



City Council AGENDA REPORT

DATE: 10/15/2020

AGENDA OF: 10/27/2020

DEPARTMENT: Economic Development/Public Works

SUBJECT: Award Contract for Mixed Use Library Owner's Representative Contract to Griffin Structures, Inc. (ED/PW)

RECOMMENDATION: Motion to award the contract for the Mixed Use Library Owner's Representative for Phase 1 to Griffin Structures, Inc. in an amount up to \$240,000 and authorize the City Manager to execute an agreement in a form to be approved by the City Attorney.

BACKGROUND: Following the yearlong Downtown Library Subcommittee process, the City Council (Council) voted on June 23, 2020 to proceed with the Mixed-Use Downtown Library Project (Project) and directed staff to proceed with the selection of an Owner's Representative to manage the overall project implementation.

On September 22, 2020, staff brought forward a recommendation to approve an Owner's Representative contract for Council approval. Following the staff presentation, public comment and further discussion, the Council voted to:

- Continue the agenda item to the first meeting in October, but no later than the second meeting of October; and
- Direct staff to provide in the report general broad-based financial information on costs and available funding for both affordable housing and parking components of the Project, a copy of the proposed contract, information on potential developers of affordable housing, and links to relevant information on the library project.

AFFORDABLE HOUSING BACKGROUND AND FINANCIAL INFORMATION

In response to our severe housing crisis, our community has become increasingly engaged in finding local and regional housing solutions, particularly in the area of affordable housing creation. Numerous City, regional, and community led efforts over the last few years have resulted in initiatives, measures and policy decisions that encourage and enable future housing creation in our community. The City Council, through the work of the Housing Blueprint Council Subcommittee, adopted specific recommendations for the Downtown around parking and land use to encourage affordable housing creation. Several of the recommendations include surface parking lot consolidation to enable downtown affordable housing creation.

More recently, the City Council has taken a number of actions related to affordable housing and the proposed Library Mixed-Use Project. On September 11, 2018 the City Council voted to include affordable housing as part of their approval of the Library Mixed use project. On June

23, 2020 the City Council voted to approve the Library Mixed-Use Project with a housing component specifically including a minimum of 50 affordable units.

WHO WILL BUILD THIS AFFORDABLE HOUSING?

A number of affordable housing developers have expressed interest in developing housing in the Library Mixed-Use Project. To gauge interest for developing affordable housing in the downtown on City-owned property including surface parking lots, the City released a Request for Qualifications (RFQ) last year. Nine qualified developers responded during the RFQ period. The majority of these developers are non-profits that have built and/or managed affordable housing in Santa Cruz County. Following the Council direction of September 22, 2020, staff reached out to the developers who responded to the initial RFQ regarding the Library Mixed-Use Project specifically and to gauge their interest in developing the affordable housing in the Project. In the week following the Council direction, seven of the nine responded affirmatively. The following is a list of the affordable housing developers (sorted by alphabetical order) from the RFQ that are interested in developing this Project:

1. Allied Housing
2. Anton DevCo
3. EAH
4. Eden Housing
5. First Community Housing
6. For the Future Housing
7. MidPen Housing

HOW WILL THE AFFORDABLE HOUSING BE FINANCED?

The City has significant experience developing affordable housing projects including mixed development projects. And as has been the case for all of the City's successful affordable housing projects such as the Tannery Arts Project, Water Street Apartments, and the Riverwalk Apartments; this project's affordable housing will be funded through a variety of local, state, and federal funding sources. These include the following:

1. Low-Income Housing Tax Credits
2. Tax-exempt bond financing
3. State Housing & Community Development funding programs
4. City's Affordable Housing Trust Fund
5. City's HUD HOME and Community Development Block Grant (CDBG) funding programs
6. Conventional mortgage

