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THE CITY OF SAN DIEGO

DATE ISSUED: October 24, 2007

REPORT NO.: 07-29

RTC NO.: 07-159

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of October 30, 2007

SUBJECT: Owner Participation Agreement and Associated Actions for the Boulevard
Apartments Project in the North Park Redevelopment Project Area

REQUESTED ACTION:

1. That the City Council recommend to the Redevelopment Agency to enter into the Owner Participation Agreement for the Boulevard Apartments project and make certain findings on the environmental review completed for the project.
2. That the Agency approve the Owner Participation Agreement for the Boulevard Apartments project and authorize the Executive Director or designee to execute the Owner Participation Agreement with S.V.D.P. Management, Inc. for the Boulevard Apartments project and make certain findings on the environmental review completed for the project.
3. That the Agency authorize the Executive Director or designee to expend an amount not to exceed \$2,400,000 from the Agency's Low and Moderate Income Housing Set Aside Funds Line of Credit for North Park as an Agency Residual Receipts loan contribution for the Boulevard Apartments project.
4. That the Agency approve the Basic Concept Drawings submitted by S.V.D.P. Management, Inc. relating to the Owner Participation Agreement for the Boulevard Apartments project.

STAFF RECOMMENDATIONS:

That the City Council and Redevelopment Agency approve the requested actions.

SUMMARY:

The North Park Redevelopment Plan (the "Plan") was adopted on March 4, 1997. The Plan identifies various redevelopment priorities including the creation of affordable housing units. North Park's Third Five-Year Implementation Plan, adopted on July 17, 2007, identifies one of



Redevelopment Agency

1200 Third Avenue, Suite 1400, MS 56D • San Diego, CA 92101-4110

Tel (619) 236-6700 Fax (619) 533-3219

City Planning & Community Investment

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its specific goals and objectives as the following: "Create a diverse and balanced mix of new housing stock, including very low, low and moderate-income housing." The Plan also focuses on the development of affordable and market-rate housing along major transportation or mixed-use corridors.

S.V.D.P Management Inc., dba Father Joe's Villages (the "Developer"), has submitted a request for funding assistance for the Boulevard Apartments project (the "Project"), a proposed 24-unit affordable housing development, of which 23 units shall be affordable to low-income families and one (1) low-income manager's unit. The requested actions will allow for the execution of an Owner Participation Agreement ("OPA") with S.V.D.P. Management, Inc. (Attachment 5 - OPA) for the implementation of the Project.

The Project is proposed to be developed on a 0.24-acre site (10,638 sq. ft.) located at 3133 and 3137 El Cajon Blvd, on the south side of El Cajon Boulevard between Iowa Street and Illinois Street, two blocks west of the 805 freeway within the North Park Redevelopment Project Area (Attachment 1- Site Map). Surrounding development includes commercial/retail uses to the east and west, a mix of commercial and residential uses to the north and a multi-family residential development to the south. S.V.D.P Management, Inc. owns the property; therefore, no additional property acquisition is necessary for project implementation.

The project site is currently developed with two abandoned wood-framed structures that have been vacant for over 10 years. The single-story structure closest to El Cajon Boulevard was originally a single-family home that was built in 1923 and includes a storefront area that was added later. This building was previously used as the St. Vincent de Paul Villages Specialty Store but is currently vacant. The two-story structure located at the rear of the property was built in 1952 and contains studio apartments which are currently vacant and uninhabitable due to their deteriorated condition. The project site also includes a parking area accessed from the alley at the rear of the property and a lawn area between the parking area and El Cajon Boulevard.

The proposed project would demolish the two existing structures and construct a new, approximately 27,977 sq. ft. four-story building with 24 affordable for-rent residential units, 2,063 sq. ft. of commercial space and a 17-space parking garage on the project site. The 24 residential units would consist of 3 one-bedroom units, 18 two-bedroom units and 3 three-bedroom units. Each unit will feature a private balcony. Amenities will include a landscaped roof deck with barbeque facilities, patio cover, picnic tables and a children's recreation/play area as well as a ground-floor community room for educational programs, enrichment classes and community meetings (for graphic information please see Attachment 2 - Site Plans and Attachment 3 - Basic Concept Drawings). Total project costs are \$11,652,000. The Developer seeks a Redevelopment subsidy in the amount of \$2,400,000.

