



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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Second District

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Third District

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Fourth District

JIM DESMOND
Fifth District

DATE: June 25, 2026

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TO: Board of Supervisors

SUBJECT

AUTHORIZE EXECUTION OF A LONG-TERM GROUND LEASE AND AN AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT AND CEQA EXEMPTIONS FOR AFFORDABLE HOUSING ON COUNTY LAND AT 620 E. VALLEY PARKWAY, ESCONDIDO (DISTRICT: 5)

OVERVIEW

For many years, the San Diego region has faced a severe and chronic shortage of affordable housing units that directly impacts housing insecurity and housing cost burden for lower-income households across San Diego County. Given this housing crisis, we must leverage every available option to develop more affordable housing. One of these options that has had tremendous success, is the redevelopment of excess County of San Diego (County)-owned property into affordable homes. There are 12 County-owned surplus properties in various stages of the development pipeline for affordable homes, including 620 E. Valley Parkway in the city of Escondido.

On May 6, 2025 (21), the Board authorized the execution of a Disposition and Development Agreement (DDA) on County-owned property at 620 E. Valley Parkway between the County and San Diego Community Housing Corporation in partnership with National Community Renaissance of California (SDCHC/CORE) for the development of 100% affordable housing for seniors. Additionally, the Board authorized execution of a long-term ground lease upon SDCHC/CORE's receipt of all financing and entitlements to construct the project. On May 12, 2025, the DDA was fully executed and became immediately effective. SDCHC/CORE has requested an amendment to the DDA to: (1) immediately execute and record the long-term ground lease prior to receipt of all financing and entitlements to enable them to accept funding in the amount of \$3 million from the City of Escondido, pursuant to the requirements of that acceptance; (2) allow for a two-phased project schedule, if needed, which will create better financial feasibility of the development and; (3) removal of the requirement to construct a childcare facility. Today's request is for Board approval of the amendment to DDA and to authorize execution and recordation of the long-term ground lease in advance of the SDCHC/CORE receiving all financing and entitlements, as well as approval of the relevant California Environmental Quality Act findings.

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**RECOMMENDATION(S)
CHIEF ADMINISTRATIVE OFFICER**

1. Find that the proposed actions to authorize execution of a 99-year ground lease and amend the Disposition and Development Agreement (DDA) for development of affordable housing at 620 E. Valley Parkway, Escondido and allow for a two-phased project schedule, if needed, and removal of the requirement to construct a childcare facility are exempt from California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15332.
2. Authorize the Director, Department of General Services, to execute the First Amendment to DDA and a 99-year ground lease with San Diego Community Housing Corporation in partnership with National Community Renaissance of California or an affiliate entity, and any other attachments to the amendment, the ground lease, and the original DDA and perform any actions in furtherance of or necessary to administer or implement the DDA, as amended, and Ground Lease, including but not limited to, approving, and executing amendments and executing restatements of one or more ground leases to complete the development of the affordable housing project.
3. Authorize the Deputy Chief Administrative Officer, Health and Human Services Agency, or a designee, to execute the Regulatory Agreement for 620 E. Valley Parkway and perform any actions in furtherance of or necessary to administer or implement the DDA, Ground Lease, and Regulatory Agreement, as amended by these actions, including approving and executing amendments and executing restatements to one or more Regulatory Agreements to complete the development of the affordable housing project.

EQUITY IMPACT STATEMENT

Today's recommendations will result in the development of much-needed affordable housing in the region. The 6th Cycle Regional Housing Needs Assessment indicates that 68,959 units are needed regionally for very low, and low-income individuals and households. Restricted affordable housing for low-income households may serve seniors, families, homeless, at-risk of homelessness, veterans, homeless with serious mental illness, and transitional aged youth. All units reserved for low-income individuals and households serve tenant populations earning below 80% area median income, currently \$97,950 for a one-person household and \$139,900 for a four-person household. Utilizing County excess property for development of affordable housing creates private sector jobs and economic opportunities in San Diego County and contributes to the County of San Diego efforts to address local housing shortages and meet the needs of low-income residents for years to come.

