



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: June 23, 2004 REPORT NO. RA-04-18

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of June 29, 2004

SUBJECT: First Implementation Agreement to the Disposition and
Development Agreement for the Renaissance at North Park Project

SUMMARY:

Issue:

Should the Redevelopment Agency Approve the First Implementation Agreement to the Disposition and Development Agreement (DDA), with North Park Retail Partners, L.P. for the Renaissance at North Park Project?

Executive Director Recommendation –

Approve the First Implementation Agreement to the DDA with North Park Retail Partners, L.P. for the Renaissance at North Park Project.

Other Recommendations - The North Park Project Area Committee (PAC) held a regular meeting on June 8, 2004 and adopted a motion (9/0/0) recommending approval of the 1st Implementation Agreement to the Renaissance at North Park DDA.

Fiscal Impact – Since adoption of the Renaissance at North Park DDA, funding commitments, primarily in the form of conventional loans and affordable housing tax credits, have increased by \$1,386,000. Despite value engineering efforts, inflation in materials costs over the same period have contributed to an increase in the development budget of \$3,051,000. In order to maintain construction funding commitments from other sources including affordable housing tax credits, a residual receipts loan by the San

Diego Housing Commission, and conventional loans, the developer requests that the Redevelopment Agency contribute an additional \$1,200,000 in the form of a residual receipts loan to assist in closing the project funding gap of \$1,665,000. The remainder of the gap will be funded through deferral of developer fees.

Funds totaling \$1,200,000 are available from North Park Tax Allocation Bond proceeds and tax increment from the North Park project area. Specifically, funds in the amount of \$532,000 are available from the North Park Series 2003 Housing Tax Allocation Bonds (taxable), with \$668,000 to come from North Park Low- and Moderate-Income Housing Set-Aside (20%) funds.

Environmental Impact – The City of San Diego has completed an environmental review pursuant to both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), issuing a combined Mitigated Negative Declaration/Finding of No Significant Impact (LDR No. 42-0892).

Traffic Impacts

None with this action. The project is the subject of an approved Site Development Permit.

BACKGROUND:

On August 5, 2002, the Redevelopment Agency of the City of San Diego approved a Disposition and Development Agreement (DDA) with Carter Reese and Associates to develop the Renaissance at North Park project. The project will include a four-story, mixed-use structure fronting on El Cajon Boulevard and 14 three-story townhomes on Kansas Street (Attachment 2). The mixed-use component of the project will provide 94 senior citizen apartments affordable to households with incomes up to 50% of Area Median Income (AMI), two caretaker apartments, 6,000 square feet of commercial space and 6,000 square feet of community-use space. As a matter separate from the redevelopment transaction and proposed DDA, Carter Reese and Associates will construct 24 market-rate townhomes immediately north of the project on the west side of 30th Street.

Subject to the terms of the DDA, Carter Reese and Associates has assigned its rights and obligations as Master Developer to North Park Acquisitions, L.P., which has acquired all property necessary to the project, obtained discretionary approvals required by the City of San Diego, submitted applications for construction permits, cleared the site of all structures, and obtained construction financing from conventional lenders. A not-for-profit partner, San Diego Interfaith Housing Foundation, has successfully sought an allocation of affordable housing tax credits in the amount of \$11,245,000. The Redevelopment Agency and City of San Diego Real Estate Assets Department have provided relocation assistance to all displaced tenants, both commercial and residential.

DISCUSSION:

The total development budget established in the Renaissance at North Park DDA is \$25,128,000. Contractor bids based on approved plans currently indicate a total project cost of \$28,179,000 (Attachment 3). Although inflation in the cost of materials and services was anticipated in the original project budget, materials cost increases in the past six months alone have exceeded \$1,522,000. This increase reflects substantial increases in the cost of steel and lumber that are impacting development across the nation. While materials prices are expected to moderate in the coming months, requirements of the tax credit funding critical to the financing of this project have dictated that contracts be executed in the current cost environment. As the rent that may be charged for virtually every residential unit to be developed is restricted to satisfy affordable housing objectives, project revenue cannot be increased to cover increases in costs. Further, all available sources of debt financing have been maximized. Therefore, the developer requests that the Redevelopment Agency provide an additional \$1,200,000 to the project to help fill the funding gap. The remaining gap would be funded through deferral of developer fees by San Diego Interfaith Housing Foundation.

The additional \$1,200,000 in Redevelopment Agency support (resulting in a total of \$5,200,000) would be in the form of a residual receipts loan. Repayment of the loan, and a residual receipts loan made by the Housing Commission, would be made from net revenue after payment of operating costs, include service of conventional debts and repayment of deferred developer fees. Residual receipts would be split between the owner and makers of the residual receipts loans, with the owner retaining 50% of residual receipts and the lenders sharing the remaining 50% of residual receipts in an amount proportional to the total value of residual receipts loan financing provided. Specifically, the Housing Commission and the Redevelopment Agency would share 50% of the residual receipts on a pro-rata basis, (63% and 37% respectively). In addition, the Redevelopment Agency will receive a deed of trust as security for its \$1,200,000 loan. An initial loan disbursement of \$500,000 will be made in July to retire bridge loans made by Carter Reese and Associates and Alliant Capital. The remaining \$700,000 would be available for disbursement during construction to fund cost overruns. Any portion of the \$700,000 remaining at project completion will be disbursed in partial payment of deferred developer fees.

