



**SPECIAL MEETING**  
of the  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT BOARD OF DIRECTORS**  
a Public Agency  
**Tuesday, March 30, 2021**  
**8:30 AM**  
**VIA TELECONFERENCE**

**IMPORTANT NOTICE REGARDING THIS BOARD MEETING:**

This virtual meeting is being conducted utilizing teleconferencing and electronic means pursuant to State of California Executive Order N-29-20 issued by Governor Gavin Newsom on March 17, 2020, regarding the COVID-19 pandemic. The public may only view a livestream of the meeting online at: <http://tinyurl.com/sbmtdyoutube>

**Public Participation**

To make a general public comment or to comment on a specific agenda item, the following methods are available: Email, Phone, and Zoom webinar.

**All comments will be limited to 3 minutes per speaker.**

**1. Email:**

- Submit public comment to [clerk@sbmtd.gov](mailto:clerk@sbmtd.gov) *before 12 p.m.* on the Monday prior to the Board meeting for advance distribution to the Board of Directors.
- Public comment emails submitted to [clerk@sbmtd.gov](mailto:clerk@sbmtd.gov) *during* the meeting will be recognized *if* the email is received prior to or during the item to be addressed.
- **In ALL emailed Public Comments, please include:**
  - (A) The agenda item(s) to be addressed
  - (B) If you would like your comment read into the record
  - (C) Public Comment text

**2. Phone:** Call the Zoom webinar line 10 minutes prior to the 8:30 a.m. meeting start time:

- Toll-Free Dial-in: **(669) 900-6833.**
  - When prompted, enter Meeting ID **922 4404 5649** and then #.
  - When prompted for a password, dial **873069** and then #.
- When the item you wish to address is announced, dial \*9 to request to comment.

Please mute your phone until called to speak. If you do not have a mute button, you may mute by dialing \*6. You can unmute by pressing the same keys (\*6). When the chair calls for public comment, the clerk will announce you and will unmute your microphone.

**3. Zoom webinar & computer audio:** View the webinar at the following link at 8:30 a.m.:

<https://zoom.us/j/92244045649?pwd=SVZlYjNHY1lIOHN1YktuekV0YnFDUT09>

To give public comment via the Zoom webinar, click the "Raise Hand" button only when the item you wish to speak on has begun. When the chair calls for public comment, the clerk will announce you and will unmute your microphone. The public will not be able to share their video or screen.

<b>BOARD OF DIRECTORS AGENDA</b>
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**BOARD MEMBERS WILL JOIN VIA TELECONFERENCE**

**ITEMS TO BE CONSIDERED:**

**1. CALL TO ORDER**

**2. ROLL CALL OF THE BOARD MEMBERS**

Dave Davis (Chair), David Tabor (Vice Chair), Bill Shelor (Secretary), Chuck McQuary (Director), Paula Perotte (Director), Jen Lemberger (Director).

**3. REPORT REGARDING POSTING OF AGENDA**

**4. PUBLIC COMMENT**

Members of the public may address the Board of Directors on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, see the above instructions on giving remote public comment. Additional public comment will be allowed during each agenda item, including closed session items.

**5. RECESS TO CLOSED SESSION: REAL PROPERTY NEGOTIATIONS (GOVERNMENT CODE §54956.8) - (ATTACHMENT - ACTION MAY BE TAKEN)**

Property: 4678 Calle Real / 149 North San Antonio Road

Agency Negotiators: General Manager Jerry Estrada; District Outside Counsel, Graham Lyons

Negotiating Parties: Comstock Homes, People's Self Help Housing Corporation; Chandler Partners; Con/Am Group; Greystar Development West, LLC.

Under Negotiation: Price and terms of payment.

**TIME CERTAIN 9:00 AM**

Staff will request that the Board of Directors receive the *ad hoc* committee's unanimous recommendation and, through adoption of Resolution 2021-04, authorize MTD's General Manager or his designee to negotiate and enter into an Exclusive Negotiating Agreement (ENA) with the development team comprised of Chandler Partners and the ConAm Group.

