



AGENDA REPORT

Department: Housing Authority
Prepared by: Carlos Aguirre, Housing Director
Meeting Date: Tuesday, October 4, 2022
Approved by: Brad Raulston, City Manager

SUBJECT:

Update on the disposition of City-owned real property located at 921 & 929 National City Boulevard, National City.

RECOMMENDATION:

Staff recommends that the City Council authorize negotiations for an Exclusive Negotiating Agreement (ENA) with Tower 999, LLC to establish terms and conditions to consider the disposition of City-owned real property located at 921 & 929 National City Boulevard, National City.

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

The City of National City owns an 11,761 sq. ft. parcel of land at 921 and 929 National City Boulevard in National City (together referred to as "City Property"). The City Property is made up of two separate lots that were purchased by the Community Development Commission of the City of National City ("CDC"). The lot located at 921 National City Boulevard was purchased in August 2000 for \$350,000 and was formerly an education center. The lot located at 929 National City Boulevard was purchased by the CDC in July 2003 for \$225,000. The City Property was included in the Long Range Property Management Plan ("LRPMP") that was approved by the Oversight Board of Successor Agency to the Community Development Commission of the City of National City in December 2015. The LRPMP stated that the City would retain and later dispose the City Property for future development. The disposition of the City Property would require a distribution of proceeds from a sale to the affected taxing entities or further negotiations with the taxing entities if a sales price concession was necessary to enable the development of affordable housing.

On April 12, 2022, Tower 999, LLC acquired the property adjacent to the south of the City Property ("Trophy Lounge Property") for approximately \$1.2 million. Representatives of Tower 999, LLC met with City staff on May 25, 2022 to propose a 20,000 square foot, 9 story building at both the Trophy Lounge and City Property. The initial proposal made by Tower 999, LLC stated that the project would have approximately 100 units of which 25% of the units would be restricted as lower-income units. The new development would also include 5,000 square feet of street-level retail space and 55 parking spaces. In June 2022, representatives with Tower 999, LLC and Southwestern College met on several occasions to discuss opportunities for partnership in the proposed development and remained open to negotiation of a future partnership with the potential of including student housing for Southwestern College in the development.

The sale of the City Property is subject to the provisions of the Surplus Land Act as amended by AB 1486 and AB 1255. Under the Surplus Land Act, Government Code Sections 54220-54233 ("Act"), surplus land is land owned in fee simple by the City for which the City Council takes formal action in a regular public meeting declaring the land as surplus and not necessary for the City's use. The Act provides that land shall be declared either "surplus land" or "exempt surplus land" before the City takes action to dispose of it consistent with the Act and City policies and procedures. City staff had intended to declare the land "surplus" but Tower 999, LLC indicated that their proposal qualified the property for sale as "exempt" surplus land. Tower 999, LLC shared a letter with City staff on June 14, 2022 drafted by their attorney stating that the City should strongly consider selling the City Property to Tower 999, LLC as exempt surplus land. At the City Council meeting on June 21, 2022, City staff provided an update on the sale of the City Property and the City Council directed staff to look further into the legality of selling the property as "exempt" surplus land and for City staff to further consider the Tower 999, LLC development proposal.

The City's legal review of the applicability of Surplus Land Act exemptions determined that the City Property could be sold without competitive bid as exempt surplus land as long as the City determined that the development of affordable housing was in the best interest of the City and that future development on the City Property satisfied the following conditions of Government Code Section 54221 subdivision (f)(1)(A): (1) Not less than 80 percent of the parcel shall be used for the development of housing; (2) Not less than 40 percent of the total number of housing units shall be affordable to households whose income are equal to, or less than 60% of AMI, and at least half of which shall be affordable to very low-income households; and (3) Affordable units are subject to at least a 30-year regulatory agreement.

Under an Exclusive Negotiation Agreement ("ENA"), City staff and its consultants would perform additional financial due diligence to make sure that Tower 999, LLC was in a firm position to move forward with the appropriate financial commitments and capacity to develop the City Property while ensuring compliance with the affordability requirements of the Surplus Land Act. The ENA would guide the process of negotiations through establishment of exclusive rights, negotiation timelines, development objectives, limitations, and responsibilities. The parties would also structure mutually-acceptable terms and conditions in the ENA for good-faith negotiations intended to culminate in mutually-acceptable terms of a Disposition and Development Agreement ("DDA") that would set forth terms and conditions for sale of the City-owned real property located at 921 & 929 National City Boulevard. If the parties are successful in negotiating the terms of the ENA, the ENA will require the City Council's approval and authorization to proceed with a DDA.

FINANCIAL STATEMENT:

Upon executing an Exclusive Negotiation Agreement, the City would require that the Developer pay the costs of City consultants needed throughout the ENA period and the legal cost for preparing the Disposition and Development Agreement.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Housing and Community Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA and is therefore not subject to environmental review.CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

Agenda Report posted within 72 hours of meeting date and time in accordance with Brown Act.

ORDINANCE:

Not Applicable

EXHIBITS:

Choose an item.