

(R-2003-322 REV)

RESOLUTION NUMBER R-297047

ADOPTED ON SEPTEMBER 10, 2002

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING SUBMISSION OF AN APPLICATION FOR A SECTION 108 LOAN GUARANTEE TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

WHEREAS, the City of San Diego has determined that a need exists within the Southeastern Economic Development Corporation's [SEDC] area of influence for economic development activities that will provide job creation and for new public recreation facilities.

WHEREAS, SEDC is proposing the following projects that meet the objectives for funding from the United States Department of Housing and Urban Development [HUD] Section 108 Loan Guarantee program: the Central Imperial and Mt. Hope Public Improvement Projects and the Martin Luther King, Jr., Community Park Senior Citizen Center. These projects are set out more fully in the Section 108 Loan Guarantee application, which is attached as Attachment A and incorporated into this Resolution by this reference; and

WHEREAS, under Section 108 Loan Guarantee program, the City can borrow up to 5 years of its annual Community Development Block Grant [CDBG] allocation, and can take up to 20 years to repay the principal and interest on the borrowed amount; and


WHEREAS, in order to accomplish the above-named projects, the City now wishes to submit an application to HUD for a Section 108 Loan Guarantee; NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. That the City Manager, or his designee, is authorized to apply to HUD for a Section 108 Loan of \$3.535 million for the projects described above and to set forth the legal authority and certifications necessary for such an application.
2. That the City Manager, or his designee, be authorized to accept and expend such funds, to conduct all negotiations, and to execute and submit all documents related to the processing of such a loan, if the loan is approved.
3. That the City Council authorizes the use of Council District 4 CDBG annual allocations and authorizes the Redevelopment Agency to expend \$100,000 annually from Central Imperial Redevelopment Area tax increment revenue to repay the 108 loan over 20 years.
4. That the City Auditor and Comptroller is authorized to transfer an amount not to exceed \$500,000 to the Redevelopment Agency for the Mt. Hope public improvements and for the Central Imperial public improvements and to appropriate an amount not to exceed \$3,000,000 into CIP #29-479.0, the Martin Luther King Senior Center when the Section 108 loan proceeds are received by the City.
5. That the City Manager is authorized to amend the CDBG 2003 Action Plan to reflect the use of HUD Section 108 loan funds for these projects.

6. That the collateral necessary to satisfy the collateral requirements of the HUD 108 loan will be identified and approved by the City Council at a later date.

APPROVED: CASEY GWINN, City Attorney

By 
Elisa A. Cusato
Deputy City Attorney

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CITY OF SAN DIEGO
SECTION 108 LOAN GUARANTEE APPLICATION
SEDC SPONSORED PROJECTS

Submitted to:

US Department of Housing and Urban Development

Submitted by:

City of San Diego
City Administration Building
202 C Street
San Diego, California 92101

September __, 2002

R-297047

**CITY OF SAN DIEGO
SECTION 108 LOAN GUARANTEE
SEDC PROJECTS**

LOAN REQUEST

The City of San Diego is requesting \$3,535,000 in Section 108 Loan Guarantee funds to assist with the development of a community center and off-site public improvements. The projects are located in the southeastern area of the City. The two public improvement projects are within City Redevelopment Project Areas that are under the purview of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation established by the City of San Diego to oversee development in the southeastern area of the City. Attachment A is a map showing the location of the proposed projects. The Section 108 funds will be specifically used for public works improvements and construction of a Senior Citizen Center. The projects include the Martin Luther King Jr. Community Park Senior Citizen Center and Public Works Improvement Projects (to be implemented within two of the Redevelopment Project Areas). SEDC will be responsible for the implementation of the Section 108 funded public improvements and the City will implement the Martin L. King, Jr. Community Park Senior Citizen Center Project through its Engineering and Capital Projects Department. The Section 108 requested amount is within the maximum loan amount of five times the City's Block Grant allocation of \$18,404,000 for the 2002-03 program year. The request is also under the five year cap when added to the City's existing approved Section 108 Loans. The City will transfer the Section 108 funds for the public improvements to the Southeastern Economic Development Corporation. The Section 108 funds will be repaid over 20 years.

PROJECT DESCRIPTION, NATIONAL OBJECTIVE AND ELIGIBLE ACTIVITIES

The southeastern area of the City suffers from the same economic issues facing older large cities. Over the years, as viable businesses left for the suburbs, the ethnic make-up of the area changed, freeway construction disrupted neighborhoods, homeowners moved out and the overall quality of life within the area declined. These changes in the area are represented by a high number of diverse ethnic population, low-income households, and high unemployment. The area is

economically and physically blighted. While the redevelopment activity undertaken by SEDC has resulted in new services to some areas, the lack of neighborhood retail uses for goods and services for local residents remains. There is also a lack of public facilities to serve the residents of the area. This is particularly true regarding senior citizen facilities. In addition, the area contains an older housing stock, much of which is in need of rehabilitation.

