



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: February 27, 2008

REPORT NO.: RA-08-03
RTC-08-23

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of March 4, 2008

SUBJECT: Disposition and Development Agreement (DDA) and Associated Actions for
El Pedregal Family Apartments Project

REQUESTED ACTION:

- 1) That the Redevelopment Agency terminate the El Pedregal Owner Participation Agreement (OPA) dated July 10, 2007; and
- 2) That the Agency and City Council certify the environmental review for the proposed actions; and
- 3) That the Agency approve the Basic Concept Drawings; and
- 4) That the City Council recommend Agency approval and the Agency approve authorizing execution of a Disposition and Development Agreement (DDA) with SYEP Associates for the El Pedregal Family Apartments Project; and
- 5) That the City Council and Agency approve Findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 6) That the Agency authorize the expenditure of \$3,606,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for possible land acquisition and as a residual receipts loan contribution to the project; and
- 7) That the Agency authorize the Executive Director of Designee to make contingent offers for acquisition of properties for the El Pedregal Family Apartments Project.

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

- 1) Terminate the El Pedregal Owner Participation Agreement (OPA) dated July 10, 2007; and
- 2) State for the record that the final Mitigated Negative Declaration (No. 106926) has been reviewed and considered prior to approving the project; and
- 3) Approve the Basic Concept Drawings; and

- 4) Authorize the Executive Director or designee to execute a Disposition and Development Agreement (DDA) with SYEP Associates for the El Pedregal Family Apartments Project; and
- 5) Approve findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 6) Authorize the expenditure of funds for the El Pedregal Family Apartments Project in an amount not to exceed \$3,606,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for possible land acquisition and as a Redevelopment Agency residual receipts loan contribution to the project from the following direct sources: 1) \$3,206,000 from Naval Training Center Housing Line of Credit funds and 2) \$400,000 from San Ysidro Project Area.
- 7) That the Agency authorize the Executive Director of Designee to make contingent offers for acquisition of properties for the El Pedregal Family Apartments Project.

STAFF RECOMMENDATION TO THE CITY COUNCIL:

- 1) Recommend to the Agency to terminate the El Pedregal Owner Participation Agreement (OPA) dated July 10, 2007; and
- 2) State for the record that the City has previously reviewed and considered information contained in the final Mitigated Negative Declaration (No. 106926) as it pertains to the project; and
- 3) Approve Findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 4) Recommend to the Agency approval of a Disposition and Development Agreement (DDA) with SYEP Associates for the El Pedregal Family Apartments Project.

SUMMARY:

On July 10, 2007, the Redevelopment Agency (the Agency) approved an Owner Participation Agreement (OPA) with SYEP Associates for the development of the El Pedregal Family Apartments Project, a 45-unit affordable housing development. The proposed actions under this item will allow for the termination of the aforementioned OPA (see Attachment 1 – Termination of OPA) and execution of a Disposition and Development Agreement (DDA), giving authorization for Agency acquisition of the necessary land for the development of El Pedregal, which is an option not legally available under the existing OPA. Although the Agency and City Council have reviewed and approved this project in a recent public hearing for the OPA, staff presents in this report all the previously reviewed material information for consideration in approval of a DDA.

The San Ysidro Redevelopment Plan (the Plan) was adopted in April 1996. The Plan identifies various redevelopment priorities including the creation of affordable housing units. San Ysidro's Third Five-Year Implementation Plan, adopted on August 8, 2006, identifies one goal and objective as the following: "Promote and enhance varied housing opportunities by improving the housing stock and expanding affordable housing opportunities which address community needs."

Global Premier Development, dba SYEP Associates, a California Limited Partnership, (the Developer) has submitted for funding assistance for the El Pedregal Family Apartments Project, a proposed 45-unit affordable housing development consisting of new rental apartments for very low to low income (30% to 60% AMI) families (the Project). The requested actions will allow

for the execution of a Disposition and Development Agreement (DDA) with SYEP Associates (see Attachment 2 – Disposition and Development Agreement) for the implementation of the Project. The DDA includes various conditions precedent to Agency funding including, but not limited to, Developer’s acquisition of other funding sources and compliance with the City’s Equal Opportunity Contracting program.

The Project is proposed to be developed on two adjacent parcels equaling 2.24 acres (97,574 SF) located at 104 Averil Road (the Project Site), within the San Ysidro Redevelopment Project Area (see Attachment 3 – Site Map). The Project Site is bounded by San Ysidro Boulevard, Averil Road, and Sunset Lane. Surrounding development includes primarily multi-family housing, single family housing, and commercial uses. The Project Site is vacant with no demolition required and is solely owned by one property owner. Subsequent to the approval of the OPA on July 10, 2007, the Developer was unable to secure site control as a result of unsuccessful negotiations with the property owner of the land targeted for redevelopment. A DDA is necessary to allow the Agency to directly negotiate with the property owner for land acquisition. There are no substantive differences between the previously approved OPA and the new DDA but for the Agency-acquisition alternative.

