. The DDA will ultimately include a sources and uses budget, which will be based on the financial pro forma approved by the City in order to reasonably demonstrate the financial feasibility of the development of the Hillcrest Site.

The proposed ENA provides that any and all costs associated with the development of the Project, including but not limited to, site development, demolition of existing structures, environmental costs, design, entitlements, construction, and operation and maintenance are the sole responsibility of PSHHC. PSHHC's Project proposal, submitted in response to the City's RFP/Q, requested a donation of the Hillcrest Site from the City to the Project. The proposed ENA contemplates that the City and PSHHC will seek to agree upon terms and conditions for the disposition of the Hillcrest Site.

The proposed ENA also contemplates the negotiation of a Scope of Development for the future DDA that sets forth the details of the Project, including, but not limited to, the number and size of the housing units (with a minimum of 78 units), square footage of ancillary facilities, number of parking spaces, and design of the Hillcrest Site. PSHHC will be required to adhere to the City's planning process and the development of the Project may require City approval of various land use, discretionary approvals, and/or other entitlements. PSHHC will also be required, at its sole expense, to comply with the requirements of the California Environmental Quality Act (CEQA) in connection with development of the Project in the absence of a qualifying exemption.

To facilitate PSHHC's due diligence for the Project, the ENA contemplates that the parties will also enter into a Right of Entry Agreement (Attachment #2). The proposed Right of Entry Agreement provides PSHHC a non-exclusive right of entry to the Hillcrest Site in order to conduct due diligence of the property, including physical tests, to determine the condition of the property with regards to the development of the Hillcrest Site. PSHHC may not use the Hillcrest Site for any other purpose without obtaining the City's written consent. The proposed Right of Entry requires PSHHC, and any contractors performing work at the Hillcrest Site, to be adequately insured and indemnify the City from any losses associated with entry onto the Hillcrest Site.

The approval of the proposed ENA and Right of Entry does not obligate the City or PSHHC to ultimately execute a DDA, nor does it grant approval of any entitlements or specific project for the Hillcrest Site. If the City and PSHHC reach agreement on a mutually agreeable DDA, the proposed DDA will be brought forth for City Council consideration at the conclusion of negotiations between City staff and PSHHC. Staff recommends approval of the recommendations.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goals:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

J. Implement high quality revitalization projects within Thousand Oaks Boulevard and Newbury Road Areas; Develop a pedestrian-oriented, viable, and self-sustaining "Downtown;" and, continue to support production of long-term affordable housing.

Attachments:

- Attachment #1 – Exclusive Negotiating Agreement
- Attachment #2 – Right of Entry Agreement