

**COUNTY OF SAN DIEGO  
BOARD OF SUPERVISORS  
TUESDAY, AUGUST 31, 2021**

**MINUTE ORDER NO. 9**

**SUBJECT: NOTICED PUBLIC HEARING:  
GENERAL SERVICES - APPROVAL OF AMENDMENTS TO DISPOSITION  
AND DEVELOPMENT AGREEMENTS AND GROUND LEASES FOR  
AFFORDABLE HOUSING - 1501/1555 SIXTH AVENUE, 5255 MT. ETNA  
DRIVE, 6950 LEVANT STREET AND 1464 MONTECITO ROAD  
(DISTRICTS: 2 & 4)**

**OVERVIEW**

In recent years the timing and competitive nature of affordable housing funding sources has changed. There is more demand for Tax Exempt Bonds now than are available, and as a result they have become competitive for the first time in decades. Tax credits and bonds are the foundations for almost all affordable housing development in California. For a developer to achieve the highest competitive scoring for financing applications they must show sufficient investments by the local agency as well as acceptable terms in the Disposition and Development Agreement (DDA) and Ground Lease. The request today is for approval of amendments of the DDA and/or Ground Leases for 1501/1555 Sixth Avenue, 5255 Mt. Etna Drive and 6950 Levant Street in the City of San Diego and 1464 Montecito Road in Ramona, in order to create maximum financial feasibility for these affordable developments located on County-owned land. An overview of each request is as follows:

**1501/1555 Sixth Avenue**

On July 23, 2019 (11), the Board of Supervisors (Board) authorized the Director of the Department of General Services to execute a DDA and subsequent 99-year Ground Lease with BRIDGE Housing Corporation (BRIDGE) for a 100% affordable housing development located at 1501/1555 Sixth Avenue in the City of San Diego, consisting of approximately 60 senior units and approximately 60 family units. On September 8, 2019, the DDA was fully executed and became immediately effective. During the due diligence period, BRIDGE identified significant increases related to the demolition of the site that were previously unaccounted for and further described below (see Background). BRIDGE has requested an amendment to remove the upfront payment requirement and reduce annual payments in addition to an extension to the pre-construction phase. Elimination of these payments will reduce financial liabilities and improve scoring on financing applications.

**5255 Mt. Etna Drive**

On July 7, 2020 (11) the Board authorized the Director of the Department of General Services to execute a DDA and subsequent 99-year Ground Lease with Chelsea Investment Corporation (Chelsea) for a 100% affordable housing development located at 5255 Mt. Etna Drive in the City of San Diego, consisting of approximately 174 senior homes and approximately 230 family homes. On August 7, 2020, the DDA was fully executed and became immediately effective. Chelsea has requested an amendment to the DDA that will allow a four-phase project schedule, which will create better financial feasibility of the development. Chelsea has also requested elimination of the upfront payment and reduction of the annual payments, extension to the pre-construction phase, as well as amending the terms related to the total amount of parking.

### **6950 Levant Street**

On September 11, 2018 (5), the Board accepted a feasibility study prepared by the San Diego Kind Corporation for a proposed affordable senior housing project located on a 4.1-acre County-owned property at 6950 Levant Street in the City of San Diego. On December 11, 2018 (18), the Board approved a Ground Lease managed by Wakeland Housing and Development Corporation (Wakeland) for the development of approximately 126 senior housing units on the site. The Ground Lease was executed on December 11, 2018. Wakeland has been awarded the majority of funding required to construct the project, including \$19M of Multi-Family Housing Program (MHP) funds from California Housing and Community Development (HCDS). During the HCDS review process a compatibility issue with the funding requirements and the executed Ground Lease financial terms was identified. To receive these funds, Wakeland has requested an amendment to the Ground Lease which would amend the incompatible terms, in addition to an extension to the pre-construction phase of the project.

### **1464 Montecito Road**

On June 2, 1981 (8), the Board approved a DDA and Ground Lease with G & S Properties (Reiner Communities) for the construction of the 70-unit apartment project on 4.5 acres of County-owned land in Ramona (Montecito Village Apartments). On August 5, 2008 (8), the Board approved a 1st Amendment to the Ground Lease extending the lease term and restructuring the rent provisions. Reiner Communities has requested a 2nd Amendment to extend the end of the lease term from the current date of 2064 to 2079, which will allow them to restructure debt at a lower rate and ensure their ability to fund critical capital needs and resident social services. In addition to this Amendment, County will record a Regulatory Agreement which, in accordance with Government Code section 25539.4, will extend the affordability covenants to match the lease term.

## **RECOMMENDATION(S)**

### **CHIEF ADMINISTRATIVE OFFICER**

1. Find that the proposed actions are not subject to review under the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines section 15060(c)(2) and 15060(c)(3) because they will not result in a direct or reasonably foreseeable indirect physical change to the environment and are not a project as defined in Section 15378(b)(5).
2. With respect to the authorization to execute an Amended and Restated Disposition and Development Agreement for the project at 5255 Mt. Etna Drive, find that the environmental impact report (EIR) dated January 14, 2020 on file with the Department of General Services as Environmental Impact Report (SCH No. 2018091016) was completed in compliance with CEQA and State CEQA Guidelines and that the Board of Supervisors has considered the information contained therein before approving the project; and find that there are no changes in the project or in the circumstances under which it is undertaken which involve significant new environmental impacts which were not considered in the previously certified EIR, and that there is no substantial increase in the severity of previously identified significant effects, and that no new information of substantial importance has become available since the EIR was certified as explained in the Environmental Review Update Checklist dated August 10, 2021.
3. Find that the Amended and Restated Disposition and Development Agreement for 5255 Mt. Etna Drive and the Disposition and Development Agreement for 1501/1555 Sixth Avenue, as amended by the First Amendment to Disposition and Development Agreement, will help meet the housing needs of the County and result in economic benefits to the County, and that the public benefit of leasing these properties is expected to be greater than the public benefit which would result from their sale.