As provided by the DDA for the Renaissance at North Park project, the Redevelopment Agency is actively working to make available approximately 6,000 square feet of ground-floor commercial space to community service providers, possibly including public and/or not-for-profit tenants. Toward this end, Agency staff is in discussions with the developer to establish terms for a lease with option to purchase community space. It is anticipated that consideration of proposed lease terms by the Redevelopment Agency Board will be scheduled in the coming weeks.

ALTERNATIVE:

Do not approve the First Implementation Agreement to the Disposition and Development Agreement for the Renaissance at North Park Project.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved:
Hank Cunningham
Assistant Executive Director

CUNNINGHAM/FISCHLE-FAULK/TCR

Attachments:

1. Sources and Uses of Funds Schedule Adopted with Disposition and Development Agreement (2002)
2. Site Map
3. Proposed Sources and Uses of Funds Schedule
4. First Implementation Agreement with North Park Retail Partners, LLC for the Renaissance at North Park Project *

* Limited distribution. Copies available for public review at the Office of the City Clerk and Redevelopment Agency.

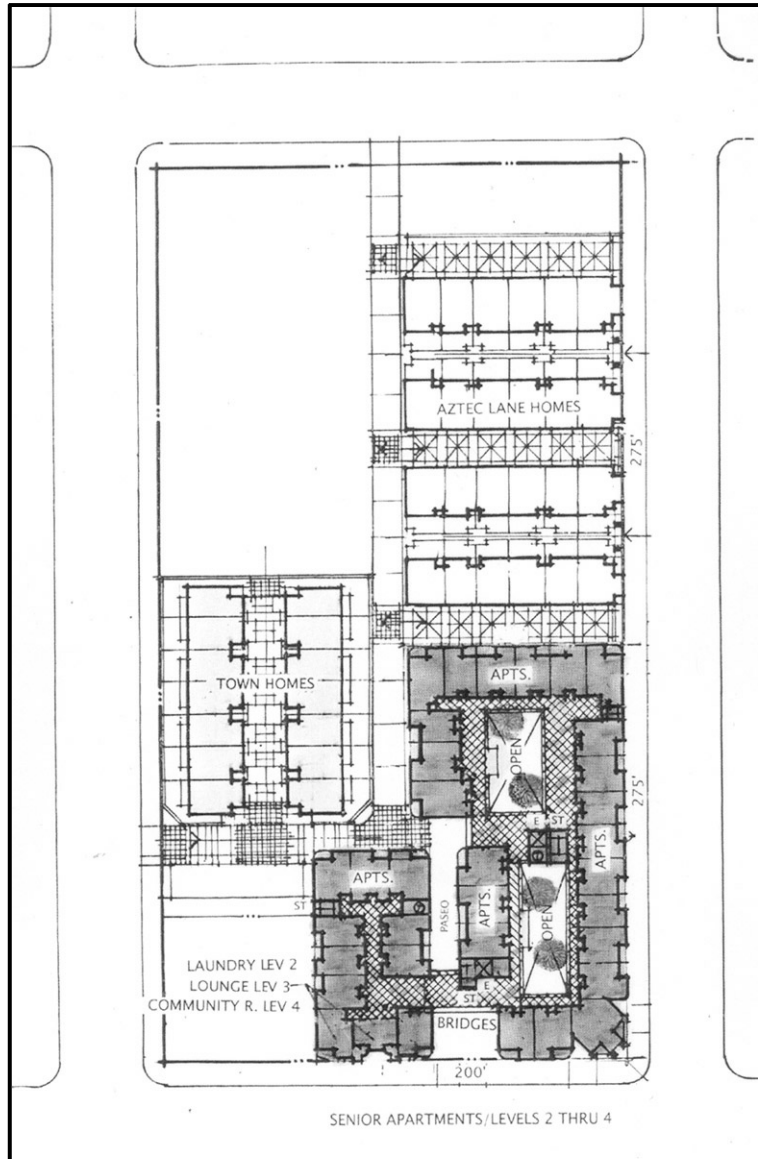
ATTACHMENT NO. 1

SOURCES AND USES OF FUNDS
ADOPTED WITH DISPOSITION AND DEVELOPMENT AGREEMENT (2002)