As vetted with local affordable housing developers currently active in the Santa Cruz market, while construction costs currently range from \$350- \$450k per unit, total development costs can range as high as \$600 – \$700k per unit, depending on a number of varying factors including project size and number of units, site acquisition costs, environmental conditions and necessary entitlements. While the long-term ownership of the housing has not been determined and will be influenced by the overall funding decisions ultimately determined by the City Council, frequently projects which have significant City investment including land dedication and/or significant gap financing remain in City control or ownership. As the level of commitment to the affordable housing in the proposed project is clear, the City will be directly engaged in the level

of affordability of the units and will be responsible for working closely with the selected developer on project financing. City financial contributions to an affordable housing project can be the gap financing that is needed to enable a project to be built. Such is the case with the majority of affordable housing projects created in the last 20 years.

Per Council direction at the June 23, 2020 meeting, monies from the Affordable Housing Trust Fund (AHTF) will be allocated for building affordable housing for this Project. A public commitment of funding to an affordable housing project additionally helps applicants become more competitive for state and federal funding. This contribution of gap financing from the AHTF, combined with a City-controlled site development cost ensures for the majority of experienced affordable housing developers that the project is financially viable. This is reflected in the robust response the City received from Developers responding to the City's RFQ and specific inquiry's regarding interest in building the affordable housing component of the project.

The City's Housing Division in the Economic Development Department has been working diligently to provide new affordable housing opportunities and preserve the City's existing stock of affordable housing. Please refer to the Actions Supporting Affordable Housing Attachment for a summary of these actions dating back to 2018. This summer the City's Housing Division applied for two state programs which will significantly increase the current funding available for affordable housing creation in our community. The City applied for the \$1.5 million State Permanent Local Housing Allocation (PLHA) program funding, a non-competitive funding source that will be awarded to the City over the next five year period. Additionally, staff applied through the State Local Housing Trust Fund (LHTF) program for a program match up to \$5 million dollars. Both the guaranteed PLHA funding and the LHTF funding, if awarded, will be combined with the current \$3 million balance in the City's AHTF to be allocated to new affordable housing in our community, including the Library Mixed-Use Project.

PARKING BACKGROUND AND FINANCIAL INFORMATION

The consolidation of parking downtown and the construction of a new parking structure has been subject to ongoing analysis and focused study for the several decades. as post-earthquake recovery and development has progressed. Parking Lot #4, along Cedar Street between Cathcart and Lincoln Street, has been a focus for siting a new parking structure since 2002 when the Front and Cedar Street Assessment analyzed the possibility of consolidating several parking lots along Cedar Street and facilitating mixed-use projects on the vacated lots.

In 2004 the Cedar/Church – Cedar/Cathcart Feasibility study was completed. The feasibility study analyzed the cost of building the next downtown parking structure at two locations: the current Cedar/Church garage (Lot 3) and the Cedar/Cathcart surface lot (lot 4). After discussing the higher cost per space of the Cedar/Church lot due to site inefficiencies and the current parking need in the southern portion of Downtown, staff recommended to the Downtown Commission that the Cedar/Cathcart lot be the preferred site.

The City also explored the feasibility of constructing a parking structure on Cathcart/Front surface parking lot (Lot 7) as an alternative to the current site and the proposed public parking in the METRO mixed use project. Due to the irregularity of the lot, the layout efficiency was not optimized and the cost per space, along with the cost of the housing, was significantly higher at this alternative location. As a result, it was determined through study sessions both at the

Downtown Commission and City Council to focus on the existing site, Lot 4, for any new parking project.

NEED FOR THE DOWNTOWN PARKING SUPPLY

The City estimates a significant reduction in overall parking supply as a result of a number of surface parking lots coming off line due to recently completed and planned future housing development projects. Two lots leased to the City for public parking have come offline in the last two years; the recently completed housing project on Lot 2 (Walnut Tree) and the approved housing project on Lot 23 (Front/Laurel). Additionally, Lot 5, owned by Calvary Church, will come offline in the next two years to support a planned housing project currently under review, further reducing the City's supply by an additional 108 spaces. Five other development projects underway, including the City's Pacific Station Phase I (85 100% affordable housing units with no parking) and Pacific Station Phase II will reduce the current parking supply by another four lots while at the same time adding new parking demand on the downtown parking district as at least one, if not more, of the projects will be adding significant demand to the district.