The Project design consists of two 2- and 3-story buildings with subterranean parking. The apartment buildings will include two-, three-, and four-bedroom units. The Gross Building Area is approximately 70,110-sf, with a total of 105 parking spaces, or approximately 2.0 spaces per unit. Amenities will include recreation/play facilities, computer room, multipurpose center, educational programs, and picnic area (see Attachment 4 – Site Plan and Attachment 5 – Basic Concept Drawings). Universal Design shall be implemented in the overall design of the Project.

Total project costs are \$19,923,000. Under the proposed DDA, the cost to the Agency will remain not to exceed \$3,606,000, as previously approved under the OPA. In addition to other sources of funds, the Developer plans to submit an application to the State’s Tax Credit Allocation Committee (TCAC) for 1st Round (March) 2008 tax credits. The following subsections describe the Project in more detail.

Development Team

| Role | Firm/Contact | Ownership |
|---|---|---|
| Managing General Partner | Las Palmas Foundation Contact: Joseph Michaels | Nonprofit Board of Directors – 501(C) 3 Corporation |
| Administrative General Partner | Global Premier Development Contact: Wayne Deitz | Andrew Hanna (privately owned) |
| Limited Partner | United Community, Inc. Contact: Susan Han | Lance Kerness Susan Han |
| Limited Partner/ Tax Credit Equity Investor | Sun America AIG Contact: Neil Socquet | Public Corporation |
| Construction | Cornerstone Building Group Contact: Mike Najera | Managing Principals: Mike Najera/Rick Osgood |
| Architect | Maple Dell & McClelland Architect, LLP Contact: Rick Montoya | John M. Maple Richard E. Dell James P. McClelland |
| Property Mangement | Buckingham Property Management Contact: Paul Chubick | Managing Principal: Paul Chubick |

Residential Project Summary

| Project Summary | |
|-------------------------------------|---|
| Type of Housing | Multifamily Apartments - Rental |
| Land Area | 2.24 Acres (97,574 SF) |
| Gross Building Area (GBA) | 70,110 SF (excluding parking) |
| Total Number of Units | 45 (44 affordable, one 2BR Manager's Unit) |
| Project Density | 21 units/acre (with density bonus) |
| Density of Surrounding Development | 14 units/acre |
| Number of Affordable Units/Bedrooms | 20 3-bedroom 24 4-bedroom 44 Units / 156 Bedrooms |
| Income Restrictions | 5 @ 30% AMI 5 @ 40% AMI 22 @ 50% AMI 12 @ 60% AMI 44 @ 30% to 60% AMI |
| Site Control | Pending negotiations with property owner. |
| Site Clean-up / Remediation Issues | N/A – Phase I and II Analyses showed no significant issues. |
| Relocation Issues | N/A |
| Number of Demolished Dwelling Units | 1 |
| Affordability of Demolished Units | N/A |

Affordable Unit Summary for 44 Income-Restricted Units

| Number of Bedrooms | Residential Income Level | Number of Units | Monthly Rent Level |
|---------------------------|---------------------------------|------------------------|---------------------------|
| 3 Bedrooms | 30% AMI | 2 | \$500 |
| 3 Bedrooms | 40% AMI | 2 | \$680 |
| 3 Bedrooms | 50% AMI | 10 | \$861 |
| 3 Bedrooms | 60% AMI | 6 | \$1,041 |
| Total/Average | 50% AMI | 20 | \$861 |
| 4 Bedrooms | 30% AMI | 3 | \$549 |
| 4 Bedrooms | 40% AMI | 3 | \$750 |
| 4 Bedrooms | 50% AMI | 12 | \$951 |
| 4 Bedrooms | 60% AMI | 6 | \$1,153 |
| Total/Average | 50% AMI | 24 | \$926 |

Entitlements

The Project is consistent with the San Ysidro Community Plan and applicable zoning. The Project underwent design/plan review through the City's Development Services Department. Following a *Process 3* review of the Project, a discretionary hearing for a Site Development Permit, including CEQA certification, was approved by a Hearing Officer on June 13, 2007.

Property Acquisition / Site Control

The Project Site is solely owned by one property owner and there are no relocation issues associated with the land. A Purchase and Sale Agreement entered into between the Developer and the property owner of the Project Site has expired. As a result, the Developer no longer has site control, which is a requirement to submit an application to TCAC for March tax credits. For purposes of qualifying for tax credits, a DDA can serve as proof of site control because of the Agency’s legal authority to acquire and assemble the necessary land for project implementation, either through purchase negotiations or eminent domain authority.

Proposed Project Schedule

| Action | Timeline |
|---|--------------|
| Entitlements/CEQA | June 2007 |
| Agency DDA Approval | March 2008 |
| TCAC Application ¹ | March 2008 |
| Construction Start | October 2008 |
| Construction Completion | March 2010 |
| (1) Per the DDA, if March 2008 TCAC application unsuccessful, one additional application round shall be permitted, and timeline would change accordingly. | |

FISCAL CONSIDERATIONS:

Total project costs are approximately \$19,923,000 (see Attachment 6 – Project Budget). It is proposed that the Project be financed with a combination of affordable housing tax credits, private financing, and Agency financing.