**PUBLIC COMMENT RELATED TO CLOSED SESSION ITEM(S) WILL BE ALLOWED BEFORE THE RECESS**

**6. OTHER BUSINESS AND REPORTS - (INFORMATIONAL)**

The Board will report on other related public transit issues and committee meetings.

**7. ADJOURNMENT**



<b>BOARD OF DIRECTORS REPORT</b>
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<b>MEETING DATE:</b>	MARCH 30, 2021	<b>AGENDA ITEM: #5</b>
<b>DEPARTMENT:</b>	ADMINISTRATION	
<b>TYPE:</b>	ACTION ITEM	
<b>PREPARED BY:</b>	JERRY ESTRADA	_____

*Signature*

<b>REVIEWED BY:</b>	GENERAL MANAGER	_____
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*Signature*

<b>SUBJECT:</b>	ADOPTION OF RESOLUTION TO ENTER EXCLUSIVE NEGOTIATING AGREEMENT REGARDING DEVELOPMENT OF MTD'S CALLE REAL PROPERTY
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**RECOMMENDATION:**

Staff asks that the Board of Directors receive the *ad hoc* committee's unanimous recommendation and, through adoption of Resolution 2021-04, authorize MTD's General Manager or his designee to negotiate and enter into an Exclusive Negotiating Agreement (ENA) with the development team comprised of Chandler Partners and the ConAm Group.

**DISCUSSION:**

**Purpose of an Exclusive Negotiating Agreement**

An Exclusive Negotiating Agreement is a written agreement between two parties specifying a period of time in which the parties will negotiate exclusively on the terms and conditions of a development project. Here, an ENA will allow MTD and the development team to negotiate exclusively for a specified period of time regarding the terms and condition under which MTD will permit the development team to develop, operate and manage the Calle Real Property. Because both parties contemplate entering into a long-term ground lease, the ENA will also allow the parties to negotiate an acceptable ground lease. If the parties cannot reach an agreement during the ENA time period, the parties may either extend the ENA or terminate negotiations. If MTD is unable to reach an agreement with the development team during the term of the ENA, MTD may select another development team to enter into negotiations. If an agreement cannot be reached with Chandler Partners and the Con/Am Group, the *ad hoc* committee would recommend returning to the two remaining development teams for further negotiations.

**Property History**

MTD owns four legal parcels totaling approximately 18.93 acres in the County of Santa Barbara ("Property"). MTD purchased the Property in 1985 for the purpose of developing a potential bus terminal; however another site was acquired for that purpose and the Property became available for alternative uses. Through a series of planning efforts by the County of Santa Barbara, the Property is currently designated as one of two primary housing opportunity sites in the Eastern

## BOARD OF DIRECTORS REPORT

Goleta Valley Community Plan and is zoned as follows: 10.2 acres (DR-20), 6.8 acres (DR-0.2) and the slightly less than two acre western-most parcel is zoned DR-20.

### **Formation of *Ad Hoc* Committee**

The MTD Board of Directors determined that the highest and best use of the Property was development, and likely some form of residential development given the underlying zoning and the Property's designation as a primary housing opportunity site by the County of Santa Barbara. The MTD Board of Directors formed the *ad hoc* committee for the specific and limited purpose of reviewing development proposals for the Property and recommending to the Board a development team for MTD to enter negotiations of an exclusive negotiating agreement (ENA). Since its formation by the Board, the *ad hoc* committee has directed the solicitation of development proposals for the Property and has retained a team of consultants to assist in the review of development proposals. As discussed below, the *ad hoc* committee has completed its solicitation of development team proposals and conducted a series of interviews with each development team in conjunction with the *ad hoc* committee's consultants. Based on these actions, the *ad hoc* committee has prepared a recommendation for the Board.

### **RFQ Process**

On August 17, 2020, MTD issued a Combined Request for Qualifications/Request for Proposals (RFQ/RFP) to identify a potential development team to develop and construct a residential project at the Property that would provide housing and public benefits consistent with the Eastern Goleta Valley Community Plan. MTD's intent in selecting a development team was to minimize financial risk to MTD and maximize long term financial return to support MTD's operations.