4. Adopt the following two Ordinances, which are attached as Attachment A and Attachment B, respectively, after holding a public hearing as required by California Government Code section 25515.2. **(4 VOTES)**

AN ORDINANCE AUTHORIZING AN AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE COUNTY OF SAN DIEGO AND RIDGE HOUSING CORPORATION OR ITS AFFILIATE FOR LEASE AND DEVELOPMENT OF THE REAL PROPERTY LOCATED AT 1501/1555 SIXTH AVENUE IN THE CITY OF SAN DIEGO

AN ORDINANCE AUTHORIZING AN AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE COUNTY OF SAN DIEGO AND CHELSEA INVESTMENT CORPORATION OR ITS AFFILIATE FOR LEASE AND DEVELOPMENT OF THE REAL PROPERTY LOCATED AT 5255 MT. ETNA DRIVE IN THE CITY OF SAN DIEGO

5. Authorize the Clerk of the Board to publish the Ordinances in accordance with California Government Code section 25124.
6. Authorize the Director, Department of General Services, to execute the First Amendment to Disposition and Development Agreement for 1501/1555 Sixth Avenue, the Amended and Restated Disposition and Development Agreement for 5255 Mt. Etna Drive, the First Amendment to Ground Lease for 6950 Levant Street, and the Second Amendment to Ground Lease for 1464 Montecito Road, and to execute the attachments to these amendments and the attachments to the amended original documents, and to take all actions necessary to implement these amendments and the amended original documents, including but not limited to, approving and executing amendments to these documents.
7. Authorize the Agency Director, Health and Human Services Agency, or a designee, to execute the Regulatory Agreements attached to the Disposition and Development Agreements and Ground Leases, as amended by these actions, for 1501/1555 Sixth Avenue, 5255 Mt. Etna Drive, 6950 Levant Street, and 1464 Montecito Road (Regulatory Agreements), and to perform any actions in furtherance of or necessary to administer or implement the Disposition and Development Agreements and Ground Leases, as amended by these actions, for 1501/1555 Sixth Avenue, 5255 Mt. Etna Drive, 6950 Levant Street, and 1464 Montecito Road, including approving and executing amendments to the Regulatory Agreements.

### **EQUITY IMPACT STATEMENT**

Today's requested recommendations will result in an amendment to the terms in the DDA's and Ground Lease's which will allow for greater financial feasibility to construct and or maintain much needed affordable homes in the region. Approval of the requested recommendations contribute to the County's efforts in addressing local housing shortages which will help to increase access to quality affordable housing. Additionally, this will result in the creation of private sector jobs and economic opportunities in San Diego County. It is anticipated that members of all equity seeking groups could benefit from the requested actions.

### **FISCAL IMPACT**

#### **1501/1555 Sixth Avenue**

If approved, this request would eliminate the initial rent payment of \$500,000 at lease commencement and result in a loss of anticipated lease revenue of approximately \$20,000 annually from a reduction in fixed annual payments. There will be no change in net General Fund cost and no additional staff years.

### **5255 Mt. Etna Drive**

If approved, this request would eliminate the initial rent payment of \$3,250,000 at lease commencement and establish a County Administrative Fee with annual payments of \$5,000 per project, \$20,000 total, with a 1% escalator, in addition to the land note payments sharing 50% of surplus cash on a pro-rata basis. The share of cash flow is anticipated to be nominal for the first 15 years beginning in 2023. There will be no change in net General Fund cost and no additional staff years.

### **6950 Levant Street**

If approved, this request would convert percentage payments to fixed payments of \$10,000 annually subject to a 1% annual escalation. There will be no change in net General Fund cost and no additional staff years.

### **1464 Montecito Road**

If approved, this request would extend the end date of the Ground Lease to 2079 with no change in anticipated lease revenue. There will be no change in net General Fund cost and no additional staff years.

## **BUSINESS IMPACT STATEMENT**

N/A

### **ACTION:**

ON MOTION of Supervisor Fletcher, seconded by Supervisor Anderson, the Board of Supervisors closed the Hearing and took action as recommended, adopting Ordinance No. 10741 (N.S.), entitled: AN ORDINANCE AUTHORIZING AN AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT AND GROUND LEASE BY AND BETWEEN THE COUNTY OF SAN DIEGO AND BRIDGE HOUSING CORPORATION OR ITS AFFILIATE FOR LEASE AND DEVELOPMENT OF THE REAL PROPERTY LOCATED AT 1501/1555 SIXTH AVENUE IN THE CITY OF SAN DIEGO; and, Ordinance No. 10742 (N.S.) entitled: AN ORDINANCE AUTHORIZING AN AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT AND GROUND LEASE BY AND BETWEEN THE COUNTY OF SAN DIEGO AND CHELSEA INVESTMENT CORPORATION OR ITS AFFILIATE FOR LEASE AND DEVELOPMENT OF THE REAL PROPERTY LOCATED AT 5255 MT ETNA DRIVE IN THE CITY OF SAN DIEGO.

AYES: Vargas, Anderson, Lawson-Remer, Fletcher, Desmond

State of California)  
County of San Diego)

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER  
Clerk of the Board of Supervisors



**Signed**  
**by** Andrew Potter



AUGUST 31, 2021