



The City of San Diego

Staff Report

DATE ISSUED: April 11, 2022

TO: City Council

FROM: Department of Real Estate and Airport Management (DREAM)

SUBJECT: Notice of Availability for Midway Site – Recommendation to Shortlist Development Teams to Focus on Due Diligence and Economic Analysis

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Council District(s): 2

OVERVIEW:

After declaring approximately 48.5 acres of land in the Midway District as “surplus land,” issuing a notice of availability and completing a 90-day good faith negotiating period in accordance with the Surplus Land Act (SLA), staff is recommending that Council shortlist the five respondents down to three as further detailed in the discussion below. This will allow staff to focus on conducting comprehensive due diligence and economic analysis on a more focused group, that align with the priorities of the SLA. Staff expects to complete its due diligence and analysis on the three teams and return to Council prior to the end of the calendar year with a recommendation for an ultimate developer selection.

PROPOSED ACTIONS:

Adoption of a resolution expressing the Council’s preference to shortlist the responses from HomeTown SD, Midway Rising and Midway Village +, received in response to the City’s “Midway Notice of Availability” under the Surplus Land Act so that the City may conduct detailed due diligence and economic analysis with the three associated development teams.

DISCUSSION OF ITEM:

**Background**

On September 21, 2021, the City Council unanimously declared the 48.5 acre site located at 3220, 3240, 3250 and 3500 Sports Arena Boulevard (collectively “Property”) in the Midway-Pacific Highway Community, which includes the existing Sports Arena, “surplus land” under the SLA and related guidelines issued by the California Department of Housing and Community Development (HCD) (Attachment A).

In accordance with the SLA, a subsequent Notice of Availability (NOA) was issued by the City (Attachment B) to entities registered with HCD as affordable housing sponsors and government agencies. The NOA was also posted on the Department of Real Estate and Airport Management’s (DREAM) website. The NOA included a “Development Condition” that the “future development include renovation or replacement of the City’s current sports arena on the Property as a regional entertainment venue and operation of that venue for concerts, sports, and other events, consistent with similar arenas in large cities in the United States.”

The NOA was posted for 60 days and, on December 3, 2021, DREAM received five responsive submittals from:

- Discover Midway – led by Brookfield Properties
- HomeTown SD – led by Monarch Group
- Midway Rising – led by Zephyr
- Midway Village + – led by Bridge Housing
- Neighborhood Next – led by The ConAm Group

Two submittals were also received from Cotterkey and Panacea Project, which were deemed non-responsive to the City’s reasonable conditions or restrictions as they did not demonstrate an ability to fulfill the Development Condition for renovation or replacement and operation of City’s sports arena, nor did they provide details for development of affordable housing.

On December 4, 2021, the City began a “90-day good faith negotiating period” as required under the SLA with the five responsive teams. Staff thoroughly reviewed their responses and set initial meetings with the teams in January. Due to the nature of the NOA’s structure, staff was not able to require specific levels of detail across the teams, so the submittals varied in what was provided. Staff used January to work with each team on a “Supplemental Information Request” so that staff could compare all of the responses equitably. After receipt of the each team’s Supplemental Information Request, staff met with the teams again to focus on priority areas under the SLA, specifically the greatest number of affordable units being proposed below 80% Average Median Income (AMI) and the deepest level of affordability for the proposed affordable housing units. Each team then submitted a housing summary and clarified any subsidies or asks it may have of the City as a potential partner, and clarified at a high level what it may be able to offer the City financially as a potential partner. On March 4, 2022, the “90-day good faith negotiating period” ended.

The City also recognizes that each of the teams is in various stages of negotiation on labor peace/project labor agreements/MOUs with respect to the operations and construction of the proposed development. Strong workforce protections and standards are a priority as we evaluate responses and we will continue to monitor these discussions.

**Coordination with HCD**

On March 9, 2022, staff consulted with HCD for technical guidance prior to presenting a recommendation to narrow the number of respondents from five to a shortlist of three. Staff shared the housing summary table below to HCD, indicating that we intended to move the top three teams on the table (Midway Rising, HomeTown SD and Midway Village +) forward and that we did not intend to continue discussions with the bottom two teams on the table (Neighborhood Next and Discover Midway) at this time.