The proposed public improvement projects are located within the Southeastern Economic Development Corporation's (SEDC) Sphere of Influence. Within its Sphere of Influence, there are fifteen neighborhoods made up of a population of approximately 152,050. According to the 1990 Census, the majority of the census tracts within SEDC's Sphere of Influence were over 50% low/moderate income. In fact, at least 80% of the residents in six of the fifteen census tracts are at or below the low/moderate income levels, while in another six of the census tracts, at least 70% of the residents meet the low/moderate income criteria. A recent study of the housing conditions, within several of the neighborhoods, indicated that of the 2,384 properties surveyed, approximately 41% of the residential properties were in need of some level of rehabilitation. Fifteen percent were in need of extensive rehabilitation.

The proposed Public Works Improvement Projects are located within Census Tracts 31.02 and 34.02. The Senior Citizen Center is located in Census Tract 31.02.

The 1990 census data indicate that Census Tracts 31.02 and 34.02 include a population of 23,197, which represent 15% of the total population contained in SEDC's Sphere of Influence. The poverty levels in the two tracts range was 21.8%. The tracts contain 93.1% minority population, which includes 35.9% African American, 28% Asian, 28.7% Latino. Based on the 1990 census data, the unemployment in the tracts averaged 10.5%.

In its continuing efforts to turn around the southeastern area, the City and Redevelopment Agency created SEDC, which for the past 19 years, has been developing programs to deal with many of the problems facing the area. Redevelopment funds, private investments and other City, State and Federal programs have resulted in successful projects such as the Gateway Center East

and West Business Parks; Southcrest Park Plaza; Imperial Marketplace; the Mt. Hope, Southcrest Plaza and Central Imperial First Time Homebuyers Assistance Program; and, the Mt. Hope Housing Rehabilitation Program. Through the direct efforts of SEDC, a total of approximately 1.2 million square feet of new commercial and industrial space has been developed and over 1,200 permanent jobs have been created. Projects such as the 90,000 square foot Southcrest Park plaza, which includes the community's first full service grocery store in decades, Evergreen Village (56 units) and Village at Euclid (23 units) of single family housing developments, and the success of Gateway Centers East and West Business Parks, and Imperial Marketplace, a 30 acre retail center anchored by Home Depot are indications that public/private partnership can be implemented in Southeastern San Diego.

The projects which are the subject to this application were chosen because of their potential to act as catalysts for the SEDC's effort to redevelop and revitalize the neighborhoods of Southeastern San Diego, and to provide much needed senior citizen facilities for area residents.

The following are the amounts being requested, description of the proposed projects, national objective and eligible activity.

Public Works Improvements

Amount of Section 108 Funds Requested: \$505,000

Project Description: The Section 108 funds will be used to plan and construct a series of public works improvements associated with development projects within three Redevelopment Project Areas. These activities include:

- **Mount Hope Redevelopment Project Area**

Section 108 funds of \$101,000 will be used to install public improvements including sidewalk, curbs and gutters. These improvements are being undertaken along the commercial streets to assist with the rehabilitation of the neighborhoods. The

improvements are located in Census Tracts 34.02, which contains a low/moderate income population of 75.23%.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(1)(i) – Area benefit activities – an activity, the benefits of which are available to all residents in a particular area, where at least 51 percent of the residents are low- and moderate income persons.

Eligible Activity: The proposed project is being implemented under the following Section 1008 eligible activity category: 570.703(l) – Acquisition, construction, reconstruction, or installation of public facilities (except for buildings of for the general conduct of government), public streets, sidewalks, and other site improvements and public utilities.

- Central Imperial Redevelopment Project Area

Section 108 funds of \$404,000 will be used to construct public improvements associated with the development of a 2-acre industrial property. The Section 108 funds will be used to assist with flood plain improvements so that the property can be developed with up to 30,000 square foot industrial building. The project site is located in Census Tract 34.02, and is bound by Market Street to the north, 54th Street to the west, and San Diego Metropolitan Trolley tracks to the south.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(1)(i) – Area benefit activities – an activity, the benefits of which are available to all residents in a particular area, where at least 51 percent of the residents are low- and moderate income persons.

Eligible Activity: The proposed project is being implemented under the follow Section 108 eligible activity category: 570.703(l) Acquisition, construction, rehabilitation, or installation of public facilities, public streets, sidewalks and other site improvements and public utilities.

