



## Board Report

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**File #:** 17-0275, **Version:** 1

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Receive a status update on current development activity on the East Garrison development project.

**RECOMMENDATION:**

Staff recommends that the Fort Ord Committee receive a status update on current development activity on the East Garrison development project.

**SUMMARY:**

At total of 355 single-family homes have been completed and certified for occupancy at East Garrison through March 7, 2017, and sixty five (65) very low-and low-income rental apartments are built and occupied. A discussion of current activities in each of three project phases is presented below.

**DISCUSSION:**

**Phase 1 Housing Construction:**

- Sale from UCP East Garrison LLC (the master developer) to Benchmark Communities LLC (the affiliate homebuilder) of all 272 lots for construction of single family homes in Phase 1 is complete. As of March 7, 2017, County RMA-Building Services has issued 248 building permits for SFRs, 17 market-rate multi-family units, and 8 moderate-income multi-family units in Phase 1. 228 SFR houses have been completed (including the 12 model units). No Moderate-Income Inclusionary units have been completed to date. UCP has contended that at least some of the SFR qualify as Workforce II; staff is currently working with UCP to see if that can be verified, thus showing compliance with the terms of the Amended and Restated First Implementation Agreement. If the required number of units cannot be verified, it appears that UCP will have to devote all non-Moderate Income Townhome Units for Workforce II housing.

**Phase 2 Housing Construction:**

- Sale from UCP to Benchmark Communities LLC of 237 of the 315 lots for construction of market-rate homes in Phase 2 is complete. As of March 7, 2017, County RMA-Building Services has issued 191 building permits for market-rate SFRs in Phase 2, and 127 houses have been completed. UCP has submitted the required Market Analysis regarding its intent to proceed with sale of the remaining 78 lots to additional Benchmark affiliates, and is in discussion with staff in this regard.
- Sale from UCP to Benchmark Communities LLC of lots for the 90 Townhome units in Phase 2 is complete. When constructed, 32 of these units will be deed-restricted for moderate-income buyers, 47 units deed restricted for Workforce 2 buyers, and the remaining 11 units will be sold at market rate. No permits for these units have been issued.
- Design of the 65-unit low-income rental housing project for Phase 2 (CHISPA) is under way. Staff has met with UCP and CHISPA regarding the financing and schedule for construction of the project. UCP has indicated its intent to initiate construction of this project in 2018, although financing is challenging at this time.
- County RMA-Building Services has issued the building permit for the new fire station, and as of March 7, 2017 the start of construction is pending. The project is jointly funded by UCP and Successor Agency tax increment funds. The DDA requires the fire station to be completed prior to issuance of the

first building permit in Phase 3. When completed, ownership of the station will be transferred to the Monterey County Regional Fire Protection District.

- Construction of the 6-acre Lincoln Park is nearing completion, and is scheduled for opening to the public in early June. The park will be owned and operated by the East Garrison Community Services District, which is currently managed by RMA-Public Works.

#### Phase 3 Final Map, Subdivision Agreement, Infrastructure Improvements, Arts-Historic District:

- Site clearing and demolition of 22 old non-historic buildings in the Phase 3 Historic District area is complete.
- Drafts of the proposed Phase 3 Grading Plan, Final Subdivision Map, and infrastructure improvement plans were submitted and are under review by County staff. Consideration by the Board of Supervisors is tentatively scheduled for late April, 2017. Action may be delayed, pending confirmation of compliance with applicable housing requirements. Subject to Board approval, UCP has stated its intention to begin construction of the Phase 3 infrastructure in May 2017 and complete the improvements in mid-2018.
- Again subject to Board approval, UCP has stated its desire to begin the process to transfer finished lots in Phase 3 to an affiliated home developer in late 2018, and to initiate construction of residential units and rehabilitation of historic buildings in 2019.
- Staff met in February with representatives from ArtSpace and ArtsHabitat to discuss the Arts-Historic District and the ArtSpace affordable rental apartment project.

#### FINANCING:

##### *Successor Agency Tax Increment Funding:*

The East Garrison Disposition and Development Agreement (DDA) obligates the (now) Successor Agency to use tax revenues generated from the East Garrison project to provide financial assistance to the project as follows, and as needed:

- Up to \$300,000/year for Agency costs relating to the administration of the Fort Ord Redevelopment Project Area (escalated 3%/yr from October 2005). With the adoption of the Dissolution Act, and the severe restrictions on further redevelopment work, it is likely that Agency costs will be limited to the East Garrison Project only.
- Up to \$9.5 million, at a rate of \$48,469/unit, (indexed per the ENR Building Cost Index for San Francisco from October 2005) to assist with construction cost of rental affordable housing projects.
- Up to \$5.5 million (indexed per ENR Building Cost Index from October 2005) to assist in costs to design and construct the Mandatory Public Facilities (fire station and library/sheriff field office).
- Up to \$5.0 million (indexed per ENR Building Cost Index from October 2005) to assist in rehabilitating 29 historic buildings.
- While the DDA also allows for “left over” tax revenues to be used for “Other Public Facilities” (day care center, youth center, Community Services Dist office, sports & recreation center); it is unclear whether either the State or the courts will permit this level of funding.

The State Department of Finance (DOF) has taken a position that the First Implementation Agreement between the former Redevelopment Agency and UCP East Garrison, LLC was not authorized under the Dissolution Act. It has asserted that the First Implementation Agreement was not a valid transfer of DDA rights to UCP (and hence the Agency cannot request funds for use by UCP to implement the DDA). It has denied requests made in ROPS 15-B and ROPS 16-17 for both Agency Administrative Costs and amounts for the first set of UCP public facilities (the fire station). After a number of different efforts, the Agency and UCP entered into an Amended

and Restated First Implementation Agreement, which was approved by the Oversight Board and even DOF. The Amended and Restated First Implementation Agreement reduced the gross amount of tax increment pledged for rental affordable housing by \$1 million, although not the “per unit” amount.

After approval of the Amended and Restated First Implementation Agreement, DOF approved part of an amended ROPS 2016-2017, approving some amount for public facilities, but continued to deny any funds for Agency costs. On February 1, 2017 the Agency submitted the ROPS for FY2017-2018 (July 1, 2017 to June 30, 2018) and is awaiting DOF’s determination.

The Successor Agency has filed a lawsuit to resolve this dispute. A motion on the Agency’s request for injunctive and declaratory relief is set to be heard on March 17, 2017, in Sacramento.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

The recommended action complies with the following Board FY15-16 Strategic Initiatives:

- Strategic Initiative for Economic Development, “Through collaboration, strengthen economic development to ensure a diversified and healthy economy”, by “Creating better paying jobs... (and) adding to the economic vitality of the County.”
- Strategic Initiative for Administration, “Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability, and transparency,” by “...sustaining core services and efficiently allocating resources,” and by “... Improve efficiency and effectiveness of County services.”
- Strategic Initiative for Infrastructure, “Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results”, by “Improving the conditions of ...roads...”, and by “Providing for adequate...infrastructure.”

Check the related Board of Supervisors Strategic Initiatives:

- ☒ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☒ Infrastructure
- ☐ Public Safety

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