<b>FINAL Housing Summary</b>	<b>Acutely Low Income 0-15%</b>	<b>Extremely Low Income 16-30%</b>	<b>Very Low Income 31-50%</b>	<b>Lower Income 51-80%</b>	<b>Total No of Units below 80%</b>	<b>Average % of Affordability Below 80% AMI</b>
<b>Midway Rising</b>	0	300	1500	200	<b>2000</b>	<b>40%</b>
<b>HomeTown SD</b>	0	406	650	670	<b>1726</b>	<b>48%</b>
<b>Midway Village +</b>	116	186	849	459	1610	<b>48%</b>
<b>Neighborhood Next</b>	0	300	600	750	<b>1650</b>	53%
<b>Discover Midway</b>	0	108	108	819	1035	56%

HCD concurred that the City was giving priority to the team with the highest number of proposed affordable housing units and deepest average level of affordability for its proposed affordable housing units, in compliance with the SLA. As we move through the shortlist process, staff will continue to consult with HCD.

In order to have options for the City as we move through further negotiations, we proposed to continue negotiating with not only Midway Rising, but also HomeTown SD and Midway Village +. Both teams were competitive in the number of affordable housing units they were proposing and all three teams proposed an average level of affordability below 50% AMI for their affordable units.

In addition to prioritizing affordable housing, the NOA included the Development Condition approved by HCD requiring:

“...renovation or replacement of the City’s existing and operational sports arena on the Property as a regional entertainment venue and operation of that venue for concerts, sports, and other events, consistent with similar arenas in large cities in the United States.”

<b>Team</b>	<b>Arena SF</b>	<b>No. of Seats</b>	<b>Renovation or Replacement</b>	<b>Stadium Experience</b>
<b>Midway Rising</b>	500,000 - 600,000 SF	15,000-16,000	Replacement	New & Renovated Arenas: NFL, NHL, NBA, MLB, etc.
<b>HomeTown SD</b>	225,000 SF	9,000 -12,500	Replacement	New College Stadium; New MLB stadium
<b>Midway Village +</b>	SF not provided	Arena - 15,000; Modular soccer stadium – 12,000; Event center – 3,500	Replacement	New & Renovated Arenas: NBA, NHL New Stadiums: NFL, MLS, MLB, NCAA
<b>Neighborhood Next</b>	225,000 SF	16,100	Renovation	None
<b>Discover Midway</b>	117,000SF	15,000	Renovation	New and renovated event arena experience

While all the teams’ NOA responses stated their intent to satisfy the Development Condition, Neighborhood Next was the only team that did not have a partner on their team for the development and/or operation of the arena. Neighborhood Next believed that since the existing operator of the arena is under contract until 2024, that “procurement of an operator most commonly occurs closer to the expiration of an existing contract term” and engaged an arena consultant, Crossroads Consulting to assist them at that time. Therefore, staff did not believe the team demonstrated the ability to deliver a renovated arena in the absence of a partner with arena development or operational experience.

City Council can accept, reject or modify staff’s recommendation. Should the Council accept staff’s recommendation to shortlist, we will immediately reengage discussions with Midway Rising, HomeTown SD and Midway Village +. Since the initial 90 days was focused on affordable housing and the Development Condition for an arena with all five teams, staff intends to conduct due diligence on the three team’s operational and financial wherewithal and to engage an economic advisor to delve into the feasibility of each proposed project. By focusing on a smaller group of teams, that have demonstrated prioritizing affordable housing and the arena, staff expects to return to Council before the end of the calendar year with a recommendation for developer selection. It should be noted that by not moving Neighborhood Next and Discover Midway forward in the negotiations, it would not preclude staff from returning to them as a respondent, prior to making an ultimate selection, should one or more of the shortlist responses be deemed infeasible for selection or incapable of delivering the project.

