



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: June 1, 2005 REPORT NO. RA-05-15

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of June 7, 2005

SUBJECT: Amendment to Affordable Housing Notice of Funding Availability
(NOFA) Consultant Services Agreements

SUMMARY:

Issue - Should the Redevelopment Agency Authorize the Executive Director to amend the existing consultant agreements with CSG Advisors, Economics Research Associates, and Keyser Marston Associates, Inc. by providing a one year extension for the continuation of economic analysis on Affordable Housing Program (NOFA) Projects?

Executive Director Recommendation – That the Redevelopment Agency Authorize the Executive Director to amend the existing consultant agreements with CSG Advisors, Economics Research Associates, and Keyser Marston Associates, Inc. by providing a one year extension for the continuation of economic analysis on Affordable Housing Program (NOFA) Projects.

Fiscal Impact – Funding in the amount of \$250,000 is available for anticipated NOFA pre-development costs within the Redevelopment Agency Budget for its Low and Moderate Income Housing Fund (LMIHF). Expenses for economic consultant services in the amount of \$250,000 were previously authorized by the Redevelopment Agency two years (R-03638 of June 10, 2003). Funds are to be expended on a project-by-project basis. Expenditure of funds for consultant services on proposals that do not ultimately receive NOFA funding would be limited to a total of \$30,000 per proposed project.

Environmental Impact – This activity is not a “project” and therefore is exempt from the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, Section 15060 (c)(3).

BACKGROUND:

On August 6, 2002 (“Housing Day”), San Diego City Council declared a housing state of emergency in the City in response to the serious shortage of affordable housing. Among other actions that day, City Council adopted the recommendation of the Comprehensive Affordable Housing Collaborative (comprised of the City's Redevelopment Division, Centre City Development Corporation (CCDC), Southeastern Economic Development Corporation (SEDC) and the San Diego Housing Commission) to leverage Redevelopment Agency low- and moderate-income housing set-aside funds of up to \$55 million in available financing to assist in the creation of new affordable housing units citywide. The Council authorized the release of the Notice of Funding Availability (NOFA) January 28, 2003, as a means to solicit and evaluate proposals from the private sector and housing advocates for construction of the desired affordable units. The Agency also approved the issuance of a Request for Proposals (RFP) for the selection of financial advisors to assist in the review and evaluation of the anticipated affordable housing proposals.

In April and May of 2003, the Affordable Housing Collaborative received and evaluated seven proposals after soliciting responses to the RFP from over 40 economic and financial consultant firms located throughout San Diego and California. In addition, advertisements were placed in several local newspapers as well as on the Agency website.

On June 10, 2003 the Agency authorized entry into agreements with three specialized and experienced firms: CSG Advisors, Economics Research Associates, and Keyser Marston Associates, Inc. These firms showed solid financial analysis capability, background in affordable housing projects and familiarity with the local market.

On October 21, 2004 the Agency and City Council made Findings of Benefit for the use of low and moderate income housing funds (LMIHF) for consultant costs incurred prior to approval of project funding by the Agency. Also, Findings of Benefit were made October 21, 2005 to allow for the expenditure of Agency low/mod funds for consultant costs incurred prior to project approval.

DISCUSSION:

To date, a total of 18 affordable housing projects, with a total of 1,488 affordable units, have either been approved or are currently under review by the Redevelopment Agency. These 18 projects have requested approximately \$100.16 million in subsidy from the Redevelopment Agency, nearly double the initial NOFA offering. Specifically, 6 projects with 456 affordable units have already been approved by the Redevelopment Agency and have received \$25.81 million in Agency subsidy. An additional 12 projects, which include approximately 1,032 affordable units, requesting \$74.35 million in NOFA funding are currently under review. A second NOFA commitment during calendar year 2005 would enable the Agency to provide funding for potential projects currently under review after the first \$55 million is expended.

Due to the strong and on-going response to the 2003 NOFA, it is recommended that the consultant contracts with CSG Advisors, Economics Research Associates, and Keyser Marston Associates, Inc., be extended for an additional year. This will ensure continuity on projects already underway and enable new affordable housing units to be constructed as quickly as possible. An amount not to exceed \$250,000 is estimated to be sufficient for this extension.

In order to come to fruition, affordable housing projects inherently involve complicated deal structures and multiple funding sources. Each of the three firms currently under contract has

already made essential contributions to the Program by analyzing financial data provided by developers in their requests for funding and by advising Collaborative staff on how to maximize the use of available NOFA funds. Individual projects will still be presented to the Redevelopment Agency for the required review and approval on a case-by-case basis before receiving actual project funding.

CONCLUSION

To maximize the use of limited housing set-aside funds and to move projects forward quickly and with continuity, it is recommended that the current agreements with specialized economic consultants be extended for one year and an additional \$250,000 in expenses authorized, to be allocated on a project-by-project basis.

ALTERNATIVE

Do not extend the Affordable Housing Program NOFA economic consultant agreements.

Respectfully submitted,

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DFP/cm