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July  
07/29/10  
RHH

REDEVELOPMENT AGENCY OF

THE CITY OF SAN DIEGO

RESOLUTION NUMBER R- 04538

DATE OF FINAL PASSAGE JUL 0 2 2010

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO (i) APPROVING THE AFFORDABLE HOUSING AGREEMENT FOR THE RESIDENTIAL COMPONENT OF THE MERCADO PROJECT [RESIDENTIAL PROJECT] WITHIN THE BARRIO LOGAN REDEVELOPMENT PROJECT AREA, (ii) AUTHORIZING THE EXPENDITURE OF THE AGENCY'S FUNDS UP TO AN AGGREGATE AMOUNT OF \$9,104,000 TO FINANCE A PORTION OF THE RESIDENTIAL PROJECT'S COSTS, AND (iii) APPROVING THE BASIC CONCEPT DRAWINGS FOR THE RESIDENTIAL PROJECT.

WHEREAS, the Redevelopment Agency of the City of San Diego [Agency] is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Barrio Logan Redevelopment Project [Redevelopment Plan]; and

WHEREAS, the Agency owns an approximately 6.55-acre site [Site] consisting of two vacant City blocks bounded by Cesar E. Chavez Parkway to the north, the Coronado Bridge overpass and Chicano Park to the south, National Avenue to the east, and Main Street to the west, within the Barrio Logan Redevelopment Project Area [Project Area]; and

WHEREAS, Agency staff has negotiated a Disposition and Development Agreement [Retail DDA] with Shea Mercado, LLC, a California limited liability company [Retail Developer], wherein the Retail Developer has agreed to develop, construct and operate the retail component of a mixed-use project [Retail Project] on a portion of the Site [Retail Property], comprised of a retail center of approximately 90,000 square feet anchored by a Latino-themed grocery store; and

WHEREAS, Agency staff also has negotiated an Affordable Housing Agreement [Housing Agreement] with Mercado CIC, L.P., a California limited partnership [Housing

Developer], wherein the Housing Developer has agreed to construct and operate the residential component of the mixed-use project [Residential Project] on another portion of the Site [Housing Parcel], comprised of 91 apartment units affordable to extremely low-income, very low-income and low-income households and one unrestricted manager's unit, as more specifically defined and provided for in the Housing Agreement; and

WHEREAS, the Retail DDA and the Housing Agreement contemplate that the Agency will sell the Site to the Retail Developer, which will retain the Retail Property and sell the Housing Parcel to the San Diego Housing Commission [Commission], which in turn will enter into a 65-year ground lease with the Residential Developer or its affiliate (anticipated to be a tax credit limited partnership formed for the purpose of facilitating the tax credit financing of a portion of the Residential Project's costs); and

WHEREAS, the Commission will retain the right to acquire the leasehold improvements from the Residential Developer at the end of the tax credit compliance period -- expected to be approximately 15 years after the completion of construction of the Residential Project; and

WHEREAS, in accordance with the Housing Agreement, 55-year affordability covenants related to the 91 income-restricted residential units [Affordable Units] will be recorded in a first-priority position against both fee title to the Housing Parcel and the long-term leasehold interest held by the Residential Developer; and

WHEREAS, the Housing Agreement contemplates that the Agency will issue to the Residential Developer a residual receipts loan in an amount not to exceed \$9,104,000 [Agency Loan], to be derived from the following funding sources [collectively, Housing Funds]: (i) \$6,804,000 from 20 percent set-aside low and moderate-income housing funds, of which \$1,700,000 is allocated from the San Ysidro Redevelopment Project Area and \$5,104,000 is allocated from the North Bay Redevelopment Project Area; and (ii) \$2,300,000 from the Line of

Credit Pooled (Low and Moderate Income) Funds for the North Bay Redevelopment Project Area; and

WHEREAS, repayment of the Agency Loan from residual receipts of the operation of the Project will be secured by a deed of trust and related security instruments to be recorded in the Agency's favor [collectively, Agency Security Instruments] against the leasehold interest held by the Residential Developer; and

WHEREAS, if the Housing Commission exercises its option to acquire the leasehold improvements from the Residential Developer at the end of the tax credit compliance period, then the Housing Commission will elect whether to (i) repay the entire balance owed on the Agency Loan or (ii) assume the entire balance of the Agency Loan and allow the Agency Security Instruments to be recorded against the fee title to the Housing Parcel; and

WHEREAS, the Agency Security Instruments will be recorded in a position junior to the deed of trust(s) securing repayment of the senior institutional loan for the Residential Project, which is estimated to consist of a construction loan of approximately \$19,679,000 during the construction financing period, followed by a permanent loan of approximately \$4,440,000 during the permanent financing period; and

WHEREAS, to allow some flexibility in coordinating the sources of financing for the Residential Project, the Housing Agreement allows the Agency's Executive Director or designee to grant an administrative approval of an increase in the senior institutional loan up to 10 percent of its current estimated amount, which could result in an increase of up to approximately \$1,967,900 during the construction financing period and up to approximately \$444,000 during the permanent financing period in the amount by which the Agency Loan is subordinated to the senior institutional loan; and

WHEREAS, the construction of the Affordable Units and the imposition of 55-year affordability covenants will allow the Agency to count one-half of the Affordable Units toward satisfaction of the Agency's inclusionary affordable housing obligation for the San Ysidro and North Bay Redevelopment Project Areas [collectively, Contributing Project Areas], in proportion to their respective contributions toward the Residential Project; and