## **Additional Analysis**

In addition to reviewing the affordable housing and Development Condition for an arena as noted above, staff thoroughly reviewed each team's response to the NOA and the supplemental information they provided during the 90-day good faith negotiating period. Each team's response to the NOA and any supplemental information they provided are attached as Attachments C through G. Due to the nature of staff's ongoing negotiations, financial and contract terms have been redacted and will not be detailed in this report. Summarized for each team are: their relevant experience and approach to project. As project information and details evolved during negotiations, the summaries below will reflect the most recent information provided by each team. At such time as staff returns with a recommendation for developer selection, we will summarize each team's financial projections and capability to perform, along with an analysis of additional resource needs and potential partnership structures.

### ***DISCOVER MIDWAY***

#### **Respondent's Relevant Experience:**

Discover Midway team is led by Brookfield Properties (Mixed Use) and includes primary partners: Affirmed Housing (Affordable Housing), ASM Global (Arena) and National CORE (Affordable Housing). Additional partners: Azure, Miller Public Affairs, SCS Engineers, Mortenson, Gensler, Mitchelville Real Estate Group, Southwest Strategies, Geocon, C&R, James Corner Field Operations, Intesa, Fermanian Business & Economic Institute and Project Design Consultants. The team also states that over 150 of their team members are in San Diego.

Brookfield Properties, National CORE and Affirmed Housing all have experience with residential development and have offices in San Diego. Brookfield has over 40 years of development experience in San Diego across multiple asset classes and has more than \$23 billion in its global development pipeline. National CORE has also had local offices in San Diego for the last 23 years and is the developer, owner, operator and services provider for all of its properties, which currently serve approximately 30,000 residents at 9,000 homes, 7,500 of which are in Southern California. Affirmed Housing is headquartered in San Diego and has financed over \$2 billion in affordable development with more than 5,000 units in 62 communities having been developed or in development, including 26 properties in the City and County of San Diego.

ASM Global, a subsidiary of AEG, joined the existing manager in 2008 and has since been providing management, operations and marketing of the Sports Arena since that time. ASM Global provides services at over 325 venues throughout the world for both sports and entertainment events, including L.A. Live in Los Angeles, CA and The O2 in London, UK. Both of these mixed-use development projects were featured in the teams response as "case studies" that include similar programmatic components, including: arena, restaurant, retail, office, residential and hotel uses.

#### **Approach to Project:**

**Housing:** Discovery Midway is proposing to build 1,035 affordable units (below 80% AMI) with the average level of affordability for those units at 56% AMI. Approximately 108 of the affordable units may be converted to permanent supportive housing with services potentially run by PATH as a potential option. Discover Midway is not proposing to build middle-income (81-120% AMI) housing. Beyond the affordable housing, Discover Midway proposed to build 2,242 market rate units for a total of 3,277 units. Amenities for the residential components include community rooms, children's play space, community gardens, BBQ areas and turf game areas. Residents will also have access to services offered on-site offered by National CORE's Hope through Housing Foundation ("HOPE").

**Arena:** Discover Midway is proposing to renovate the existing arena with "a new sculptural multimedia sunshade facade." The renovated arena would be approximately 117,00 square feet and with approximately 15,000 seats. The renovated arena is proposed to include an expanded indoor-outdoor complex that will blend into the adjacent park to blend the guest experience. Additionally, a central plaza that will include

several pocket venues will be included that can be used daily as well as pre/post events. Discover Midway intends to maintain the arena operation during renovations with ASM Global as its operator.

***Other Programmatic Components:*** Over 600,000 SF of commercial/retail space are being proposed, which includes an expanded indoor/outdoor home for Kobey's Swap Meet, a new home for Phil's BBQ and an open-air market known as "The Mercado." The Mercado is envisioned to be locally focused and to "foster entrepreneurs, makers, artists, rich in San Diego culture and diversity. 11 acres of park and open space are proposed, including neighborhood parks and elevated open space known as "The Midway Mesa". The open spaces are proposed to be activated with programming, which could include a collaboration with the San Diego Opera. Rotating public art and curated theatre are also envisioned.

## ***HOMETOWN SD***

### ***Respondent's Relevant Experience:***

HomeTown SD is a local and women-led team led by Monarch Group (Market & Middle-Income Housing). Primary Team Partners include: Essex (Mixed Use Development), Eden Housing (Affordable Housing) and JMI Sports (Arena). Additional middle-income housing partners include: Manatt Housing Solutions, Norwood Development Strategies, RBC Capital Markets and Systima Capital Management. Design partners include: AECOM and AO Architects. Advisory Partners include: Atlantis Group, Coast Law Group LLP, Collaborative Land Use, Gemini Group, Harmonie Park Development, Rebelle Communications, Toyon Strategies and Union Biz Solutions.

