

OVERSIGHT BOARD RESOLUTION NUMBER OB-2012-21

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING THE PROPOSED FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT WITH CONNECTIONS HOUSING, L.P. RELATED TO THE REHABILITATION OF THE BUILDING LOCATED AT 1250 SIXTH AVENUE IN DOWNTOWN SAN DIEGO

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is required to administer the winding down of the Former RDA's operations and to ensure compliance with the Former RDA's obligations in accordance with AB 26, as amended by Assembly Bill 1484 (AB 1484); and

WHEREAS, before the enactment of AB 26 in June 2011, the Former RDA and Connections Housing Downtown, L.P., a California limited partnership (Developer), executed a Disposition and Development Agreement (DDA) for the rehabilitation of the building commonly known as the former World Trade Center located at 1250 Sixth Avenue in downtown San Diego (Building) pursuant to Resolution No. R-04642 adopted effective March 1, 2011; and

WHEREAS, under the DDA, the Developer agreed to purchase the Building from the Former RDA for \$4,300,000 and to rehabilitate the Building into a one-stop service center and housing for the homeless, which includes a multi-service homeless center, a medical clinic,

administrative offices, 150 transitional housing beds, 73 permanent supportive housing units, and two manager's units (Project); and

WHEREAS, the DDA requires the Developer to operate the Project, upon completion of rehabilitation, for the benefit of very low and extremely low income households for a period of fifty-five (55) years; and

WHEREAS, to assist in financing the Developer's completion of the Project, the DDA contemplates the Former RDA's issuance of two loans, including (1) a loan in an amount up to \$13,000,000 from 20% set-aside low and moderate income housing funds (Agency 20% Loan), subject to a reduction of up to \$3,000,000 if the Developer is successful in securing alternative funding sources for the Project, and (2) a loan in an amount up to \$3,000,000 from 80% tax increment funds (Agency 80% Loan); and

WHEREAS, in December 2011, the Developer purchased the Building from the Former RDA and commenced the rehabilitation work, and the Developer presently anticipates completing the Project in December 2012; and

WHEREAS, the Developer initially estimated that the total cost of the Project would be \$32,339,000, but has recently revised the cost estimate to be \$36,638,000, which represents an increase of \$4,299,000 primarily associated with the removal of asbestos and several major structural issues in the Building; and

WHEREAS, before the Developer's acquisition of the Building, the Developer secured Community Development Block Grant funds of \$950,000 for the Project, causing the Agency 20% Loan to be reduced to \$12,050,000; and

WHEREAS, since the Developer's acquisition of the Building, the Developer has secured Mental Health Services Act (MHSA) loan funds of \$787,000, which will cause the Agency 20% Loan to be reduced to \$11,263,000; and

WHEREAS, if the Developer is successful in a pending application for \$4,000,000 in Historic Tax Credit (HTC) funds, then the Agency 20% Loan will be further reduced to \$10,000,000, and the Developer proposes that any remaining HTC funds will be applied toward the increased costs of the Project; and

WHEREAS, the Developer and the Successor Agency now desire to enter into the First Amendment to the DDA (First Amendment) to revise the budget and the sources of financing for the Project, to reduce the Agency 20% Loan to reflect the availability of MHSA loan funds and the potential availability of HTC funds, and to revise the method of distribution of additional funding sources to allow the Developer to cover the increased costs of the Project; and

WHEREAS, the First Amendment will not modify the Agency 80% Loan and will not increase the Developer's fee for the Project; and

WHEREAS, the First Amendment will become binding on the City and will benefit the City at such time that the Former RDA's rights and obligations under the DDA, as amended, and the encumbered funds for the Project have been effectively assigned to the City, in its capacity as the successor housing entity under AB 26 and AB 1484; and

WHEREAS, on July 31, 2012, the Successor Agency's board (i.e., the San Diego City Council) approved the Successor Agency's execution of the First Amendment, a copy of which is included as Attachment B to the Staff Report accompanying this item.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board that the First Amendment to the DDA, including all attachments thereto, is hereby approved.

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on August 7, 2012.



Chair, Oversight Board