Supporting affordable housing projects to be built without providing parking is an effective means of encouraging affordable housing development and can help offset the costs of development. However, the reality for the downtown is that at least half, if not more, of the future residents in those units will have one or more cars and will need a place to park and will be parking in the downtown.

Overall, the Parking District is estimated to lose approximately 369 public parking spots in the coming years, about 10% of the total public parking supply. On the demand side, with additional housing and commercial development, the Downtown Parking District is modeled to reach a shortfall of 700 spaces at full General Plan build-out, even with incorporating progressive parking and transportation practices that encourage alternative modes of transportation and shared parking. After factoring in changed parking and demand habits, like those seen during the pandemic, and accounting for prudent transportation demand management, it is still anticipated that a significant parking shortfall will negatively impact the future vitality of downtown unless new supply is created to offset the significant loss of public parking downtown. Consolidation of parking from lost surface parking lots into a new 400 space parking structure will reduce the parking surface area dedicated to parking in the downtown while supporting a new library and additional housing.

PARKING FINANCIAL BACKGROUND AND INFORMATION

On December 6th, 2016 City Council directed staff to develop a parking rates matrix for funding the parking portion of a potential project. Following extensive outreach to the Downtown community, including a favorable vote by the Downtown Association Board, a parking rate strategy was presented to the Downtown Commission on June 19th, 2018. The Commission voted to recommend that City Council approve amending downtown fees and rates to increase parking permit rates, increase hourly parking rates for lots, meters and parking structures, to fund the sunset of parking deficiency fee paid by businesses, regular annual funding for Transportation Demand Management enhancement, and construction of a new parking structure. The staff report which includes the Parking Rate Strategy and information on the proposed project budget is including as an attachment to this report. Following the study session, the City Council voted to phase out parking deficiency fees and adopt a resolution amending the parking

and permit rates for Downtown parking lots and structures as part of an overall approval to move forward with a new parking supply project as a component of the Library Mixed-Use Project. The rate increases were implemented beginning in 2019 and will continue through 2023 as the deficiency fees sunset.

On June 23rd, 2020 City Council voted to approve the Library Mixed-Use Project with a maximum of 400 parking spaces. Original project budgets were based off of a 600 space parking garage, with the number of parking spaces reduced to 400 spaces, hard costs are now estimated to be between \$20 million and \$26 million or between \$145/sf - \$188/sf including 3 year escalation of construction costs. The final cost estimate will be available once the final project has been designed and will be funded entirely via the Parking District.

The District is exploring multiple financing options including available bond financing. The smaller size of the structure and lower cost of the stand-alone structure has provided additional funding opportunities. If the Council determines to pursue parking bond financing, the annual costs of the bond payments will be spread out over the Parking District and amortized over a 30 year period. The Parking District has completed a number of financial feasibility analyses to support the project financing. Staff are working through modeling the estimated annual bond payments, the long term revenue projections and factoring in the economic impact of the Covid-19 pandemic. Detailed and updated analyses and modeling of the financial projections along with the Parking District's fund balance will be possible following the selection of a conceptual preliminary design and updated cost estimate for the project. This updated analysis will be presented to the City Council and will demonstrate the parking district's ability to cover the cost of the new debt payment.

LIBRARY BACKGROUND AND FINANCIAL INFORMATION

In 2013, the Santa Cruz Public Libraries engaged in a comprehensive facilities master planning process resulting in the voter approved Measure S bond measure in 2016. The purpose of the secured funding is to address library facility needs across the system. A new library is under construction for the City of Capitola branch and the new Felton Library was completed last year replacing an outdated facility with a larger library and public park. The City of Santa Cruz approved significant remodels of Garfield and Branciforte Libraries last year focused on modernization and increased functionality for users. Funding for the Downtown Library was identified as an urgent need in the 2013 master facilities plan and the City Council directed the formation of a Downtown Library Advisory Committee (DLAC) in 2017 to comprehensively examine the current facility and the feasibility, options and costs for developing a Downtown Library branch that meets the needs of the community and voters.