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Residential Project Summary

Total number of units/total sq. ft.	24 Units/27,977 sq. ft. (bldg.)
Total number of affordable units/bedrooms at rate of affordability	<ul style="list-style-type: none"> • 1-bedroom: 3 @ 30% • 2-bedrooms: 9 @ 30% • 2-bedrooms: 9 @ 40% • 3-bedrooms: 3 @ 30% • Total affordable units: 24
Land Area (number of sq. ft.)	10,638 sq. ft.
Project density (in units/acre)	98 units/acre
Density of adjacent blocks	75-110 dwelling units/acre
Number of units demolished	2 units (vacant over 10 years)

Affordable Unit Summary for 24 Low-Income Units

Number of Bedrooms	Residential Income Level	Number of Units	Monthly Rent Level
1 Bedroom	30%	3	\$376
2 Bedrooms	30%	9	\$444
2 Bedrooms	40%	9	\$601
3 Bedrooms	30%	3	\$513
Total/Avg.	30%	24	\$500

FISCAL CONSIDERATIONS:

The Project's pro forma has been analyzed by Agency staff and the Agency's financial consultant, Keyser Marston Associates. Estimated costs, financing assumptions, and deal terms have been negotiated and are proposed in the OPA in accordance with the Affordable Housing Collaborative Program financing guidelines.

Total project costs are \$11,652,000 (Attachment 4 – Project Budget). The Developer proposes to finance the Project with a combination of low-income housing tax credits, state and federal loan programs (AHP and MHP) and Agency financing. The Developer has pledged to fund any remaining gap of the project cost. The Agency subsidy will be in the form of a long-term (55 years) residual receipts loan to cover direct costs. The proposed Agency financing for the Project is \$2,400,000, which represents a maximum subsidy of \$100,000 per unit or \$50,000 per bedroom. It is proposed that Agency funding be paid from the North Park Housing line of credit via the Housing Opportunity Fund. Draw-down on Agency funds is proposed as follows:

First Draw: \$1,440,000 at time of securing tax credits and close of construction financing
 Second Draw: \$480,000 at 50% construction
 Third Draw: \$480,000 at end of construction

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PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On July 24, 2007, the City Council adopted a resolution approving the issuance of preliminary bonds by the Housing Authority for the purpose of construction of the Boulevard Apartments.

OTHER RECOMMENDATIONS:

On September 13, 2007 the Agency's Affordable Housing Collaborative Executive Loan Committee voted 3-1 to recommend that the subsidy not be approved due to concerns that the total cost per unit appears high in comparison to other projects. This project has higher costs due to several factors including: 1) The North Park Community Plan requires commercial space on the ground floor from lot line to line which requires that the project provide greater fire protection in the walls and doors due to the close proximity of the adjacent commercial building; 2) the need to locate the play area on the landscaped roof deck due to lot size constraints; and 3) the size of the project at 24 units eliminates the opportunity for economies of scale. While this project may have a high per unit cost compared to other projects, it fulfills the objectives of the Redevelopment Plan, requires no land acquisition, and provides benefits to the community by adding new housing for very low income families who are formerly homeless or at risk of being homeless. The Project provides space for educational programs and enrichment classes as well as a safe and secure play area for children. It is a well designed project located on a major transportation corridor providing access to jobs and services and will serve as a catalyst for additional improvements on the eastern edge of the Project Area. The proposed Agency subsidy of \$100,000 per unit is consistent with other similar projects, and the developer is leveraging a number of other financing sources with their own funds to cover the remaining project costs.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On April 19, 2005, the Greater North Park Community Planning Group voted 6-5-2 to recommend approval of the project, including the requested parking deviation, with the condition the applicant provide explicit documentation that there is a 50-year agreement specifying St. Vincent de Paul as the manager and operator of the property. On March 15, 2007, with a vote of 5-0-2, the Planning Commission approved the site development permit for the project, including the conditions specified by the Greater North Park Community Planning Group.

On January 11, 2005, the North Park Project Area Committee (PAC) requested that the project proposal be presented for a formal recommendation once specific obligations between the developer and the Agency were negotiated. On October 9, 2007 the North Park Project Area Committee (PAC) voted 10-0-0 to recommend the approval of the \$2,400,000 expenditure from the North Park Housing Line of Credit via the Housing Opportunity Fund for the Boulevard Apartments project.

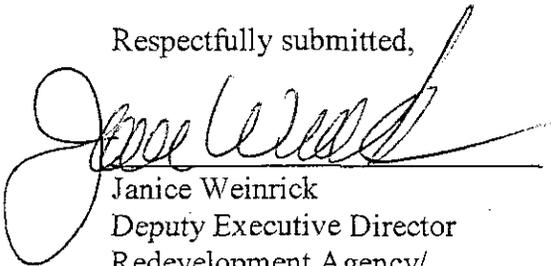
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KEY STAKEHOLDERS AND PROJECTED IMPACTS:

ROLE	FIRM/CONTACT	OWNERSHIP
Managing General Partner	S.V.D.P Management, Inc. 3350 E St., San Diego CA 92102 Mathew Packard, VP Develop. Mathew.packard@neighbor.org	501 (c)(3) Non-Profit, Governed by Board of Directors
Limited Partner/Tax Credit Investor	The Richman Group (TBD) 707 Southwest Washington St., Suite 1510, Portland OR 97205	Limited Partner will be comprised of a limited partnership tax credit fund.
General Contractor	L.J. Ninteman Construction 10463 Austin Dr., Suite A Spring Valley CA 91978 Luke Ninteman, Executive VP luke@alonsopainting.com	Luke Ninteman
Architect	James Holmberg 3350 E St., San Diego CA 92102 james.holmberg@neighbor.org	James Holmberg (an employee of S.V.D.P. Management) and licensed architect
Consultant(s)	Chelsea Investment Corp. 5993 Avenida Encinas, Ste 101 Carlsbad CA 92008 Rhonda Connolly rmconnolly@aol.com	James J. Schmid

The Project fulfills the objectives of the Redevelopment Plan by providing affordable and market-rate housing along a major transportation and mixed-use corridor. This project is expected to provide significant community enhancement and valuable affordable housing for the North Park community, as well as act as a catalyst for further improvements in the area.

Respectfully submitted,



Janice Weinrick
Deputy Executive Director
Redevelopment Agency/
Assistant Director
City Planning and Community Investment



Approved: William Anderson
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

- Attachments:
1. Site Map
 2. Site Plans
 3. Basic Concept Drawings
 4. Project Budget
 5. Owner Participation Agreement

000379

PLEASE REFER TO THE
REDEVELOPMENT AGENCY BINDER
FOR THE BACK UP MATERIAL

ATTACHMENT NO. 1

SITE MAP

[Behind this page.]

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		1. CERTIFICATE NUMBER (for auditor's use only)
TO: CITY ATTORNEY	2. FROM: (ORIGINATING DEPARTMENT) CITY PLANNING AND COMMUNITY INVESTMENT/ REDEVELOPMENT DIVISION	3. DATE October 24, 2007

000381

4. SUBJECT: Owner Participation Agreement and Associated Actions for the Boulevard Apartments Project in the North Park Redevelopment Project Area.
(Companion to Redevelopment Agency)

5. Primary Contact: (Name, Phone & Mail Sta.) Michael Lengyel, 236-6269, 56D	6. Secondary Contact (Name, Phone & Mail Sta.) Michelle Rosenthal, 236-6268, MS 56D	7. Check box if report to Council is attached. <input type="checkbox"/>
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8. COMPLETE FOR ACCOUNTING PURPOSES					
FUND	98302				
DEPT.	983021				
ORGANIZATION	2009				
OBJECT ACCOUNT	4652				
JOB ORDER	002009				
C.I.P. NUMBER					
AMOUNT	2,400,000				

9. ADDITIONAL INFORMATION/
ESTIMATED COST:
Fiscal Impact: No impact to the General Fund. Total proposed financing is \$2,400,000; from the Agency's Housing Opportunity Fund.

10. ROUTING AND APPROVALS							
ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED
1	Assistant Director, CP&CI, Redevelopment	<i>Janice L. Weinrick</i>	10/12/07	8	Auditor	<i>Rolando Charvel</i>	10/16/07
2	City Planning & Community Investment Director	<i>William Anderson</i>		9	City Attorney	<i>Kendall Berkey</i>	
3	EOC	<i>Gela Griffin</i>	10/16/07	10	Originating Department	<i>Michael Lengyel</i>	10-17-07
4	EAS	<i>Terri Bungardner</i>	10/12/07				
5	Deputy Chief Operating Officer, Land Use & Economic	<i>William Anderson</i>	10/15/07				
				11	Docket Coord. _____ Council Liaison	<i>E. P. ...</i>	
					COUNCIL PRESIDENT	<i>[Signature]</i>	
					<input type="checkbox"/> Spob <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION		
					<input type="checkbox"/> REFER TO _____ COUNCIL DATE: 10/30/07		

11. PREPARATION OF: RESOLUTION ORDINANCE(S) AGREEMENT(S) DEED(S)

1. That the City Council recommend to the Redevelopment Agency to enter into the Owner Participation Agreement for the Boulevard Apartments project and make certain findings on the environmental review completed for the project.

DOCKET OF: October 30, 2007

11a. STAFF RECOMMENDATIONS: Approve the resolution.

12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.)

COUNCIL DISTRICT(S): 3
Community Planning Area(s): North Park
Environmental Impact: In accordance with the State of California Environmental Quality Act (CEQA) Guidelines, Environmental Impact Report (EIR) No. 55461 has been prepared for this project. The EIR determined that the proposed parking deviation would result in a significant unmitigable impact. On March 15, 2007 the Planning Commission adopted a statement of overriding consideration with the additional language: Housing is targeted for those at 40% of AMI and lower; and certified the EIR.
Housing Impact: The project will create 24 new affordable housing rental housing units, all of which will have restricted rents for 55 years at levels affordable to very low income households.
Other Issues: None.
 City Clerk Instruction: Please send copies of the resolution(s) to Jeannette Santos, MS 56D and Michael Lengyel, MS 56D

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EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: October 24, 2007

REPORT NO.: RA-07-29
RTC- 07-159

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of October 30, 2007

ORIGINATING DEPARTMENT: City Planning and Community Investment

SUBJECT: Owner Participation Agreement and Associated Actions for the Boulevard
Apartments Project in the North Park Redevelopment Project Area

COUNCIL DISTRICT(S): 3

STAFF CONTACT: Michael Lengyel, 619-236-6269

REQUESTED ACTION:

1. That the City Council recommend to the Redevelopment Agency to enter into the Owner Participation Agreement for the Boulevard Apartments project and make certain findings on the environmental review completed for the project.
2. That the Agency approve the Owner Participation Agreement for the Boulevard Apartments project and authorize the Executive Director or designee to execute the Owner Participation Agreement with S.V.D.P. Management, Inc. for the Boulevard Apartments project and make certain findings on the environmental review completed for the project.
3. That the Agency authorize the Executive Director or designee to expend an amount not to exceed \$2,400,000 from the Agency's Low and Moderate Income Housing Set Aside Funds Line of Credit for North Park as an Agency Residual Receipts loan contribution for the Boulevard Apartments project.
4. That the Agency approve the Basic Concept Drawings submitted by S.V.D.P. Management, Inc. relating to the Owner Participation Agreement for the Boulevard Apartments project.

STAFF RECOMMENDATION:

That the City Council and Redevelopment Agency approve the requested actions.

EXECUTIVE SUMMARY:

An Owner Participation Agreement ("OPA") is proposed to authorize and obligate the Redevelopment Agency to assist the Boulevard Apartments project by providing financial assistance with a residual receipts loan in an amount not to exceed \$2,400,000. The developer is S.V.D.P. Management, Inc., dba Father Joe's Villages (the "Developer"). The Developer has proposed the development of a 24-unit affordable housing project consisting of new rental apartments for very low-income (30%-40% AMI) families.

The Project is proposed to be developed on a 0.24-acre site located at 3133 and 3137 El Cajon Boulevard, within the North Park Redevelopment Project Area. Surrounding development includes commercial uses to the east and west, a mix of commercial and residential uses to the north and a multi-family residential development to the south. The project site is currently developed with two wood-framed structures that have been vacant for over 10 years and will be demolished. S.V.D.P. Management, Inc. owns the property; therefore, no additional property acquisition is necessary for project implementation.

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The Project is proposed to include a new, approximately 27,977 sq. ft. four-story building with 24 affordable for-rent residential units, 2,063 sq. ft. of commercial space and a 17-space parking garage on the project site. The 24 residential units would consist of 3 one-bedroom units, 18 two-bedroom units and 3 three-bedroom units. Each unit will feature a private balcony. Amenities will include a landscaped roof deck with barbecue facilities, patio cover, picnic tables and a children's recreation/play area, as well as a ground-floor community room for educational programs, enrichment classes and community meetings. The Project Site is fully entitled.

FISCAL CONSIDERATIONS:

The Project's pro forma has been analyzed by Agency staff and the Agency's financial consultant, Keyser Marston Associates. Estimated costs, financing assumptions, and deal terms have been negotiated and are proposed in the OPA in accordance with the Affordable Housing Collaborative Program financing guidelines. The total project cost is \$11,652,000. The Developer proposes to finance the project with a combination of low-income housing tax credits, state and federal loan programs (AHP and MHP) and Agency financing. The Developer has pledged to fund any remaining gap of the project cost. The Agency subsidy will be in the form of a long-term (55 years) residual receipts loan to cover direct costs. The proposed Agency financing for the Project is \$2,400,000, which represents a maximum subsidy of \$100,000 per unit or \$50,000 per bedroom. It is proposed that Agency funding be paid from the North Park Housing line of credit via the Housing Opportunity Fund.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On July 24, 2007, the City Council adopted a resolution approving the issuance of preliminary bonds by the Housing Authority for the purpose of financing the construction of the Boulevard Apartments.

OTHER RECOMMENDATIONS:

On September 13, 2007 the Agency's Affordable Housing Collaborative Executive Loan Committee voted 3-1 to recommend that the subsidy not be approved due to concerns that the total cost per unit appears high in comparison to other projects. This project has higher costs due to several factors including: 1) The North Park Community Plan requires commercial space on the ground floor from lot line to line which requires that the project provide greater fire protection in the walls and doors due to the close proximity of the adjacent commercial building; 2) the need to locate the play area on the landscaped roof deck due to lot size constraints; and 3) the size of the project at 24 units eliminates the opportunity for economies of scale. While this project may have a high per unit cost compared to other projects, it fulfills the objectives of the Redevelopment Plan, requires no land acquisition, and provides benefits to the community by adding new housing for very low income families who are formerly homeless or at risk of being homeless. The project provides space for educational programs and enrichment classes as well as a safe and secure play area for children. It is a well designed project located on a major transportation corridor providing access to jobs and services and will serve as a catalyst for additional improvements on the eastern edge of the Project Area. The proposed Agency subsidy of \$100,000 per unit is consistent with other similar projects, and the developer is leveraging a number of other financing sources with their own funds to cover the remaining project costs.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

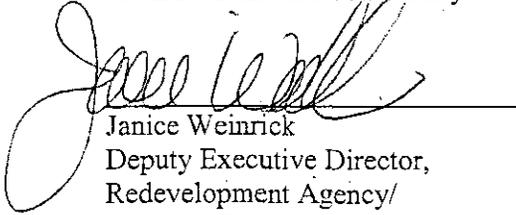
On April 19, 2005, the Greater North Park Community Planning Group voted 6-5-2 to recommend approval of the project, including the requested parking deviation, with the condition the applicant provide explicit documentation that there is a 50-year agreement specifying St. Vincent de Paul as the manager and operator of the property. On March 15, 2007, with a vote of 5-0-2, the Planning Commission approved the site development permit for the project. On January 11, 2005, the North Park Project Area Committee (PAC) requested that the project proposal be presented for a formal recommendation once specific obligations between the developer and the Agency were negotiated. On October 9, 2007 the North Park Project Area Committee (PAC) voted 10-0-0 to recommend the approval of the \$2,400,000

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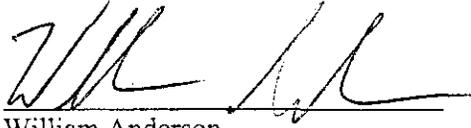
expenditure from the North Park Housing Line of Credit via the Housing Opportunity Fund for the Boulevard Apartments project.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

The Project is expected to provide significant community enhancement and valuable affordable housing for the North Park community.



Janice Weinrick
Deputy Executive Director,
Redevelopment Agency/
Assistant Director
City Planning and Community Investment



William Anderson
Assistant Executive Director,
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

000387

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE REDEVELOPMENT AGENCY ENTERING INTO AN OWNER PARTICIPATION AGREEMENT FOR THE BOULEVARD APARTMENTS PROJECT IN THE NORTH PARK REDEVELOPMENT PROJECT AREA AND MAKING CERTAIN FINDINGS ON THE ENVIRONMENTAL REVIEW COMPLETED FOR THE 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 North Park Redevelopment Project Area [Project Area]; and

WHEREAS, in order to carry out and implement the Redevelopment Plan for the Project Area, the Agency has negotiated and proposes to enter into an Owner Participation Agreement [Agreement] with S.V.D.P. Management, Inc. [Developer], pursuant to which the Agency will provide financial assistance to the Developer in the form of a residual receipts loan for the development of a low income residential project known as the Boulevard Apartments Project [Project]; and

WHEREAS, Developer has submitted to the Agency and to the Council of the City of San Diego copies of the proposed Agreement in a form desired by Developer; and

WHEREAS, the Council of the City of San Diego has duly considered all terms and conditions set forth in the proposed Agreement and determines that the Project is in the best interests of 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; and

WHEREAS, on the appeal of a Hearing Officer determination, the San Diego Planning Commission reviewed and considered the Boulevard Apartments Project No. 55461 [Project

000388

No. 55461] at a public hearing on March 15, 2007, and by Resolution No. R-4230 PC, certified the Environmental Impact Report [EIR], SCH No. 2005111021, adopted a Statement of Overriding Considerations, with the additional language: Housing is targeted for those at 40% AMI and lower, and approved a Mitigation, Monitoring and Reporting Program for this Project No. 55461, copies of which are on file in the Development Services Department of the City of San Diego; and

WHEREAS, in connection with the consideration of the Agreement for the Project, the City Council considered the issues discussed in the EIR, SCH No. 2005111021, and the public record. NOW, THEREFORE,

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

1. That the Council has received and heard all oral and written objections to the proposed Owner Participation Agreement, and to other matters pertaining to the Project, and that all such oral and written objections are overruled.
2. That the Council finds and determines that all consideration to be paid pursuant to the Agreement is in an amount necessary to effectuate the purposes of the Redevelopment Plan for the Project Area.
3. That the Owner Participation Agreement which establishes the terms and conditions for the development and implementation of the Project is hereby approved.
4. That a copy of the Owner Participation Agreement, when executed by the Redevelopment Agency, shall be placed on file in the office of the City Clerk as Document No. D-_____; and

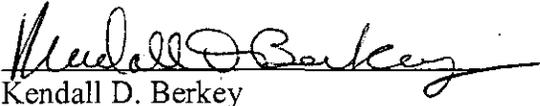
BE IT FURTHER RESOLVED, that the City Council finds that the Agreement is a subsequent discretionary approval of the Project No. 55461 addressed in the EIR and not a

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separate project under the California Environmental Quality Act [CEQA] and CEQA Guidelines Sections 15060(c)(3) and 15378(c); and

BE IT FURTHER RESOLVED, that the City Council finds that this subsequent discretionary approval of the Agreement does not involve a change in circumstances, project changes, or new information of substantial importance which would warrant any additional environmental review.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By: 
Kendall D. Berkey
Deputy City Attorney

KDB:nda
10/12/07
Or.Dept:Redev.Agency
R-2008-331
MMS#5470
Comp. RA-2008-48
RA-2008-49
RA-2008-50