Together, Monarch Group, Essex and Eden Housing bring over 150 years of experience in partnerships across the State of California including 20,000 residential units, with more than 85 projects in San Diego in the past 50 years. The team states that "Building and sustaining thriving affordable, middle-income and market rate communities for decades is our core competency, passion and exclusive focus."

JMI Sports as an arena partner has more than 25 years of experience nationwide. They have developed approximately \$2 billion in the San Diego market, including PETCO Park and the new SDSU Aztec Stadium in Mission Valley.

### ***Approach to Project:***

***Housing:*** As summarized in the background, HomeTown SD is proposing to build the second highest number of affordable units (below 80% AMI) at 1,726 and has the second deepest average level of affordability for those units at 48% AMI. 25% of the affordable units are envisioned as permanent supportive housing, which Eden has experience with and plans to bring on a local social service provider based on the population type to provide case management services. Based on funding availability, one of the affordable developments (140 units) may be senior housing. Beyond the affordable housing, HomeTown SD proposed to also build 305 middle-income housing (81-120% AMI) and 1,219 market rate units for a total of 3,250 units. Amenities for the residential components include a 10,000 square foot childcare center and 18.22 acres of open space, plaza, promenade, green roofs and a dedicated dog area.

***Arena:*** HomeTown SD is proposing to close and demolish the existing arena. They propose to relocate the new arena to the east side of the project, which would be approximately 225,000 square feet and include 9,000 fixed seats for sporting events, 10,000 for concerts and 12,500 for special events. They plan to include outdoor concourses to expand circulation, amenities and capacity. The concourse could also be opened for expanded swap meet events, outdoor markets or festivals. While JMI Sports will be the lead developer and operator, the team notes they may bring on additional development partners and operators.

***Other Programmatic Components:*** A multi-use building with several floors of office space and a 300-key hotel is proposed to support the arena's employees and events, which would include an incubator space. The project is also proposed to include 315,000 square feet of commercial/retail space that will include Kobey's Swap Meet and a food hall, as well as everyday neighborhood services (such as salons, a bank, gym/fitness, cafes, local artisans and small and large restaurants). If the economics permit, additional

incubator space will be considered for small and enterprising businesses. HomeTown SD also plans to include public art and cultural amenities in accordance with the City's Arts and Culture Ordinance but expects to identify that at a later design stage.

## ***MIDWAY RISING***

### ***Respondent's Relevant Experience:***

Midway Rising is a collaboration of local housing developers, business and community organizations led by Zephyr (Market-Rate Housing). Primary Team Partners include: Chelsea Investment Corp. (Affordable Housing), Legends (Arena Partner) and AECOM (Design Consulting and Construction Management). Additional Partners include: Safdie Rabines Architects (Design), David Watson/Duane Morris, Casa Familiar, Serving Seniors, Father Joe's Villages, Veterans Village, San Diego Regional Centers, Southern CA Housing Collaborative and Pacific Southwest Community Development Corporation.

Together, the individual companies that make up Midway Rising have experience in partnering with each other on similar types of developments. For example, Zephyr and Chelsea have experience partnering with each other on a series of housing redevelopment projects over the past 15 years. Chelsea Investment Corp. specializes in the creation and preservation of affordable housing and have developed over 65 projects in San Diego County and over 120 affordable communities throughout Southern California including: special needs housing, senior housing and mixed-use development at a cost more than \$3 billion. Zephyr's experience with residential, mixed-use and hospitality development has resulted in over \$1 billion worth of mixed-use developments.

Legends, as the arena partner, brings over 13 years of experience. Legends specializes in sports and entertainment organizations and venues around the globe and has over \$30 billion in project development experience including, new arena development. Legends was founded as a joint venture of the New York Yankees and Dallas Cowboys ownership teams and most recently the \$60 billion investment company, Sixth Street Partners, has taken on a majority interest in Legends to expand its growth. Legends worked together with AECOM to build a home for the LA Rams and LA Chargers in the \$5 billion SoFi Stadium in Los Angeles, where the Super Bowl was just held, and is currently partnering to develop an adjacent \$2 billion arena as a home for the LA Clippers.