The Project will seek 9% Affordable Housing Tax Credits from the California Tax Credit Allocation Committee (TCAC) during the next application cycle, with an application deadline of March 26, 2007. In order to meet the competitive eligibility requirements for TCAC financing, a project must demonstrate site control, or an approved DDA, evidence of full funding, and approval of entitlements. The Project meets TCAC’s competitive eligibility requirements. Per the DDA, if the March 2008 TCAC application is unsuccessful, one additional application round shall be permitted.

Private financing is proposed to be in the form of a construction loan and permanent loan. After the DDA hearing, other public financing shall be sought for the Project including Federal Home Loan Bank Affordable Housing Program (AHP) funds. In addition, the Developer has agreed to a Deferred Developer Fee of \$340,000, representing 24% of the total Developer Fee.

The proposed Agency financing for the Project is an amount not to exceed \$3,606,000 and would be in the form of a long-term (55-years at 3% annual interest) residual receipts loan to cover land acquisition and direct costs. Please note that the Developer is not requesting any additional financing assistance from what was originally authorized under the OPA. This amount represents a maximum subsidy of \$82,000 per affordable unit or \$23,000 per bedroom. If AHP funds are

acquired by the Developer, or other cost savings are realized for the Project, the DDA is written to ensure the Agency's subsidy be reduced by those amounts received from other sources and/or cost savings.

It is proposed that Agency funding be paid from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds, specifically from the following direct sources: 1) \$3,206,000 from Naval Training Center Housing Line of Credit funds and 2) \$400,000 from San Ysidro Project Area's existing fund. The draw-down of Agency funds will be initiated after the Developer successfully secures Tax Credits and construction financing, and is proposed as follows:

- First Disbursement: \$2,540,000 disbursed to pay for land acquisition costs.
- Second Disbursement: 50% of remaining proceeds at commencement of construction.
- Third Disbursement: 30% of remaining proceeds at 50% completion of construction.
- Fourth Disbursement: 10% of remaining proceeds at end of construction - Notice of Completion.
- Final Disbursement: 10% of remaining proceeds (Retention) disbursed at least 35 days after Project Completion and Acceptance.

The Project's pro forma has been re-analyzed by Agency staff and Keyser Marston Associates (KMA). Estimated costs, financing assumptions, and deal terms have been negotiated and are proposed in the DDA in accordance with the Agency's Affordable Housing Collaborative Program financing guidelines. Furthermore, in accordance with California Community Redevelopment Law (CCRL), a Re-Use Appraisal and 33433 financial analysis report has been prepared by KMA to determine and support the proposed Agency financial contribution to the project and the fair re-use value of the land. These reports are provided as Attachment 7 – Summary (33433) Report and Re-use Analysis.

FINDINGS OF BENEFIT

A proposed source for the Agency's funding contribution to the Project is Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds. Under CCRL, it is required that the governing body make findings of benefit for the use of tax increment outside a project area. Please see Attachment 8- Findings of Benefit for the proposed findings.

ENVIRONMENTAL IMPACTS:

A City Hearing Officer has previously reviewed and certified the information contained in the final Mitigated Negative Declaration (No. 106926, dated June 13, 2007) as it pertains to the Project (see Attachment 9 – Mitigated Negative Declaration). There are no significant environmental impacts associated with the Project.

PREVIOUS AGENCY and/or COUNCIL ACTIONS:

On July 25, 2006, the Agency approved the pooling of the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for the purpose of funding projects such as the El Pedregal Project. On October 17, 2006, the Agency approved an Exclusive Negotiation Agreement for the Project. On July 10, 2007, the Agency and Council approved an OPA with the Developer for the Project.

OTHER RECOMMENDATIONS:

On May 24, 2007, the Agency's Affordable Housing Collaborative Executive Loan Committee (ELC) voted 4-0 in favor of the Project's concept and proposed financing structure.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On October 17, 2006, January 16, 2007, and May 15, 2007, the Project was presented to the San Ysidro Planning and Development Group (SYPDG), at which times SYPDG voted in support of the Project's concept and proposed OPA. A verbal report will be given regarding the SYPDG's recommendation from its February 19, 2008 meeting. There is no Project Area Committee (PAC) in San Ysidro.

ALTERNATIVE:

Do not approve the proposed DDA and associated actions. This action would not enable the implementation of a valuable affordable housing project in the San Ysidro community.

Respectfully submitted,

Janice Weinrick
Deputy Executive Director
Redevelopment Agency/
Assistant Director
City Planning and Community Investment

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

- Attachments:
1. Termination of Owner Participation Agreement
 2. Disposition and Development Agreement
 3. Site Map
 4. Site Plan
 5. Basic Concept Drawings
 6. Project Budget
 7. Summary (33433) Report and Re-use Analysis
 8. Findings of Benefit
 9. Mitigated Negative Declaration