WHEREAS, in accordance with California Community Redevelopment Law, each of the City Council and the Agency have made a finding that the use of the Housing Funds will be of benefit to each of the Contributing Project Areas; and

WHEREAS, the Site is presently vacant and the Residential Project will not result in the displacement of any residents or businesses, such that neither a relocation plan nor a replacement housing plan will be required in connection with the Residential Project; and

WHEREAS, in accordance with the Housing Agreement, the Residential Developer has submitted to the Agency, and the Agency has reviewed, the Basic Concept Drawings pertaining to the Residential Project, which plans are attached to the Agency staff report for this action; and

WHEREAS, the Agency believes that the Housing Agreement is in the best interests of the Project Area, the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local law and requirements; NOW, THEREFORE,

BE IT RESOLVED, by the Redevelopment Agency of the City of San Diego [Agency], as follows:

1. That the Agency approves the Housing Agreement, including all attachments and exhibits thereto.
2. That the Agency authorizes the City Chief Financial Officer, as delegated, to appropriate and expend an amount not to exceed \$9,104,000, subject to the Comptroller

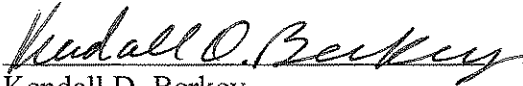
certifying the availability of funds, which amount is itemized as follows: (i) \$6,804,000 from 20 percent set-aside low and moderate-income housing funds, of which \$1,700,000 is allocated from the San Ysidro Redevelopment Project Area and \$5,104,000 is allocated from the North Bay Redevelopment Project Area; and (ii) \$2,300,000 from the Line of Credit Pooled (Low and Moderate Income) Funds for the North Bay Redevelopment Project Area.

3. That the Agency's Executive Director, or designee, is authorized, on behalf of the Agency, to execute the Housing Agreement, including all attachments and exhibits thereto requiring the Agency's signature; a copy of the Housing Agreement, when fully executed, shall be placed on file with the secretary of the Agency as Document No. D- 04538.

4. That the Agency's Executive Director, or designee, is authorized, on behalf of the Agency, to sign all documents necessary and appropriate to carry out and implement the Housing Agreement and this Resolution and to administer the Agency's obligations, responsibilities and duties to be performed under the Housing Agreement, including all attachments and exhibits thereto, and this Resolution.

5. That the Agency hereby grants design review approval of the Residential Project and specifically approves the Basic Concept Drawings for the Residential Project.

APPROVED: JAN I. GOLDSMITH, General Counsel

By   
Kendall D. Berkey  
Deputy General Counsel

KDB:nda  
06/07/10  
Or.Dept:Redev.Agency  
RA-2010-104  
MMS #8908  
C.Cert. #3000003360  
Comp.: RA-2010-105

RA-2010-106  
RA-2010-107  
RA-2010-108  
R-2010-887  
R-2010-888

I hereby certify that the foregoing Resolution was passed by the Redevelopment Agency of the City of San Diego, at this meeting of JUN 29 2010.

REDEVELOPMENT AGENCY

By   
Jeannette Santos, Deputy Secretary

Approved: 7-2-10  
(date)

  
JERRY SANDERS, Executive Director

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Executive Director

The City of San Diego  
**COMPTROLLER'S CERTIFICATE**

**CERTIFICATE OF UNALLOTTED BALANCE**

CC 300003360

ORIGINATING DEPT. NO. \_\_\_\_\_

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: \_\_\_\_\_ Fund: \_\_\_\_\_

Purpose: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Date: \_\_\_\_\_ By: \_\_\_\_\_

COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA									
Doc. Item	Fund	Funded Program	Internal Order	Functional Area	G/L Account	Business Area	Cost Center	WBS	Original Amount
TOTAL AMOUNT									

FUND OVERRIDE

**CERTIFICATION OF UNENCUMBERED BALANCE**

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: \$8,304,000.00

Vendor: Estrella del Mercado Apartments

Purpose: Authorize the expenditure of funds for the Mercado del Barrio project in the Barrio Logan RDA project area using funds from San Ysidro and North Bay RDA project area.

Date: June 16, 2010

By: Francisco J Lopez  
 \_\_\_\_\_  
 COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA									
Doc. Item	Fund	Funded Program	Internal Order	Functional Area	G/L Account	Business Area	Cost Center	WBS	Original Amount
001	200558	910400701000	910400701101	Other-60000015-NS	512025	2210	2210400022		\$2,300,000.00
002	200534	910400701000	910400701101	Other-60000015-NS	512025	2210	2210400022		\$900,000.00
003	200541	910400701000	910400701101	Other-60000015-NS	512025	2210	2210400022		\$5,104,000.00
TOTAL AMOUNT									\$8,304,000.00

FUND OVERRIDE

CC 300003360

Passed by the Redevelopment Agency of The City of San Diego on JUN 29 2010, by the following vote:

Agency Members	Yeas	Nays	Not Present	Recused
Sherri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kevin Faulconer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Anthony Young	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carl DeMaio	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donna Frye	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ben Hueso	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage JUL 02 2010

AUTHENTICATED BY:

JERRY SANDERS  
Executive Director of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND  
Secretary of The City of San Diego, California.

By *Jennette Suter*, Deputy

Office of the Redevelopment Agency, San Diego, California  
Resolution Number R- 04538