### ***Approach to Project:***

***Housing:*** As summarized in the background, Midway Rising is proposing to build the highest number of affordable units (below 80% AMI) at 2,000 and has the deepest average level of affordability for those units at 40% AMI. 200 of the affordable units are proposed to be permanent supportive housing, which Chelsea has experience in, and plans to work with its network of service providers specializing in individuals experiencing homelessness and transitional aged youth to provide case management services and individual service plans. Midway Rising envisions 15% of the affordable units will target veterans, 15% for seniors and approximately 60% for families. In addition to the affordable housing, Midway Rising is proposing to build 250 middle-income housing units (81-120% AMI) and 2,000 market rate units for a total of 4,250 units. Amenities for the residential components include multi-family areas connected to outdoor open spaces, roof-top gardens, swimming areas, childcare, senior centers, co-working space, mental health workspace and outdoor recreational and gathering space.

***Arena:*** Midway Rising is proposing to take over operations of the existing arena so that it remains open and operational in the interim while the new arena opens. With Legends as the lead developer and operator, Midway Rising is proposing to develop a new full-size arena situated on the site's outer edge, which will be approximately 500,000 to 600,000 square feet and include seating for 15,000 to 16,000. They estimate hosting approximately 150 annual events with an estimated attendance of 850,000 people. The proposed

arena is proposed to be a flexible and multi-purpose venue with capacity to host a variety of events including, concerts, sporting events, family shows and a variety of other touring acts. The arena is proposed to become the new home of the San Diego Gulls, Sockers and Seals and while the proposal does not count on major-league sports, the arena will provide for future expansion opportunities for the National Basketball Association or National Hockey League. As an extension to the arena, and an amenity to the project, Midway Rising is proposing a new 3.9 acre outdoor entertainment plaza, referred to as "The Zocalo". The Zocalo is intended to be a multi-purpose event space designed to host cultural and community events on non-arena event nights in collaboration with Casa Familiar who will be responsible for overseeing the arts and cultural programming.

***Other Programmatic Components:*** A 200-key hotel is proposed to serve the arena and village. The project is also proposed to include 250,000 square feet of commercial/retail space that will include a variety of local sourced restaurants and shops, health and wellness, grocery stores as well as other everyday neighborhood services. The project also includes approximately 20 acres of passive and active recreational space that includes the 3.9 acre "Zocalo" space described above, a 4.2 acre elevated public park proposed above the parking garages and a 3.9 acre linear park along Sports Arena Blvd.

### ***MIDWAY VILLAGE +***

#### ***Respondent's Relevant Experience:***

The Midway Village + team is comprised of a Master Development Team led by Bridge Housing (Affordable Housing). Primary Partners include: Toll Brothers (Market Rate Housing) and Revitate (Arena). Additional Partners include: Cruzan (Commercial), MAAC (Affordable Housing/BIPOC), Waterford Property Co. (Middle-Income Housing), David Malmuth Development (Entertainment) and San Diego Loyals (Soccer team).

Combined, the team bring years of expertise in the development of affordable, middle-income and market-rate housing; expertise in the developing and energizing mixed-use urban infill sites and the development and operation of retail, hospitality and sports and entertainment uses. Specifically, Toll Brothers is a Fortune 500 Company and one of the nation's largest homebuilders with over \$8 billion in corporate and joint venture financing over the last five years. Bridge Housing has expertise in the development of large multi-phase developments and in currently managing projects with \$3.8 billion in development costs.

The arena partner, Revitate, is proposed to lead the development of the arena district. Revitate co-owns the Sacramento Kings and are principals in the development of Golden 1 Center and Downtown Commons mixed-use district in Sacramento. The Revitate Team also includes SPD Sports, Manica Architecture, Biedermen Redevelopment Ventures and Live Nation. Together this group has experience with over \$30 billion in development projects, including 12 sports arenas and stadiums and been involved in several sports and entertainment projects including various NHL, NBA, NFL and MLS stadiums across the country.