MTD received three submittals to the RFQ/RFP: (1) Greystar Development West, LLC ("Greystar"); (2) Chandler Partners and the ConAm Group ("Chandler/ConAm"); and (3) Comstock Homes and People's Self Help Housing Corporation ("Comstock/PSHHC"). Based on a review of the three RFQ submittals, the *ad hoc* committee and its consultants determined that all three development teams were responsive to the RFQ requirements, and therefore, were reviewed in the RFP phase.

### **RFP Process**

At the conclusion of the RFQ review phase, the *ad hoc* committee and its consultants reviewed each team's development proposal for the Property.

After the *ad hoc* committee and its consultants' initial review, each development team was asked a series of follow up questions related to their respective development proposals. After each development team had the opportunity to respond to the *ad hoc* committee and its consultants' follow up questions, the teams were invited to participate in in-person (via Zoom) interviews with the *ad hoc* committee and its consultants. Each team was allowed to present its proposal and to answer questions from the *ad hoc* committee and its consultants. At the conclusion of the interviews, the *ad hoc* committee briefly met and provided a list of additional questions to be answered by each development team. The *ad hoc* committee's consultants then contacted each development team and asked that they respond to the *ad hoc* committee's additional questions. Each development team responded.

## BOARD OF DIRECTORS REPORT

Based on the extensive RFQ and RFP process, the *ad hoc* committee is prepared to make its recommendation to the MTD Board of Directors.

### Criteria for Recommendation to the Board

Pursuant to the RFQ/RFP, the *ad hoc* committee was to review the development proposals based on the below-listed criteria:

- Evaluation of MTD financial return and risk.
- Financial capability and access to financing.
- Experience with similarly sized, mixed-income housing projects.
- Evaluation of development team.
- Evaluation of conceptual plan.
- Experience with community involvement.

While the evaluation of the above criteria are not intended to be the sole determining factor in MTD's selection of a development team, it is intended to assist the *ad hoc* committee and the Board of Directors in selecting a development team to enter into an ENA.

### A. Evaluation of MTD Financial Return and Risk

**Ground Lease:** All three development teams proposed non-subordinated ground leases of 99 years. The *ad hoc* committee considered MTD's stated goal of achieving a long-term financial return while minimizing risk and determined that a non-subordinated long-term ground lease is the best form of agreement to achieve these goals. An outright sale of the Property could minimize risk to MTD, although the sale price would be subject to the current market value of the Property (which could require MTD to "time the market" for the optimal sale price), but would not achieve MTD's stated goal of achieving a long-term return. Similarly, a joint venture with a development team could result in a long-term return to MTD; however, MTD would likely be required to take on significant financial risk as a "partner" in the development and operation of the project. A non-subordinated ground lease allows MTD to receive a long-term return through the receipt of lease payments over 99 years, while minimizing risk to MTD as it is not a partner or investor in the project. Therefore, the *ad hoc* committee believes a non-subordinated long-term ground lease is the best form of agreement to achieve MTD's stated goals for the Property.

In order for a ground lease to make sense from a financial perspective, the lease payments over time should exceed what MTD could receive if it were to sell the Property today and invest the sales price in a secure, guaranteed invest, such as a 30-year US Treasury bond. All three development proposals far exceed the financial return MTD could expect if it were to sell the property and invest the sale proceeds in a secure treasury bond or similar financial instrument.

### Comstock/PSHHC

Comstock/PSHHC proposes two options for ground rent payments to MTD. Both options provide separate rent schedules for the affordable and market rate units. Option #1 provides \$892,800 annually with an annual CPI increase (capped at 3%) for the market rate units, plus 10% of Effective Gross Income with a CPI increase every 5 years (capped at 10%) for the affordable units. Option #2 provides the greater of \$850,000 or 16% of Net Operating Income for the market

## BOARD OF DIRECTORS REPORT

rate units, plus 10% of Effective Gross Income with a CPI increase every 5 years (capped at 10%) for the affordable units.

### **Chandler/ConAm**

Chandler/ConAm proposes ground rent payments to MTD of 10% of the Effective Gross Income from all rental units.

### **Greystar**

Greystar proposes ground rent payments to MTD of the greater of \$1,000,000, or 8.5% of Effective Gross Income from all rental units.