Martin Luther King Jr. Park Senior Citizen Center

Amount of Section 108 Funds Requested: \$3,030,000

Project Description: The Section 108 dollars will be used to fund a portion of a new 12,500 square foot Senior Citizen Center to be constructed in Martin Luther King Jr. Park, located in Census Tract 34.02 at 6401 Skyline Drive. The project will provide facilities and services to seniors living in southeastern area of the City.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(2)(i)(A) - Activities benefiting low and moderate income persons - limited clientele activities (senior citizens) - generally presumed to be principally low/moderate income persons.

Eligible Activity: The proposed project will be implemented under the following Section 108 eligibility category: 570.703(l) - Acquisition, construction, rehabilitation, or installation of public facilities, public streets, sidewalks and other site improvements and public utilities.

SOURCES AND USES OF PROJECT FUNDING

The projects to be funded with the Section 108 funds also include other public and private revenue sources. The following lists the anticipated sources and uses of funds by each project.

Senior Citizen Center

<u>Sources</u>	
Section 108	\$3,030,000
CDBG	\$233,000
1999 State Funds	\$275,000
2000 Park Bonds	\$440,000
2002 State Funds	\$147,750
Total	<u>\$4,125,750</u>
 <u>Uses</u>	
Hard construction costs	\$2,867,024

Preliminary engineering	\$ 327,660
Construction engineering	\$ 368,618
Consulting services	\$ 327,660
Contingency	\$ 204,788
Cost of Issuance	\$ 30,000
Total	<u>\$4,125,750</u>

Public Works Improvement Projects

Mount Hope

Sources

Section 108 \$101,000

Uses

Hard construction costs	\$70,000
Preliminary engineering	8,000
Construction engineering	9,000
Consulting services	8,000
Contingency	5,000
Cost of Issuance	<u>1,000</u>
Total	\$101,000

Central Imperial

Sources

Section 108 \$404,000

Uses

Hard construction costs	\$280,000
Preliminary engineering	32,000
Construction engineering	36,000
Consulting services	32,000
Contingency	20,000
Cost of Issuance	<u>4,000</u>
Total	\$404,000

PROJECT STRUCTRE AND PARTICIPANTS

The City of San Diego, through an Interagency Agreement, will provide SEDC with the Section 108 funds for the public improvements. SEDC will be responsible for the distribution of the

funds and in meeting all of the program requirements regarding their disbursement, including the regulations relating to bidding and prevailing wage requirements. SEDC will enter into agreements with contractors for the construction of the public improvements, as will the City's Engineering and Capital Projects Department for the construction of the Senior Citizen Center. None of the funds will be loaned to a private sector party.

REPAYMENT SCHEDULE

The term of the repayment of the Section 108 Loan Guarantee funds is 20 years. The City and SEDC will be responsible for the 108 Loan repayments. The annual repayment will come from \$100,000 in tax increment from SEDC, with balance coming from the City's annual CDBG allocation. The spreadsheet included as Attachment B shows the fixed repayment schedule.

COLLATERAL

In the event that the CDBG program were eliminated, or the allocation to San Diego be reduced to a level that could not support the repayment of the Section 108 loan debt service, the City will pledge the City Operation Building as collateral.

PROJECT IMPLEMENTATION

Public Works Improvements

Both the Mt. Hope and the Central Imperial public improvements will be carried out under the same implementation schedule, which is as follows:

Request bids for the construction	2 nd quarter 2003
Begin construction	2 nd quarter 2003
Completion of construction	3 rd quarter 2003

Martin Luther King Jr. Senior Citizens Center

Request bids for the construction	3 rd quarter 2003
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Begin construction 4th quarter 2003
Completion of construction 3rd quarter 2004

RELOCATION, DISPLACEMENT AND ACQUISITION COMPLIANCE

None of the projects will require the dislocation or relocation of any existing residential or commercial uses. The Public Improvement Projects within the Mount Hope and Southcrest Redevelopment projects will all be installed within existing City easements and right-of ways. The Senior Citizen Center Project is to be constructed within an existing City park site. None of the projects include property acquisition.

CERTIFICATIONS AND CITIZEN PARTICIPATION

The City Council and SEDC conducted a joint public hearing on September __, 2002, on the Section 108 Application and the amendment to the City Annual Action Plan that includes the Section 108 projects. The City Council approved the amendment to the Action Plan and authorized the submittal of the Section 108 Loan Guarantee Application (see attached). The application has been posted on the City's web site and the two affected community planning groups were notified of the proposed use of HUD 108 funds.

CONTACT PERSONS

If you have any questions regarding this proposed Section 108 Loan Guarantee request, please contact:

Ms. Carolyn Y. Smith, President
Southeastern Economic Development Corporation
995 Gateway Center Way, Suite 300
San Diego, CA 92102
(619) 527-7345
(619) 263-6912 (fax)

ATTACHMENTS

- A. Maps City
- B. Section 108 Repayment Schedule

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- C. City Council Resolutions
- D. Certifications (8)
- E. SF 424