#### ***Approach to Project:***

***Housing:*** Midway Village + is proposing to build the fourth highest number of affordable units (below 80% AMI) at 1,610 and has affordability for those units at the second deepest average level of affordability 48% AMI. They are also building 75- and 80-unit developments, restricted for seniors and educators and 27 units for transitional youth. In addition to the affordable housing, Midway Village + is proposing to build 600 middle-income housing units (81-120% AMI) and 2,000 market rate units for a total of 4,210 units. Amenities for the residential components of the project include on-site services, residential community programming, areas for gathering and access to open spaces and recreation.

***Arena:*** Midway Village+ is proposing to build a new multi-purpose sports and entertainment center that includes three venues: 1) a new 15,000 seat arena hosting a variety of events throughout the year; 2) a new 3,500-seat event center, proposed to host 200 events per year including concerts, comedy shows, corporate meetings, and community gatherings and 3) a new temporary 12,000 -15,000 seat modular

soccer stadium to serve as a home to the San Diego Loyals. Live Nation is proposed to serve as the arena and event center promotor, leading efforts to attract music and entertainment programming to the venues.

***Other Programmatic Components:*** A 250-key full-service hotel is proposed to support the arena and events center. 300,000 square feet of creative office space is proposed for small business incubators and large tenants in tech, creative and life science. 150,000 square feet of community serving retail and restaurants is also proposed, including: a new home for Phil's BBQ, pop-up shops and food vendors, and other neighborhood serving businesses. A 12-acre regional park referred to as "Central Park" is proposed as well as a satellite location for the New Children's Museum. Midway Village + has also partnered with organizations like Challenged Athletes Foundation and San Diego Sports Innovators to provide year-round programming in the various plaza and open spaces throughout the site.

## ***NEIGHBORHOOD NEXT***

### ***Respondent's Relevant Experience:***

The Neighborhood Next team is a local group of owners, operators and developers led by The ConAm Group (Master Developer). Primary Team Partners include: Wakeland Housing and Development Corporation (Affordable Housing), Community HousingWorks (Affordable Housing) and Malick Infill (Moderate Income Housing). The primary partners have worked in partnership for over 10 years "to shape neighborhoods and build communities." Additional Partners include: Presidio Public Affairs, GHSL (Master plan architect), 3XN (Arena Architect), City Thinkers (Urban Planning & Design), Crossroads Consulting (Arena Consultant) and PCL Construction.

The ConAm Group manages approximately 53,000 apartments nationally and has developed 12,000 apartments and mixed-use buildings. Wakeland is a leading non-profit that develops and operates affordable and supportive housing and has developed over 7,500 affordable homes at 51 properties throughout California that have provided homes to over 38,500 people. Community HousingWorks is a nationally recognized non-profit that has been developing and renovating affordable rental apartments in California since 1998. They currently have over 3,700 rental apartments in 43 communities statewide that serve over 10,000 children and adults each year, with an additional 1,400 apartments in the pipeline. Malick Infill Development describes themselves as "transit focused urban infill development" and has been involved with the development of six projects in the San Diego area in recent years.

Although Neighborhood Next does not have a partner on their team for the development and/or operation of the arena, they did identify Crossroads Consulting as a partner. Crossroads Consulting was founded in 2007 and has completed over 800 studies for various public and private sector clients who are making decisions and committing resources to convention, sports and entertainment industries.

### ***Approach to Project:***

***Housing:*** Neighborhood Next is proposing to build the third highest number of affordable units (below 80% AMI) at 1,650 and has affordability for those units at the fourth deepest average level of affordability at 53% AMI. 300 units are proposed to be set aside as permanent supportive housing for seniors, veterans and/or those experiencing homelessness. They are also proposing 1,100 middle-income housing units (81-120%) and 2,950 market rate units for a total of 5,700 units. The team proposes to "maximize the value of diversity by clustering all levels of affordability around a network of green spaces, and active ground floors."