	<u>Amount</u>	<u>Total Agency Subsidy</u>
<i>Senior Apartments & Parking</i>		
Sources:		
Conventional Mortgage	\$ 2,365,521.00	\$ -
Tax Credits (9%)	\$ 11,154,213.00	\$ -
San Diego Housing Commission	\$ 1,997,947.00	\$ -
San Diego Redevelopment Agency	\$ 218,001.00	\$ 218,001.00
AHP	\$ 485,000.00	\$ -
Total Sources	<u>\$ 16,220,682.00</u>	<u>\$ 218,001.00</u>
Uses:		
Land Acquisition	\$ (1,478,000.00)	\$ -
Development Costs	<u>\$ (14,742,682.00)</u>	<u>\$ -</u>
Total Uses	\$ (16,220,682.00)	\$ -
Sources:		
Conventional Mortgage	\$ 2,367,421.88	\$ -
Private Financing	\$ 467,578.12	\$ -
Total Sources	<u>\$ 2,835,000.00</u>	<u>\$ -</u>
Uses:		
Land Acquisition	\$ (1,000,000.00)	\$ -
Development Costs	<u>\$ (1,835,000.00)</u>	<u>\$ -</u>
Total Uses	\$ (2,835,000.00)	\$ -
<i>Townhomes</i>		
Sources:		
Conventional Mortgage	\$ 2,137,957.50	\$ -
Silent Second Trusts	\$ 560,000.00	\$ 560,000.00
San Diego Redevelopment Agency (Land)	\$ 1,182,000.00	\$ 1,182,000.00
Sales Proceeds	\$ 152,652.50	\$ -
San Diego Redevelopment Agency (Construction)	<u>\$ 228,990.00</u>	<u>\$ 228,990.00</u>
Total Sources	\$ 4,261,600.00	\$ 1,970,990.00
Uses:		
Land Acquisition	\$ (1,182,000.00)	\$ -
Development Costs	\$ (3,079,600.00)	\$ -
Transactional and Off-Site Costs	<u>\$ (252,000.00)</u>	<u>\$ -</u>
Total Uses	\$ (4,261,600.00)	\$ -
<i>Other Development/Acquisition Costs</i>		
Sources:		
San Diego Redevelopment Agency (Relocation Financing)	\$ 1,000,000.00	\$ 1,000,000.00
San Diego Redevelopment Agency (Interest & Carry Financing)	\$ 311,009.00	\$ 311,009.00
San Diego Redevelopment Agency (Public Improvements)	<u>\$ 500,000.00</u>	<u>\$ 500,000.00</u>
Total Sources	\$ 1,811,009.00	\$ 1,811,009.00
Uses:		
Relocation Costs	\$ (1,000,000.00)	\$ -
Interest & Carry Costs	\$ (311,009.00)	\$ -
Public Improvements	<u>\$ (500,000.00)</u>	<u>\$ -</u>
Total Uses	\$ (1,811,009.00)	\$ -
TOTAL	<u>\$ 25,128,291.00</u>	<u>\$ 4,000,000.00</u>

ATTACHMENT NO. 2

SITE MAP



ATTACHMENT NO. 3

PROPOSED SOURCES AND USES OF FUNDS SCHEDULE

	Senior Apartments	Retail	Townhomes	TOTAL
SOURCES:				
Conventional Mortgage	\$2,956,049	\$2,700,000	\$2,517,512	\$8,173,561
9% Tax Credits	\$11,245,015	\$0	\$0	\$11,245,015
Housing Commission	\$1,990,606	\$0	\$0	\$1,990,606
AHP	\$485,000	\$0	\$0	\$485,000
Deferred Dev. Fee	\$485,000	\$0	\$0	\$485,000
Private Financing Redevelopment Agency (Original Grant)	\$0	\$600,000	\$0	\$600,000
Redevelopment Agency (1st Impl. Agr.)	\$1,164,365	\$0	\$2,835,635	\$4,000,000
	\$1,200,000	\$0	\$0	\$1,200,000
Total Project Sources	19,526,035	3,300,000	5,353,147	28,179,182
USES:				
Land/Acquisition	\$2,286,014	\$1,064,000	\$1,454,625	\$4,804,639
Design and Engineering	\$729,446	\$128,000	\$168,000	\$1,025,446
Legal/Financial/Other	\$273,525	\$10,000	\$134,000	\$417,525
Permits/Fees	\$921,747	\$77,000	\$140,000	\$1,138,747
Direct Construction	\$11,028,412	\$1,559,000	\$2,397,666	\$14,985,078
Contractor Fees	\$1,350,302	\$169,000	\$0	\$1,519,302
Financing & Other Soft Costs	\$1,109,271	\$243,000	\$204,000	\$1,556,271
Marketing/Models/Office	\$50,000	\$0	\$42,000	\$92,000
Developer Fees	\$1,185,000	\$0	\$478,100	\$1,663,100
Contingency	\$592,318	\$50,000	\$334,756	\$977,074
Total Project Uses	\$19,526,035	3,300,000	5,353,147	28,179,182

Source: Carter Reese and Associates, San Diego Interfaith Housing Foundation and Redevelopment Agency

FIRST IMPLEMENTATION AGREEMENT
WITH RENAISSANCE SENIOR HOUSING PARTNERS, L.P.
FOR THE RENAISSANCE AT NORTH PARK PROJECT

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