

RESOLUTION NUMBER R- 311800

DATE OF FINAL PASSAGE JUN 14 2018

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO MAKING CERTAIN FINDINGS AND DETERMINATIONS, AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT AND A PURCHASE AND SALE AGREEMENT, RELATED TO THE HILLTOP & EUCLID MARKET-RATE AND AFFORDABLE HOUSING PROJECTS IN THE SOUTHEASTERN SAN DIEGO MERGED REDEVELOPMENT PROJECT AREA.

WHEREAS, from its formation in 1958 until its elimination on February 1, 2012, the 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, the Former RDA dissolved as of February 1, 2012, in accordance with a deadline for elimination of all redevelopment agencies throughout California set forth in Assembly Bill x1 26 (AB 26), as modified by the California Supreme Court in *California Redevelopment Assn. v. Matosantos*, 53 Cal.4th 231 (2011); and

WHEREAS, pursuant to Resolution R-307238 adopted by the City Council effective January 12, 2012, the City, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), elected to serve as the successor agency to the Former RDA, and the City also elected to serve as housing successor to the Former RDA in order to retain housing assets and assume housing responsibilities; and

WHEREAS, at the time of the Former RDA's dissolution on February 1, 2012, the Successor Agency became vested with all of the Former RDA's authority, rights, powers, duties, and obligations under the California Community Redevelopment Law and, by operation of law,

received all assets, properties, contracts, leases, books and records, buildings, and equipment of the Former RDA; and

WHEREAS, the Successor Agency is winding down the Former RDA's operations in accordance with AB 26, enacted on June 28, 2011, Assembly Bill 1484, enacted on June 27, 2012, and subsequent related legislation; and

WHEREAS, the Successor Agency transferred the Former RDA's affordable housing assets (Housing Assets) to the City as housing successor on or about January 28, 2013, based on the approval by the Oversight Board and the California Department of Finance (DOF) of the City's comprehensive list of housing assets in accordance with California Health and Safety Code (Code) section 34181(c); and

WHEREAS, one of the Housing Assets in the City's ownership consists of approximately 8.76 acres of real property located on the northwest intersection of Hilltop Drive and Euclid Avenue in the Chollas View neighborhood in the Encanto community in the City of San Diego (Site); and

WHEREAS, the Oversight Board and the DOF approved the list of housing assets based on the express representation that the City would cause the Site (as well as other "mixed-use" assets) to be developed with a combination of affordable housing units and other potential uses, consistent with Code section 34176(f); and

WHEREAS, the City as housing successor created a new, separate fund, known as the Low and Moderate Income Housing Asset Fund (Housing Asset Fund), for purposes of depositing any encumbered funds related to the Housing Assets and retaining any revenues generated from the Housing Assets in the future, as required by Code section 34176(d); and

WHEREAS, Code sections 34176(d) and 34176.1(a) obligate the City to expend all monies in the Housing Asset Fund for specified affordable housing purposes; and

WHEREAS, Civic San Diego (Civic SD) administers affordable housing projects and implements housing functions on behalf of the City as housing successor; and

WHEREAS, Civic SD, acting on behalf of the City, has negotiated a Disposition and Development Agreement (DDA) with Hilltop Family Housing, L.P., a California limited partnership (Affordable Developer), a copy of which is included as Attachment D to Staff Report No. CSD-17-15 dated June 6, 2018 (Staff Report); and

WHEREAS, the DDA requires the City to convey fee title ownership of an approximately 4.53-acre portion of the Site located north of Hilltop Drive and east of, and including, the arroyo that bisects the Site (Affordable Project Property) to Affordable Developer for a purchase price of \$1.00, and requires Affordable Developer to develop the Affordable Project Property with 113 residential rental units, commercial space, various site improvements, and parking (Affordable Project); and

WHEREAS, 111 of the 113 residential rental units in the Affordable Project will be restricted as housing that is affordable to extremely low-income, very low-income, or low-income households as specified in 55-year affordability covenants to be recorded against the Affordable Project Property in accordance with the DDA; and

WHEREAS, the DDA provides for a residual receipts loan by the City to Affordable Developer in an amount not to exceed \$5,850,000 (City Loan), proposed to include up to \$3,369,606.08 from the Housing Asset Fund, and the following pre-2011 housing bond proceeds (collectively, Bond Proceeds), with the following estimated amounts to be adjusted as needed to allow expenditure of the bond proceeds plus all accrued interest: (i) \$368,637.66 from Centre