This item advances the County vision of a just, sustainable, and resilient future for all residents, specifically for those communities and populations in San Diego County that have been historically left behind. This item also aligns with the regional *Live Well San Diego* vision of healthy, safe, and thriving communities by ensuring low-income residents have access to suitable living environments and by enhancing quality of life through decent and affordable housing.

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Additionally, this action supports the County Housing for All initiative by ensuring the County continues to focus on prevention and housing stability by addressing root causes, such as housing affordability.

SUSTAINABILITY IMPACT STATEMENT

Today’s proposed actions support the County of San Diego’s Sustainability Goal #2 to provide just and equitable access and Sustainability Goal #4 to protect health and wellbeing for residents. The recommended actions support the building of safe and affordable housing for lower-income households, persons experiencing homelessness, seniors, and veterans. Together, these efforts promote long-term community sustainability by improving housing stability, increasing access to essential services, and enhancing the overall quality of life for residents. These actions also align with Sustainability Goal #6 to protect the environment by requiring sustainability features for each site that are in alignment with California Tax Credit Allocation Committee requirements, and our regional efforts to decarbonize.

FISCAL IMPACT

Funds for these requests are included in the Fiscal Year 2026-28 CAO Recommended Operational Plan for the Department of General Services, Facilities Management Internal Service Fund. If approved, this request will result in total estimated costs and revenue up to \$30,000 for staff time. The funding source is an internal agreement supported by General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The County of San Diego (County) has undertaken coordinated efforts to address the needs of affordable housing within the region. Since 2017, excess County-owned property has been evaluated for affordable housing redevelopment and there are 12 County-owned surplus properties that are in various stages of the development pipeline for 100% affordable housing.

Additionally, the affordable housing financing market has steadily become more competitive and the County’s development partners have become more vocal with requests for increased County partnership related to project financing. Some of the reasons for this increase in financial competitiveness is that federal, state and local governments have reduced funding to meet budgetary constraints and inflationary pressures and tariffs have significantly increased construction pricing. This means that the decrease in financing and the increase in total project costs have led to financing gaps. The competition for the scarce resources of state and local affordable housing programs means that projects must seek creative solutions to address the lack of sufficient gap funding in the short term, as further outlined below.

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On May 6, 2025 (21), the Board of Supervisors (Board) approved the execution of a Disposition and Development Agreement (DDA) with San Diego Community Housing Corporation in partnership with National Community Renaissance of California (SDCHC/CORE) for development of 134 affordable senior homes serving people with an average Area Median Income of 44% and an approximately 5,800 sq. ft. childcare center that will be open to the public. Additionally, the development will include amenities such as a small park, bike storage and repair space, a fenced dog run and pet relief area, as well as services such as money management, life skills, exercise and nutrition classes and social activities. The DDA was executed on May 12, 2025. The terms of the DDA contemplate satisfaction of certain conditions prior to the execution of the ground lease including, without limitation, providing all evidence of the financing necessary to complete the construction of the project and obtaining all required entitlements.

SDCHC/CORE is well on their way in securing entitlements and financing to construct the project although local, state, and federal funding for affordable housing continue to decline and remain highly competitive. To date SDCHC/CORE has secured an award of 55 Project Based Vouchers (PBV) and 12 Veteran Affairs Supportive Housing Vouchers (VASH) PBVs from the Housing Authority of the County of San Diego and most recently an award from the city of Escondido of \$3 million. The award from the city of Escondido comes with an expenditure deadline of September 30, 2026. However, before SDCHC/CORE can access the city funds and enter into the loan agreements, a ground lease must be executed for a minimum lease term of 55 years. SDCHC/CORE has requested an amendment to the DDA to allow for the execution and recordation of the ground lease prior to obtaining all financing and entitlements. The ground lease will be revised to require SDCHC/CORE to provide evidence of all financing and entitlements prior to the commencement of construction of the project (or each phase as discussed below).