***Arena:*** Although Neighborhood Next indicated in their response to the NOA that they intend to renovate the existing Sports Arena, they are the only team that does not have a partner for the development or operation of the arena nor has conveyed any experience for this specific component. Instead, Neighborhood Next proposes to engage Crossroads Consulting to conduct a study that would include: community outreach, a facility performance assessment, a service contract analysis and a competitive set analysis to determine the needs for a renovated arena. Neighborhood Next did not have a clear vision for identifying a development partner with arena experience; however, they did indicate that they envision running a



procurement process for an operator closer to the end of the term of the City's existing agreement for its current operator. As a result, the Neighborhood Next team did not demonstrate any experience as a team with the development or operation of an arena, nor did they articulate a clear and timely vision for a renovated or replaced arena, so it is unclear that the team has the ability to successfully deliver a renovated or replaced arena to the City.

***Other Programmatic Components:*** Neighborhood Next proposed a 125-room full-service hotel and over 265,000 square feet of commercial and retail space. No specific tenants for the commercial/retail were identified; however, it is envisioned to be a mix of tenants including grocery, food & beverage and sports-oriented retail with some of the retail set aside as incubator space at below-market rent. Over 14 acres of open space were proposed throughout the project. The 35,000 square foot cultural center known as "The Hub" would include childcare, exercise, mix arts, education with indoor and outdoor events and activities.

***Post Negotiating Period Submittal:*** As was noted earlier, the 90-day good faith negotiating period for the teams ended on March 4, 2022. On April 5, 2022, Neighborhood Next emailed staff a revised response that increased their total number of units to 5,750, with 1,750 being affordable, 1,100 being moderate and 2,900 at market rate. While the team increased the number of affordable units proposed by 100, the average level of affordability remains at 53% AMI. Coupled with the lack of experience as a team with the development or operation of an arena and the response being received outside of the good-faith negotiating period, this submittal does not have an impact on staff's recommendation to omit Neighborhood Next from the short list.

City of San Diego Strategic Plan:

Staff's analysis of the proposals and its recommendation directly relate to the Strategic Plan's Operating Principles of Trust and Transparency by providing the Council with the "data to make better-informed decisions, answer questions and build trust with the public." Additionally, by shortlisting the NOA respondents from five to the three teams with the deepest average level of affordability aligns with the Strategic Plan's Priority Area: Create Homes for All of Us which endeavors to "ensure that every San Diegan has access to secure, affordable housing."

Fiscal Considerations:

There are no direct fiscal considerations associated with shortlisting the NOA respondents from five teams to three teams.

Charter Section 225 Disclosure of Business Interests:

Not applicable

Environmental Impact:

This activity, shortlisting the responses received to the City's "Midway Notice of Availability", is not a project pursuant to CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in direct or reasonably foreseeable indirect physical changes in the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

Climate Action Plan Implementation:

Not applicable, at this time

Equal Opportunity Contracting Information:

Not applicable, at this time

Previous Council and/or Committee Actions:

This item was heard at the April 21, 2022 Land Use and Housing Committee meeting. The Committee passed a motion by a vote of three (yea) to one (nay) to recommend Council adoption of a Resolution expressing the Council's preference to review all responses to the City's "Midway Notice of Availability" under the Surplus Lands Act so that the City may conduct detailed due diligence and economic analysis with up to five associated development teams.

Planning Commission Action:

N/A

Key Stakeholders and Community Outreach Efforts:

The SLA NOA process does not include an outreach component; however, staff has engaged with the Midway Planning Group on several occasions throughout the process. By bringing a shortlist forward and including redacted copies of the responses from each team, this also creates the opportunity for the community to weigh in on the responses prior to staff making an ultimate recommendation for selection.

Penny Maus

Director, Department of Real Estate and Airport  
Management

Jay Goldstone

Chief Operating Officer

Attachment A: Declaration of Surplus Land

Attachment B: Notice of Availability

Attachment C: Discover Midway NOA Response and Supplemental Information

Attachment D: HomeTown SD NOA Response and Supplemental Information

Attachment E: Midway Rising NOA Response and Supplemental Information

Attachment F: Midway Village + NOA Response and Supplemental Information

Attachment G: Neighborhood Next NOA Response, Supplemental Information and Post Negotiating  
Period Submittal dated April 5, 2022.