City Redevelopment Project Area Tax Allocation Bonds, Series 2004C, Fund No. 200571; (ii) \$0.08 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2004D, Fund No. 200573; (iii) \$904.70 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2006B, Fund No. 200571; (iv) \$1,104,801.01 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2008, Fund No. 200586; (v) \$135.14 from Horton Plaza Redevelopment Project Area Tax Allocation Bonds, Series 2003C, Fund No. 200572; (vi) \$2,761.14 from North Bay Tax Allocation Bonds, Series 2000, Fund No. 200562; (vii) \$4.94 from Central Imperial Housing Set Aside Tax Allocation Bonds, Series 2007A, Fund No. 200553; and (viii) \$1,003,149.25 from Central Imperial Housing Set Aside Tax Allocation Bonds, Series 2007B, Fund No. 200557; and

WHEREAS, the City Loan includes a predevelopment loan in an amount not to exceed \$2,626,626 as set forth in the DDA; and

WHEREAS, pursuant to Code section 34176(g), commitments for expenditure of pre-2011 housing bond proceeds are valid and binding only when they are included in an approved Recognized Obligation Payment Schedule (ROPS); and

WHEREAS, lines 631, 632, 643 and 644 of the Fiscal Year 2017-18 ROPS, approved by the DOF as of April 10, 2017, include expenditure of pre-2011 housing bond proceeds in an amount sufficient to cover the proposed expenditure of Bond Proceeds for the City Loan; and

WHEREAS, Civic SD, acting on behalf of the City, has also negotiated a Purchase and Sale Agreement (PSA) with Hilltop Encanto, LLC, a California limited liability company (Market-Rate Developer), a copy of which is included as Attachment F to the Staff Report; and

WHEREAS, the PSA requires the City to convey fee title ownership of an approximately 4.23-acre portion of the Site located north of Hilltop Drive and west of the arroyo that bisects the

Site (Market-Rate Project Property) to Market-Rate Developer in exchange for Market-Rate Developer's payment of the purchase price of \$2,201,250 to the City for deposit into the Housing Asset Fund, and requires Market-Rate Developer to develop the Market-Rate Project Property with 47 for-sale market-rate residential units, including 20 single family homes and 27 townhomes, common areas, various site improvements, and parking (Market-Rate Project); and

WHEREAS, while it is not anticipated that prevailing wage requirements under California Labor Code sections 1720 through 1861 (Prevailing Wage Requirements) will apply to the Market-Rate Project, the City has requested a coverage determination from the California Department of Industrial Relations (DIR) under California Labor Code section 1773.5 as to whether the Project is subject to or exempt from Prevailing Wage Requirements; and

WHEREAS, the PSA provides that in the event the DIR determines the Market-Rate Project is subject to Prevailing Wage Requirements, the purchase price will be reduced to \$866,000 solely to accommodate the increased development costs resulting from applicability of Prevailing Wage Requirements; and

WHEREAS, consistent with the California Environmental Quality Act (CEQA), the environmental impacts of development within the Encanto Neighborhoods Community Plan area have been reviewed under the Final Program Environmental Impact Report for the Southeastern San Diego and Encanto Neighborhoods Community Plan Updates (Program FEIR), certified by the City Council on December 2, 2015 with Resolution R-310077; and

WHEREAS, Civic SD, on behalf of the City, has administered preparation of the CEQA Consistency Evaluation for the DDA and the PSA (Consistency Evaluation), in accordance with CEQA and related state and local guidelines, and a copy of the Consistency Evaluation is included as Attachment H to the Staff Report and is incorporated fully into this Resolution; and

WHEREAS, the Consistency Evaluation sets forth findings that the Affordable Project and the Market-Rate Project (collectively, Projects) are within the scope of the development program analyzed in the Program FEIR and will not result in new or increased environmental effects compared to what already has been evaluated in the Program FEIR; and

WHEREAS, in accordance with Code section 33433(a)(1), the City Council held a public hearing on June 12, 2018, to consider the approval of the DDA and the PSA (collectively, Agreements) after publishing notice of the public hearing as specified in California Government Code section 6066; and

WHEREAS, in accordance with Code section 33433(a)(2), Civic SD administered the preparation of two “Summary Reports” dated October 2017 (collectively, Summary Reports) – one related to the DDA (Affordable Project Summary Report), attached to the Staff Report as Attachment E, and one related to the PSA (Market-Rate Project Summary Report), attached to the Staff Report as Attachment G, both of which are incorporated fully into this Resolution; and