During SDCHC/CORE's due diligence phase, it was determined that this property is in a Federal Emergency Management Agency (FEMA) 500-year floodplain. The risks of constructing a childcare facility as proposed within a floodplain, as well as the financial implications associated with mitigating those risks, have caused this component to be financially infeasible, putting the project at risk. Therefore, if approved, the DDA will be amended to allow for the childcare facility to be replaced with additional onsite amenity spaces that are tailored to meet the residents' needs.

SDCHC/CORE intends to evaluate the opportunity to bifurcate the project in up to two phases to accommodate financing constraints. This approach will ensure maximum flexibility in securing financing most expeditiously in each phase. Each phase will be contingent on SDCHC/CORE securing adequate financing for that phase. Once complete the development will provide a total of 134 affordable units, two onsite staff units, and onsite amenities for residents in potentially up to two separate phases.

Previously, the Board authorized execution of the 99-year ground lease upon SDCHC/CORE's receipt of all financing and entitlements for the entire project. Board approval would allow execution of an amendment to the DDA and the Ground Lease prior to the development team

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securing all funding and entitlements, along with any amendments to the Ground Lease and Regulatory Agreement necessary to reflect a two phased project and removal of the requirement to construct a childcare facility. If approved, the site will be disposed to SDCHC/CORE in accordance with California Government Code Section 25539.4 via a 99-year ground lease at a rental payment of \$1 per year, with construction of Phase 1 estimated to begin by 2028.

ENVIRONMENTAL STATEMENT

The proposed actions to authorize execution of a 99-year ground lease for development of affordable housing at 620 E. Valley Parkway allow for a possible two-phased project schedule if needed and amend the existing Disposition and Development Agreement to allow for the childcare facility to be replaced with additional onsite amenity spaces are categorically exempt from the California Environmental Quality Act (CEQA) under Article 19, Section 15332 of the CEQA Guidelines, because the project (1) is comprised of in-fill development that is consistent with the applicable general plan designation, all applicable general plan policies and all applicable zoning designation and regulations, (2) is located within city limits on a project site of no more than five acres substantially surrounded by urban uses, (3) site has no value as habitat for endangered, rare, or threatened species, (4) will be adequately served by all required utilities and public services, and (5) would not result in any significant effects relating to traffic, noise, air quality, or water quality. None of the exceptions to the exemptions described in Section 15300.2 prohibit the use of the categorical exemption for the proposed project. See Attachment A for Notice of Exemption.

Additionally, the Project Based Vouchers (PBVs), Veterans Affairs Supportive Housing (VASH) vouchers, and city of Escondido funding awarded to SDCHC/CORE require an environmental assessment that meets federal National Environmental Policy Act (NEPA) standards in accordance with 24 Code of Federal Regulations (CFR) Part 58. The County of San Diego (County) and city of Escondido will rely on a joint assessment that the County is conducting as the lead agency. Pursuant to 24 CFR 58.22 (limitations on activities pending clearance), the completion of NEPA environmental review is required prior to taking a physical action on a site or making a commitment or expenditure of Housing and Urban Development (HUD) funds, such as PBVs, VASH and the city of Escondido funds, for property acquisition, rehabilitation, conversion, lease, repair, or construction activities. As of docketing, NEPA clearance has not been completed though it is anticipated to be completed shortly (before the end of July 2026). Until NEPA clearance is received, commitments or expenditures of HUD funds for the construction of affordable housing is prohibited and, therefore, the ground lease, regulatory agreement and other agreements contemplated in connection with the project shall not be executed or recorded prior to receipt of the NEPA clearance. County will comply with the requirements of 24 CFR Part 58, as set forth above.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's action supports the Health and Housing Equity Initiatives in the County of San Diego's 2026-2031 Strategic Plan by providing County-owned property for the creation of safe and affordable housing for the region. Additionally, today's action supports the regional *Live Well San Diego* vision of healthy, safe, and thriving communities by ensuring low-income residents have

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access decent affordable housing and the County Housing for All initiative by ensuring the County continues to focus on prevention and housing stability by addressing root causes, such as housing affordability.

Respectfully submitted,

Handwritten signature of Ebony N. Shelton, consisting of a stylized 'B' followed by a signature that includes the word 'for' written below it.

EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENTS

Attachment A - 620 East Valley Parkway Notice of Exemption