



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: April 30, 2003

REPORT NO. RA-03-13
CMR-03-070

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and City Council
Docket of May 6, 2003

SUBJECT: Proposed Disposition and Development Agreement with Barrio Logan Properties, LLC. - Barrio Logan Redevelopment Project Area.

REFERENCE: Report No. RA 91-77, DEP No. 90-0133

SUMMARY

Issue(s) – Should the Redevelopment Agency/City Council take actions concerning entering into a Disposition and Development Agreement with Barrio Logan Properties, LLC.

City Manager/ Executive Director Recommendations-

Executive Director's Recommendations:

- 1) Authorize Executive Director to execute a Disposition and Development Agreement (DDA) with Barrio Logan Properties, LLC. for the development of the Logan Avenue Revitalization Project in the Barrio Logan Redevelopment Project Area.
- 2) State for the record that the Final Environmental Impact Report prepared for the Barrio Logan Redevelopment Project (DEP No. 90-0133) has been reviewed and considered prior to approving the project.
- 3) Approve basic concept drawings of the Project.

City Manager's Recommendations:

- 1) Consent to the Redevelopment Agency entering into a Disposition and Development Agreement (DDA) with Barrio Logan Properties, LLC. (Developer) for the development of the Logan Avenue Revitalization Project in the Barrio Logan Redevelopment Project Area?
- 2) State for the record that the Final Environmental Impact Report prepared for the Barrio Logan Redevelopment Plan (DEP) 90-0133 has been reviewed and considered prior to approving the project?

Other Recommendation - On September 18, 2002 the Barrio Logan Project Area Committee (PAC) voted 10-1 in favor of recommending approval of the project.

Environmental Impact - The Final Environmental Impact Report for the Barrio Logan

Redevelopment Project (DEP No. 90-133) was completed in April 1991. Additional Environmental Review may be necessary at the time the City issues the discretionary permits.

Fiscal Impact - This project proposes to apply for funding through the Affordable Housing NOFA. If funding is not secured through this process, the project will not move forward. This project is requesting \$2,018,030 in the first phase. All four phases, if completed, would require an affordable housing subsidy of \$6,235,371.

Code Enforcement Impact - None with this action.

Housing Affordability Impact – This project proposes to construct 156 affordable housing units. One hundred and forty units will be affordable to households earning 60 percent AMI, and 16 units to available to households earning 50 percent AMI.

BACKGROUND

One of the goals of the Barrio Logan Redevelopment Plan (Plan) is to rehabilitate the housing stock, and to increase its amount and availability to low income residents. The Plan set the maximum number of housing unit at 1000 units. Currently, the total number of housing units is estimated to be approximately 461 units. In addition, one of the principal goals of the plan was to revitalize the historic community core, which was identified as the portion of Logan Avenue between the Coronado Bridge and 26th Street. This project proposes to revitalize this portion of Logan Avenue in accordance with the recommendations of the Redevelopment Plan and Community Plan.

On August 6, 2002 the City Council declared a Housing State of Emergency in the City of San Diego. Coupled with the declared housing shortage, and the Barrio Logan community's need for additional housing, this project intends to create additional housing units by applying for funds through the Affordable Housing NOFA.

The proposed project is located between the 2000 and 2100 blocks of Logan Avenue in the portion of the Barrio Logan Redevelopment Project Area south of the Coronado Bay Bridge, identified as the historic community core. The Project is intended to not only create affordable housing opportunities but to revitalize the historic community core in character and design with an effort to preserve small business opportunities. The project is designed in four distinct phases that will be financed independently and implemented either concurrently or independently:

1. Phase one would develop 42 low and moderate-income family units and will be located at the southwest and southeast corners of Evans and Logan Ave.
2. Phase two would be a mixed-use project that includes 40 low and moderate-income family units as well as 13,000 square feet of retail space and would be located at 26th and Logan.
3. Phase three would also be a mixed-use project that would create 40 low and moderate-income family units as well as 12,000 spare feet of retail space. This phase would incorporate additional open and recreational space.
4. Phase four would build 30 low and moderate-income family units and would be located on the south-west corner of 26th and Logan.