WHEREAS, the City has made copies of the Agreements, the Summary Reports, and the Consistency Evaluation available for public inspection and copying no later than the time of the first publication of the notice of the public hearing; and

WHEREAS, the City Council has considered the information in the Summary Reports, which contains a summary describing and specifying all of the following:

- (i) The cost of the Agreements to the City; and
- (ii) The estimated value of the Properties to be conveyed by the City under the Agreements, determined at the highest and best use permitted under the Redevelopment Plan for the Southeastern San Diego Merged Redevelopment Project Area, as amended (Redevelopment Plan); and

(iii) The estimated value of the Properties, determined at the use and with the conditions, covenants, and development costs required by the Agreements; and

(iv) The purchase price for the Properties under the Agreements, along with an explanation as to why, in the case of the Affordable Project Property, the purchase price is less than the fair market value determined at the highest and best use consistent with the Redevelopment Plan; and

(v) An explanation of why the City's sale of the Properties in accordance with the Agreements will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation; and

WHEREAS, the Affordable Project Summary Report discloses that the estimated fair market value of the Affordable Project Property at its highest and best use is \$6,606,600, and that the estimated fair reuse value of the Affordable Project Property, taking into account the conditions, covenants, and development costs required by the DDA, is negative \$5,850,000; and

WHEREAS, the Market-Rate Project Summary Report discloses that the estimated fair market value of the Market-Rate Project Property at its highest and best use is \$2,200,000, which is substantially equal to the purchase price for the Market-Rate Project Property to be paid by the Market-Rate Developer to the City under the PSA; and

WHEREAS, the Market-Rate Project Summary Report discloses that the estimated fair reuse value of the Market-Rate Project Property, taking into account the increased development costs that would be imposed if the DIR determines the Market-Rate Project is subject to Prevailing Wage Requirements, is \$866,000, which is equal to the reduced purchase price for the Market-Rate Project Property under the PSA applicable in the event the DIR determines the Market-Rate Project is subject to Prevailing Wage Requirements; and

WHEREAS, the City Council believes that the Agreements are in the best interests of the City and the health, safety, morals and welfare of its residents, and in accordance with the public purposes and provisions of applicable state and local law and requirements; and

WHEREAS, in making the resolutions set forth below, the City Council is relying solely on its independent judgment, and has considered any written evidence and/or testimony received in support of or in opposition to the Agreements, as well as the entire record prepared by City and Civic SD staff; NOW, THEREFORE,

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

1. The Council finds and determines that all recitals set forth in this Resolution are true and correct and fully incorporated in this Resolution.

2. Consistent with the analysis contained in the Consistency Evaluation, the environmental effects of the Projects were adequately addressed in the Program FEIR, and the Projects are within the scope of the development program described in the Program FEIR.

3. The Council adopts the following findings, as set forth in the Consistency Evaluation, with respect to the environmental effects of the Projects:

(a) No substantial changes are proposed in the Encanto Neighborhoods Community Plan (Community Plan), or with respect to the circumstances under which it is to be undertaken as a result of the Projects, which will require important or major revisions in the Program FEIR; and

(b) No new information of substantial importance to the Community Plan has become available, which was not known or could not have been known at the time the Program FEIR was certified as complete, and which shows that the Projects will have any significant effects not discussed previously in the Program FEIR, or that any significant effects previously

examined will be substantially more severe than shown in the Program FEIR, or that any mitigation measures or alternatives previously found not to be feasible or not previously considered would substantially reduce or lessen any significant effects on the environment; and

(c) No negative declaration, subsequent environmental impact report, or supplement or further addendum to the Program FEIR is necessary or required; and

(d) The development of the Projects will have no significant effect on the environment, except as identified and considered in the Program FEIR, and no new or additional project-specific mitigation measures are required in connection with development of the Projects; and

(e) The Projects will not have any new effects that were not adequately covered in the Program FEIR, and therefore, the Projects are within the scope of the development program approved under the Program FEIR.

4. Pursuant to CEQA Guidelines section 15168, the Council determines that no further environmental documentation is required to address the potential environmental effects of the Projects.

5. The City Clerk, or designee, is directed to file a Notice of Determination with the Clerk of the Board of Supervisors for the County of San Diego regarding the Projects.

6. The Council has received and heard any and all oral and written objections relating to the proposed Agreements, and all such oral and written objections are overruled.