Based on the consultant's review of the three ground rent proposals, the Chandler/ConAm proposal and Greystar proposal are very comparable in the total rent paid to MTD.

Comstock/PSSHC's ground rent proposal provides less financial return to MTD.

### **B. Financial Capability and Access to Financing Comstock/PSHHC**

Comstock plans to rely on traditional institutional financing for the project and will raise the necessary equity for the project internally.

PSHHC is relying on significant amounts of highly-competitive State funding to finance the low income portion of the project.

It is unclear if the two separate financing mechanisms will impact the overall project's ability to secure the necessary financing. Provided the project can receive the contemplated financing in a timely manner, the *ad hoc* committee's review of the project finances and projected revenue support Comstock/PSHHC's financial assumptions.

### **Greystar**

Greystar provided reasonable sources of equity and financing for its project. Greystar has an impressive track record of successful financing and long-standing relationships with institutional lenders. The *ad hoc* committee's review of the project finances and projected revenue supports Greystar's financing assumptions.

### **Chandler/ConAm**

Chandler/ConAm provided reasonable sources of equity and financing for its project. Chandler/ConAm has an impressive track record of successful financing and long-standing relationships with institutional lenders. The *ad hoc* committee's review of the project finances and projected revenue supports Chandler/ConAm's financing assumptions.

### **C. Experience with Mixed Income Housing and Evaluation of Development Team**

After careful review of each development team's submittals, the *ad hoc* committee found that all three teams have extensive experience developing and operating mixed income housing and have assembled highly qualified teams to execute their respective proposals.

**D. Evaluation of Conceptual Plan**

**Comstock/PSHHC**

The Comstock/PSHHC project provides 290 residential units (247 market rate and 43 affordable). The conceptual plan physically separates the market rate units and the affordable units with very few shared amenities. The market rate units include several amenities that are not available to the occupants of the affordable units. The Comstock/PSHHC conceptual plan respects the surrounding community.

The *ad hoc* committee found the Comstock/PSHHC conceptual plan to be satisfactory; however complete separation of the affordable units from the market rate units and the lack of certain types of amenities for the affordable units that are available to the market rate units is concerning.

**Greystar**

Greystar provides 345 residential units (289 market rate and 56 affordable). The market rate and affordable units are integrated throughout the plan and share all amenities. Greystar's project focuses on higher-end units housed in large, three-story buildings. The conceptual plan relies heavily on studio apartments, which Greystar believes will garner a higher rent per square foot. Neither Comstock nor Chandler/ConAm propose studio apartments.

The *ad hoc* committee found the Greystar conceptual plan to be satisfactory. The plan integrates the market rate and affordable units and provides shared amenities for all residents. The overall site lay out and building size could be better integrated into the community. The *ad hoc* committee found the overall size, bulk and scale of the project to be somewhat out of place with the surrounding community.

**Chandler/ConAm**

The Chandler/ConAm project provides 332 residential units (282 market rate and 50 affordable).

The market rate and affordable units are integrated throughout the project and share all amenities. The project provides a mix of unit sizes at a variety of income levels. The overall layout is mindful of the adjacent development and fits well with the surrounding neighborhood. Chandler/ConAm also proposes a community center for after-school tutoring and community learning.

The *ad hoc* committee found the Chandler/ConAm conceptual plan to be respectful of the surrounding area and to provide a number of community benefits, including a variety of units at different income levels, a community learning center for residents, and integrated amenities.

**E. Experience with Community Involvement**

After careful review of each development team's submittals, the *ad hoc* committee found that all three teams have extensive experience working with communities during the entitlement process and throughout the development and operation of their respective projects. The Comstock/PSHHC team has the most experience in the Santa Barbara area based on the number of projects PSHHC has completed and successfully operates throughout the area.

## BOARD OF DIRECTORS REPORT

### ***Ad Hoc* Committee Recommendation**

Based on the *ad hoc* committee's review of the three development team's proposals, the *ad hoc* committee recommends the Board authorize its general manager to enter into an Exclusive Negotiating Agreement with Chandler/ConAm. The *ad hoc* committee found the Chandler/ConAm proposal to provide one of the highest financial returns to MTD while providing a project that serves a variety of income levels and household sizes. Chandler/ConAm's integration of the market rate and affordable units and the many amenities afforded to the residents, including the after-school program and learning center are distinguishing characteristics.