Estimated total development value for all four phases is \$25,980,745.

DISCUSSION

The Disposition and Development Agreement is structured to allow for a phased project in which the developer could either complete the project concurrently or in phases. The project is seeking financing to cover all phases as one Project. Each phase has been analyzed independently to determine the financial assistance required to realize development.

Phase one requires a \$2,018,030 subsidy based on a \$962,500 land cost. Under the terms of the DDA, the land value has been written-down to \$1. The fiscal impact of the approval of the DDA regarding to an agency financial commitment is \$962,499. The land value and the additional balance of the funds required to complete the project are expected to be acquired through the Affordable Housing NOFA funds. This phase involves parcels owned by the developer, a vacant lot, and a mixed use property currently occupied by one tenant.

The requested subsidy for anticipated future phases is:

	<u>Req. Subsidy</u>	<u>Tot. Dev. Cost</u>	<u>Units</u>	<u>Cost Per Unit/Per Unit Sub.</u>
Phase 1.	\$2,018,030	\$7,826,900	46	\$170,150/ \$43,870
Phase 2	\$1,284,746	\$6,351,799	40	\$158,794/ \$32,119
Phase 3	\$1,309,632	\$6,374,721	40	\$159,368/ \$32,741
Phase 4	\$1,622,963	\$5,427,325	30	\$180,910/ \$54,099

The fiscal impact of later phases will be determined when more information concerning land value is determined.

The developer currently owns parcels in both phase one and three and is also in the process of negotiating other acquisitions. Owner participation notices were sent to all the affected property owners in late August and early September of 2002. No one expressed an interest in submitting competing proposals. Seven of ten owners have expressed interest in selling.

The developer will assume the responsibility of financing the project through a combination of private financing for the commercial portion of the development, tax credit financing through the State Tax Credit Allocation Committee, and City of San Diego Comprehensive Affordable Housing Notice of Funding (NOFA) financing. The total cost of the first phase is \$7,826,900 at which the developer will finance \$5,808,870 through private and tax credit financing. The remaining \$2,018,030 will be sought through the NOFA funds. The proposed project is contingent on obtaining financing approval through private sources, obtaining State Tax Credits, and receiving NOFA approval. The project will be submitted for Tax Credit financing approval in the June 2003 round, is expected to be approved in late August. NOFA funding approval will be processed pending approval of the DDA.

Although the project has been designed as a phased project, it will be seeking financing as one project. Safeguards have been worked into the DDA that both protect the interests of the Agency and the developer, should either party fail to perform in reference to the financing and development of the project. Each phase has been analyzed independently and can be implemented independently as well. Should there be constraints that prevent the completion of a particular phase, it will not affect the financing of other phases.

This project is very attractive and sensitive to the needs of the Barrio Logan Community. The

Project has been designed by Carlos Rodriguez, the architect that designed the Mercado Apartments. His design has incorporated the similar themes that were used in the Mercado Apartments and has incorporated innovative living space that promises to make the units very high quality affordable units. There will be a mixture of one, two and three bedroom units that are intended to house working families. Twenty five percent of the units will be 1 bedrooms, 52 percent will be 2 bedrooms and 18 percent will be 3 bedrooms. This project promises to not only create high quality affordable housing, but revitalize the Logan Avenue core district.

ALTERNATIVES

Do not authorize the Redevelopment Agency's Executive Director to enter into a Disposition and Development Agreement with Barrio Logan Properties, LLC. This alternative would delay redevelopment of Barrio Logan, the revitalization of Logan Avenue, and would delay or prevent the construction of affordable housing units in Barrio Logan.

Respectfully submitted,

Todd Hooks
Deputy Executive Director
Redevelopment Agency

Hank Cunningham
Assistant Executive Director
Redevelopment Agency/Director
Community and Economic Development

Approved: Bruce A. Herring
Deputy City Manager

ATTACHMENTS:

1. Basic Concept Drawings
2. Summary Report
3. Disposition and Development Agreement
4. Site Plan
5. EOCP