



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: June 16, 2004

REPORT NO. RA- 04 - 17

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of June 22, 2004

SUBJECT: Exclusive Negotiating Agreement with Affirmed Housing Group
for a Proposed Multi-family Housing Development – City
Heights Redevelopment Project Area

SUMMARY

Issue – Should the Redevelopment Agency authorize the Executive Director to:

1. Enter into an ENA with Affirmed Housing Group for a proposed multi-family housing development;
2. Amend the Fiscal Year 2004 Agency Budget for the City Heights Redevelopment Project Area to accept a Developer Deposit of \$35,000.

Executive Director's Recommendation –

The Redevelopment Agency authorize the Executive Director to:

1. Enter into an ENA with Affirmed Housing Group for a proposed multi-family housing development;
2. Amend the Fiscal Year 2004 Agency Budget for the City Heights Redevelopment Project Area to accept a Developer Deposit of \$35,000.

Other Recommendations –

1. The City Heights Project Area Committee (PAC) recommended against approval of entering into an ENA with the Affirmed Housing Group.
2. The Fox Canyon Homeowners Association supports and recommends approval of this project.

Fiscal Impact – The \$35,000 Affirmed Housing deposit will pay for staff time, outside consultants and attorney's fees to process the ENA.

BACKGROUND

The City Heights Redevelopment Plan (Plan) was adopted in 1992. The primary objective of the Plan is to improve the quality of life in the Project Area. The City Heights Redevelopment Project Second Implementation Plan, adopted by the Redevelopment Agency on September 15, 1999 lists in its goals and Projects List for FY 2000-2004: “Support the establishment of a well-balanced mixture of housing types and affordability in the area; Support housing improvement projects by non-profit organizations and individual owners; Support the development of needed schools, parks and recreation amenities in the community; Work with for-and non-profit developers to rehabilitate or, where appropriate, raze and rebuild decent, safe, affordable housing; Encourage and support for-and non-profit agency efforts to build or rehabilitate one-family homes and small apartment buildings.”

The Agency proposes to enter into an Exclusive Negotiating Agreement with Affirmed Housing Group to develop, build and manage a multi-family residential housing development that will include a combination of market-rate and low and moderate income housing affordable to families earning between 50% and 100% of the area wide median income that would meet the first goal of the Implementation Plan to “Improve Housing and Residential Neighborhood Character” within the City Heights Project Area. The Mid-City Communities Plan, adopted by the City Council on August 4, 1998 includes recommendations to “Encourage new housing construction in a variety of types and sizes in order to meet the needs of future residents in all socio-economic brackets.

In 1998 San Diego Voters approved Proposition MM to construct and improve schools within the San Diego Unified School District. Four new elementary schools will be constructed in the City Heights Redevelopment Project Area. Two of the new elementary school sites (Herbert Ibarra and Mary Lanyon Fay Elementary) are within one-half mile of this project and have displaced 385 dwelling units. This seventy three (73) unit project would replace only a portion of the dwellings lost to the new schools in the nearby area.

DISCUSSION

On December 8, 2003, Redevelopment Agency (Agency) staff initiated an Owner Participation (OP) process in response to the Affirmed Housing Group’s written request for an Agency ENA to develop a multi-family residential housing development including a mix of market-rate and low and moderate income housing affordable to families earning between 50% and 100% of the area wide median income. The Agency mailed questionnaires to all three (3) property owners within the footprint of the proposed project, requesting their intent to either participate in or submit a competing proposal to the proposed project. On March, 10, 2004, Agency staff initiated an OP process to expand the footprint of the proposed development to include one (1) additional parcel that would be developed into a park as part of this project. None of the four (4) property owners responded with a request to participate or submit a competing proposal.

On February 9, 2004 The City Heights Redevelopment Project Area Committee rejected the recommendation for the Agency’s pursuit of an ENA with Affirmed Housing Group for its proposed multi-family housing development. Affirmed Housing Group redesigned the project to exclude the property owned by the Berardini Family Trust and to include the construction of a small park at the beginning of Auburn Creek. On May 12, 2004, the City Heights

Redevelopment Project Area Committee (PAC) considered the reconfigured project and voted against the recommendation for the Agency's pursuit of an ENA with the Affirmed Housing Group for its proposed multi-family housing development.

The proposed project is a seventy-three (73) unit residential housing development located on approximately 1.75 acres. The site is at the southwest corner of University Avenue and 52nd Street on a predominately vacant and undeveloped site. The developer wishes to build a residential housing development that will include a mix of market-rate and low and moderate income housing affordable to families earning between 50% and 100% of the area wide median income and will include a small neighborhood "pocket" park at the beginning of Auburn Creek. The only occupied property is a rental unit on the west side of Auburn Creek and is within the footprint of the proposed park.

Affirmed Housing Group has entered into an open escrow to purchase five of the parcels in this project. The remaining parcel in the footprint of the housing development is owned by the City of San Diego which was purchased in the 1960's as part of the realignment of University Avenue. The parcel to the west of Auburn Creek is not critical to this project but would be required to build a significant park.

Affirmed Housing has worked with various City Heights community groups, including the City Heights Area Planning Committee, City Heights Project Area Committee and Fox Canyon Homeowners Association to name a few. They have invited members of the community groups to attend design workshop meetings and provide much needed community input. The Fox Canyon Homeowners Association was instrumental in influencing the design of the project and expansion of the park at Auburn Creek.

The Model School Joint Powers Authority (JPA) has selected the Mary Lanyon Fay Elementary School site as the "alternate" for the Model School Project and encouraged development of the site in accordance with their plan. The proposal by Affirmed Housing Group to build multi-family housing on this site is consistent with the concept plan formed by the Model School JPA.

Financing for the project has not been established at this early stage of the development. However, the developer will be pursuing financing from both public and private sources. Public sources of funding to be considered are California State Tax Credits, the City of San Diego NOFA process and Redevelopment Agency funding, among others. Of significant interest to the Redevelopment Agency is the developer's intent to not seek non-profit status, thereby, leaving the property on the County Tax Rolls which will generate tax-increment for the City Heights Redevelopment Project Area.

Approval of this Exclusive Negotiating Agreement is recommended by staff, over the objection of the City Heights Project Area Committee. The resulting development will provide much needed family housing in this area of City Heights; will partially offset the loss of almost 400 dwelling units to the expansion of San Diego Schools; will provide much needed park in a degraded area that is now considered an attractive nuisance; will remove the blight of vacant lots that attract illegal dumping; will contain amenities and a meeting room for the adjacent neighbors, and will stay on the tax rolls, generating tax increment that can be utilized to improve the rest of the community.

The ENA (see Attached) outlines the responsibilities of the Agency and the Developer for negotiations required prior to entering into a Disposition and Development Agreement. It does not commit the Developer or the Agency to reach agreement.

SUMMARY

With approval of the ENA, Agency staff will commence negotiations with the Affirmed Housing Group, returning to the Agency for execution of a disposition and development agreement.

ALTERNATIVE(S)

The Redevelopment Agency not to enter into an ENA with the Affirmed Housing Group.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director
Redevelopment Agency

Approved: Hank Cunningham
Assistant Executive Director,
Redevelopment Agency

CUNNINGHAM/rhk

Attachment(s):

1. Location Map
2. Site Plan, 52nd Street & University Avenue
3. Agency/Affirmed Housing Group ENA for the 52nd Street and University Avenue project