At the June 19, 2018 study session, the City Council received a report and presentation on Downtown Parking Rates Strategy and the DLAC recommendations for the Downtown Branch. The DLAC recommended that the City Council approve a new Downtown Library combined with other uses in a mixed use project to include commercial retail, parking and affordable housing.

The City Council approved relocating the downtown library into a mixed use project on September 11th, 2018. In 2019, the Council voted to put a hold on the library project and established a Council Subcommittee to explore all of the options. Following a year long process,

which included cost assessments of the mixed use and renovation options, the Council voted on June 23rd, 2020 to move forward with the mixed use project.

The library component of the project will be primarily funded by Measure S funds. The mixed use cost assessment completed by Group 4 earlier this year estimated that an additional 5,000 square feet could be added to the project with the additional budget of \$3 million. The City is exploring a number of ways to fill the projected funding gap, which could include fundraising by the Friends of the Library, fees applied from potential air rights from market rate housing units, and/or and fundraising from private and governmental sources.

DISCUSSION: OWNER’S REPRESENTATIVE CONTRACT & RFP PROCESS

The Owner’s Representative will serve as a project manager, overseeing the budget and schedule, liaising with contractors, and representing the City’s interest and goals throughout the project. The Owner’s Representative will work with staff to assess the best approach moving forward and will manage a competitive bidding process for the development team.

As directed by the City Council earlier this summer, City staff posted a Request for Proposals (RFP) in July of 2020 and received seven proposals. All proposals were evaluated based on the criteria laid out in the RFP, and the top four teams were identified for further consideration. A panel consisting of Economic Development, Library, Public Works, and Planning staff interviewed the top teams, assessing them in the areas of past experience working on similar projects, project team expertise, and approach to project scope. Staff recommends entering into a contract with Griffin Structures Inc. (Griffin) because of their demonstrated experience working on projects of this size and complexity; excellent project management expertise; and solid approach to community engagement. The Owner’s Representative contract with Griffin Structures, Inc. has been included as an attachment to this report and includes a more detailed breakdown of contract scope, fee schedule, and timeline. It is important to note that the contract, as negotiated, allows for the City to terminate for convenience with ten days notice. The City will have the discretion to terminate the contract for any reason and the financial obligation to the Consultant will be limited to services performed up to the time of termination. The Consultant services will be paid on a monthly basis for worked performed to date.

Staff recommends dividing the contract with Griffin into two phases. The first phase, to begin following Council approval of this contract, would include pre-design, design, and permitting. Phase one is estimated to take 23 months. The second phase would include Construction, and would extend to project completion (estimated through December 2024). Staff will return to Council for approval of a phase two contract with Griffin sometime in early 2022.

LINKS TO RELEVANT INFORMATION ON LIBRARY PROJECT

Project background, updates, frequently asked questions, and information on the project components can be found at www.CityofSantaCruz.com/mixeduselibrary. Staff will be working to keep the project website updated with new information and next steps.

FISCAL IMPACT: Staff is recommending authorization to enter into a contract with Griffin not to exceed \$240,000. Sufficient appropriations for this contract were included in the approved FY 2021 budget, and will include funds from Measure S, the Economic Development Trust Fund, the Affordable Housing Trust Fund, and the Parking District.

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ATTACHMENTS:

1. ACTIONS SUPPORTING AFF HOUSING.PDF
2. DEC 6 2016 STAFF REPORT.PDF
3. JUNE 19 2018 STAFF REPORT.PDF
4. SEPT 11 2018 STAFF REPORT.PDF
5. LIBRARY PROJECT FAQs.PDF
6. 2020-10-19 PHASE 1 CONTRACT GRIFFIN.PDF