7. The Council finds that the consideration to be received by the City for the sale of the Affordable Project Property under the DDA is not less than fair reuse value at the use and with the covenants, conditions, and development costs required by the DDA.

8. The Council finds that the consideration to be received by the City for the sale of the Market-Rate Project Property under the PSA is not less than fair market value at its highest and best use, or in the event the DIR determines that the Market-Rate Project is subject to Prevailing Wage Requirements, not less than fair reuse value at the use and with the covenants, conditions, and development costs required by the PSA.

9. The Council finds that the sale of the Affordable Project Property under the DDA will assist in the elimination of blight in the Southeastern Merged Redevelopment Project Area, and is consistent with the Redevelopment Plan and the most recent five-year implementation plan adopted pursuant to Code section 33490.

10. The Council finds that the sale of the Affordable Project Property under the DDA will assist in providing housing for low-income or moderate-income persons.

11. The Council finds that the sale of the Market-Rate Project Property under the PSA will assist in the elimination of blight in the Southeastern Merged Redevelopment Project Area, and is consistent with the Redevelopment Plan and the most recent five-year implementation plan adopted pursuant to Code section 33490.

12. The Council approves the sale of the Properties in accordance with the Agreements.

13. The Council approves the Agreements, including all attachments and exhibits to the Agreements.

14. The Mayor, or designee, is authorized and directed to execute the Agreements, including all attachments and exhibits requiring the City's signature. A copy of the DDA and the PSA, when fully executed, shall be placed on file with the City Clerk as Document No. RR- 311800⁻¹ and Document No. RR- 311800⁻², respectively.


15. The Mayor, or designee, is authorized and directed to sign all documents necessary and appropriate to carry out and implement the Agreements and to administer the City's obligations, responsibilities, and duties to be performed under the Agreements, including all attachments and exhibits.

16. Contingent upon the Comptroller first issuing a certificate stating that the funds are available, the Council authorizes the Chief Financial Officer, as delegated, to appropriate and expend an amount not to exceed \$5,850,000 to fund the City Loan under the DDA, including up to \$3,369,606.08 from the Housing Asset Fund, Fund No. 200708, and the Bond Proceeds, itemized as follows, with the following estimated amounts to be adjusted as needed to allow expenditure of the Bond Proceeds plus all accrued interest: (i) \$368,637.66 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2004C, Fund No. 200571; (ii) \$0.08 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2004D, Fund No. 200573; (iii) \$904.70 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2006B, Fund No. 200571; (iv) \$1,104,801.01 from Centre City Redevelopment Project Area Tax Allocation Bonds, Series 2008, Fund No. 200586; (v) \$135.14 from Horton Plaza Redevelopment Project Area Tax Allocation Bonds, Series 2003C, Fund No. 200572; (vi) \$2,761.14 from North Bay Tax Allocation Bonds, Series 2000, Fund No. 200562; (vii) \$4.94 from Central Imperial Housing Set Aside Tax Allocation Bonds, Series 2007A, Fund No. 200553; and (viii) \$1,003,149.25 from Central Imperial Housing Set Aside Tax Allocation Bonds, Series 2007B, Fund No. 200557.

17. The Chief Financial Officer, as delegated, is authorized to accept all funds comprising Market-Rate Developer's payment of the purchase price for the Market-Rate Project

Property under the PSA, and Affordable Developer's repayment of the City Loan under the
DDA, and to deposit such funds into the Housing Asset Fund.

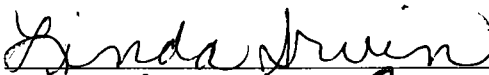
APPROVED: MARA W. ELLIOTT, City Attorney

By 
Nate Slegers
Deputy City Attorney

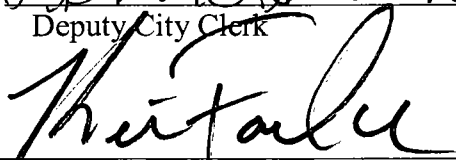
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Or.Dept:Civic San Diego
Doc. No.: 1759888_2

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this
meeting of JUN 12 2018.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 6/14/18
(date)


KEVIN L. FAULCONER, Mayor

Vetoed: _____
(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on JUN 12 2018, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Barbara Bry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Ward	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Georgette Gomez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage JUN 14 2018

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

(Seal)

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

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

By Ginda Brwin, Deputy

Office of the City Clerk, San Diego, California
Resolution Number R- 311800