The Greystar and Comstock/PSHHC proposals were very impressive and the *ad hoc* committee recommends that if an agreement cannot be reached with Chandler/ConAm during the ENA period, MTD return to these groups and select an alternate team to enter into an ENA.

### **ATTACHMENT:**

- Resolution No. 2021-04



**RESOLUTION**  
*of the*  
**BOARD OF DIRECTORS**  
*of the*  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**

IN THE MATTER OF ENTERING INTO AN EXCLUSIVE NEGOTIATING AGREEMENT

**RESOLUTION NO. 2021-04**

TO AUTHORIZE THE GENERAL MANAGER OR HIS DESIGNEE TO ENTER INTO AN EXCLUSIVE NEGOTIATING AGREEMENT (ENA) WITH THE DEVELOPMENT TEAM COMPRISED OF CHANDLER PARTNERS AND CONAM TO ADVANCE THE DEVELOPMENT OF THE CALLE REAL PROPERTY OWNED BY THE SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

**WHEREAS**, the Santa Barbara Metropolitan Transit District (“District”) acquired that certain real property located in the County of Santa Barbara at Calle Real comprised of four legal parcels totaling approximately 18.93 acres (the “Property”) in 1985 for the purpose of constructing a bus terminal or transit site; and

**WHEREAS**, after acquisition of the Property, the District identified and acquired an alternative site for its bus terminal; and

**WHEREAS**, through a series of planning efforts by the County of Santa Barbara, the Property is currently designated as one of two primary housing opportunity sites in the Eastern Goleta Valley Community Plan; and

**WHEREAS**, the Property represents a valuable asset with income potential that the District wishes to utilize to further its purpose of providing transit services to the greater Santa Barbara community; and

**WHEREAS**, the District determined the highest and best use of the Property is residential development; and

**WHEREAS**, the District Board of Directors formed an *ad hoc* committee for the specific and limited purpose of reviewing possible development proposals for the Property and recommending to the Board of Directors a development team to enter into an Exclusive Negotiating Agreement (“ENA”); and

**WHEREAS**, the District issued a Combined Request for Qualifications/Request for Proposals (RFQ/RFP) to identify a development team to develop and construct a residential project at the Property that would provide housing and public benefits consistent with the Eastern Goleta Valley Community Plan and minimize financial risk and maximize long-term financial return to the District to support its operations; and

**WHEREAS**, the District received three submittals during the RFQ stage, each of which were determined to be qualified to participate in the RFP stage; and

**WHEREAS**, the *ad hoc* committee retained qualified consultants to assist in the evaluation of the RFP submittals and reviewed comprehensive proposals from each development team, as well as presentations from each development team; and

**WHEREAS**, each development team proposed a non-subordinated 99-year ground lease by which the development team would entitle, develop, construct, lease, operate and manage an apartment project consisting of market-rate and affordable rental units; and

**WHEREAS**, based on the *ad hoc* committee's review of the three development team proposals, the committee determined the development team comprised of Chandler Partners and ConAm offered a superior proposal based on its access to equity, overall financial strength, experience in developing and operating residential projects pursuant to a non-subordinated ground lease, and projected rent payments to MTD over the term of the contemplated ground lease; and

**WHEREAS**, the *ad hoc* committee has recommended to the Board of Directors that it authorize the general manager or his designee to enter into an Exclusive Negotiating Agreement with the development team comprised of Chandler Partners and ConAm;

**NOW, THEREFORE, BE IT RESOLVED** that the District desires to accept the *ad hoc* committee's recommendation and authorize the general manager or his designee to enter into an Exclusive Negotiating Agreement with the development team comprised of Chandler Partners and ConAm.

**PASSED AND ADOPTED** by the Board of Directors of the Santa Barbara Metropolitan Transit District this 30<sup>th</sup> day of March, 2021 by the following vote:

AYES: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Chair, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors