

DATE ISSUED: July 21, 2010

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of July 27, 2010

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Ninth and Broadway Affordable Housing Project (southeast corner
of Broadway and Ninth Avenue) – State Multifamily Housing
Program Funding Application – East Village Redevelopment
District of the Expansion Sub Area of the Centre City
Redevelopment Project

COUNCIL DISTRICT: 2

REFERENCE: None

STAFF CONTACT: Eri Kameyama, Senior Project Manager, 619-533-7177

REQUESTED ACTION: That the Redevelopment Agency of the City of San Diego (“Agency”) approves the Resolution authorizing the Agency to apply as a co-applicant for the state’s Multifamily Housing Program (MHP) for the Ninth and Broadway affordable housing project.

STAFF RECOMMENDATION: That the Agency approves the requested action.

SUMMARY: In December 2009, the Agency entered into a Disposition and Development Agreement (DDA) with Broadway Tower Associates, L.P. (“Developer”) for the development of the Ninth and Broadway affordable housing project (“Project”) on an Agency-owned site at Ninth Avenue and Broadway in the East Village District. The Project will be a 17-story building with 248 affordable units restricted to households earning 30-60 percent of Area Median Income (AMI), two manager’s units, 20,000 square feet of community space and 5,774 square feet of ground floor commercial space. Of the 248 units, 88 units will be set aside as supportive housing for the special needs population. The Agency committed a subsidy in the amount not to exceed \$21,873,000 for the Project. The DDA requires the Developer to pursue other funding sources, including MHP in the amount of \$10 million, to finance the Project with a total development budget of \$66 million. The Agency will enter into a 70-year ground lease with the Developer, with a 20-year option to extend by the Developer, upon construction closing.

On May 3, 2010, California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for MHP. Applications are due on July 22, 2010. This is known to be the last round of MHP and is expected to be extremely competitive. The Project

will apply for \$10 million under the program. The Developer requests that the Agency apply for MHP as a co-applicant with the Developer in order to score full points under the “project readiness” category, which are available only if the applicant owns the project site or has an executed ground lease. The DDA does not allow execution of the ground lease until all funding has been secured. MHP regulations require that the applicant provides an authorizing board resolution to apply for the MHP funding. A draft Agency Resolution is attached to this report.

FISCAL CONSIDERATIONS: None.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

DEVELOPMENT TEAM

ROLE	FIRM/CONTACT	OWNERSHIP
Developer	Broadway Tower Associates, LP Contact: Brad Wiblin, Director of BRIDGE Southern California	General Partner: BRIDGE SC, LLC Its sole member: BRIDGE Housing Corporation Southern California, a 501(c)(3) nonprofit corporation.
Architect	Studio E Architects - Design Architect Contact: Eric Naslund, Principal McLarand Vasquez Emsiek & Partners (MVE) - Architect of Record Contact: Rick Castillo, Principal	Studio E: Eric Naslund and John Sheehan (Privately Owned) MVE: Carl McLarand, Ernesto Vasquez and Richard Emsiek (Privately Owned)
General Contractor	Highland Partnership, Inc. Contact: Ian Gill	Ian Gill and J. David Gardner (Privately Owned)
Property Management	BRIDGE Property Management Co. Contact: Susan Johnson	501(c)(3) nonprofit corporation
Tax Credit Investor	TBD	
Construction Lender	TBD	

BRIDGE has produced more than 13,000 units of high-quality affordable homes throughout California. BRIDGE was formed in 1983 as a 501(c)(3) nonprofit corporation to address the worsening shortage of affordable housing. BRIDGE’s headquarters are in San Francisco and

regional offices are in Los Angeles and San Diego. BRIDGE has a strong background in affordable housing development in urban areas, mainly in San Francisco and Oakland.

BACKGROUND:

The proposed Project advances the Visions and Goals of the Downtown Community Plan and the Objectives of the Centre City Redevelopment Project by:

- Increasing the supply of rental housing affordable to very-low- and low-income persons;
- Expanding the supply of living units affordable to very-low-income persons;
- Assisting the development of affordable, permanent supportive housing projects; and
- Eliminating blight and utilizing a vacant parcel on a major commercial corridor.

In December 2009, the Agency entered into a DDA with the Developer for the Project on an Agency-owned site at Ninth Avenue and Broadway in the East Village District. A Site Map is attached to this report as Attachment A. The Project will be a 17-story building with 248 affordable units restricted to households earning 30-60 percent of AMI, two manager's units, 20,000 square feet of community space and 5,774 square feet of ground floor commercial space. Of the 248 units, 88 units will be set aside as supportive housing for the special needs population. The Agency committed a subsidy in the amount not-to-exceed \$21,873,000 for the Project. The Agency will enter into a 70-year ground lease with the Developer, with a 20-year option to extend by the Developer, upon construction closing.

The Project's total development cost is estimated at \$66 million. The DDA's Method of Financing includes multiple financing sources to finance the Project, including Multifamily Housing Program (MHP), tax credit equity, Mental Health Services Act Program (MHSA), Affordable Housing Program (AHP) and the Agency subsidy.

On May 3, 2010, HCD issued a NOFA for the MHP-General (\$35 million) and MHP-Homeless Youth (\$23 million). The Project will apply for a total of \$10 million, which is the maximum loan amount under the program. Because the Project includes 25 units targeted for the Transitional-Age-Youth, the Project will qualify for partial funding from the MHP-Homeless Youth funding. Applications are due on July 22, 2010. MHP is a competitive program where projects are scored based on the set scoring criteria including affordability, readiness, developer experience and project amenities. Particularly, this is known to be the last round of MHP funded by the voter-approved Proposition 1C fund, and no funding source is identified to replenish the MHP program in the future. Considering the limited amount of funding available, combined with uncertainty of future funding, this round is expected to be extremely competitive and requires that the Project to maximize scoring. A copy of the MHP-NOFA is attached to this report as Attachment B.

DISCUSSION:

One of the scoring categories under the MHP-NOFA is projects' readiness. Applicants are required to own the project site or have an executed ground lease in order to score the full points under this category. The Project site is currently owned by the Agency, and the DDA does not allow the Agency to enter into a ground lease until the Developer secures all the funding sources and is ready to start construction. As a solution to maximize the score without entering into a ground lease, the Developer requests that the Agency, as the owner of the Project site, apply for the funding as a co-applicant. There are no legal or financial impacts to the Agency of being a co-applicant.

MHP regulations require that the applicants provide authorizing board resolutions to apply for the MHP funding. A draft Agency Resolution is prepared and is attached to this report. HCD will accept the submission of an executed Agency resolution after the application deadline of July 22, 2010, because the Agency is a public agency requiring extra processing time to adopt a board resolution. It should be noted that the Developer will be the sole borrower of the MHP loan and the Agency is not required to be a co-borrower.

Project Description – The Project will include 140 living units, 110 small apartments, 20,000 square feet of community space and 5,800 square feet of ground floor retail in a 17-story building. Of the 250 units, 248 units will be restricted to extremely low, very-low- and low-income individuals/small families. Eighty-eight units (35 percent of the total) will be set aside as supportive housing available for special needs populations. To integrate the various resident populations, all unit types will be spread throughout the building. The building will consist of a large four-story podium and topped by a 13-story tower. It will be managed by BRIDGE Property Management Company, a subsidiary of BRIDGE Housing Corporation that manages more than 60 developments with more than 7,200 rental and condominium units in California. The Project will have two resident managers and a part-time service coordinator.

Housing Impact – The Project will provide 248 affordable rental units for extremely low-, very low- and low-income households. Of the 248 units, 88 units will be set aside as supportive housing units combined with on-site/off-site supportive services for special needs population who are at risk of being homeless.

Disposition of Property – The Agency owns 100 percent of the project site. The Agency will enter into a ground lease (70-year term, 20-year option to extend at the Developer's discretion) at construction loan closing. Upon ground lease expiration, the Agency will own the building free of all encumbrances.

Participation by Agency – The Agency is the owner of the Project site and entered into a DDA with the Developer in December 2009. An Agency subsidy in the amount of \$21,873,000 has been committed to assist the development. The Agency will enter into a 70-year ground lease with the Developer upon construction closing. It has been requested that the Agency be a co-applicant for the MHP application to secure \$10 million for the Project.

Proposed Schedule of Performance –

Action	Completion Date
MHP Application Deadline	July 22, 2010
MHP Funding Award	December 2010
Complete Financing Commitments	Summer-Fall 2011
Start Construction	Summer-Fall 2011
Complete Construction	Summer-Fall 2013

Project Benefits – The proposed Project would provide the following:

- Affordable rental housing for very-low- and low-income households;
- Supportive housing units for special needs population who are at risk of being homeless;
- Living units for very low-income individuals; and
- Elimination of blight by developing an underutilized lot on a major commercial corridor.

PROJECT DESCRIPTION

The following is a summary of the project:

Site Area	25,000 sq. ft.
Maximum FAR Permitted	10.0 – 14.0
Minimum FAR Required	6.0
Proposed FAR	6.8
FAR Bonuses Proposed	None
Stories	17 stories
Amount of Commercial Space	5,774 sq. ft.
Type of Housing	Affordable Rental Apartments
Total Number of Units	250
Types of Units (average sizes)	140 Living Units (283 sq. ft.) 36 Studios (387 sq. ft.) 74 1-BRs (587 sq. ft.)
Projected Rental Rates	\$284–893 based on 2009 AMI (25 MHPSA tenants will pay 30% of their actual incomes)
Number of Units Demolished	0
Inclusionary Housing Ordinance Compliance/ Number of Affordable Units	Provision of 248 affordable apartments
Parking Required Proposed	120 spaces for residential 120 spaces for residential
Assessor’s Parcel Nos.	534-331-01 and 534-331-15

Environmental Impact – This activity is covered under the Final Environmental Impact Report (FEIR) for the Centre City Redevelopment Plan (and all subsequent amendments) certified by the Redevelopment Agency pursuant to Resolution No. R-04001 adopted effective March 14, 2006, in compliance with the California Environmental Quality Act (CEQA). The FEIR is a “Program EIR” prepared in compliance with State CEQA Guidelines Section 15168. In connection with the approval of the Ninth and Broadway Project (Project) on December 9, 2009, the Corporation, on behalf of the Redevelopment Agency, caused the preparation of an Environmental Secondary Study dated June 2009 (Secondary Study), and made certain findings with respect to the Secondary Study to the effect that the Project will not result in any new or increased significant impacts on the environment compared to the analysis performed in the FEIR. The environmental effects of the proposed activity were adequately addressed in the FEIR and the Secondary Study, and the proposed activity is within the scope of the development program described in the FEIR.

The proposed application for funding for the Project does not create new environmental concerns that are not already addressed in the FEIR and the Secondary Study. In accordance with State CEQA Guidelines Sections 15162 and 15168, no further environmental documentation is required with respect to the proposed application for funding.

CONCLUSION: It is critical that the Project secures \$10 million in MHP funding to move forward with the development. Staff requests that the Agency approve the Resolution authorizing the Agency to apply as a co-applicant for the MHP funding in order to maximize the Project’s scoring.

Respectfully submitted,

Concurred by:



Eri Kameyama
Senior Project Manager



Frank J. Alessi
Executive Vice President & Chief Financial Officer



Jeff Graham
Vice President, Redevelopment

Attachments: A – Site Map
B – MHP -- NOFA issued on May 3, 2010