



THE CITY OF SAN DIEGO

## Redevelopment Agency's Report

DATE ISSUED: October 22, 2008

REPORT NO.: RA-08-22

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of October 28, 2008

SUBJECT: First Implementation Agreement to the Owner Participation Agreement and  
Associated Actions for the Boulevard Apartments Project in the North Park  
Redevelopment Project Area

### REQUESTED ACTION:

1. Authorize the Executive Director or designee to execute the First Implementation Agreement to the Owner Participation Agreement with 3137 El Cajon Boulevard, LP for the Boulevard Apartments project and to execute such further instruments and enter into such additional agreements as may be necessary to effectuate the First Implementation Agreement.

### STAFF RECOMMENDATIONS:

That the Redevelopment Agency approve the requested action.

### SUMMARY:

On October 17, 2007 the Redevelopment Agency ("Agency") entered into an Owner Participation Agreement ("OPA") with S.V.D.P Management, Inc. (SVDP) to provide financial assistance in the form of a residual receipts loan in an amount not to exceed \$2,400,000 for the construction of 24 apartments for very low-income (30%-40% AMI) families located on El Cajon Boulevard in North Park ("Project"). Construction of the Project is estimated to be completed by February 2009.

Subsequent to Agency approval of the OPA and the closing on the Agency loan, SVDP approached the Agency regarding amending the OPA so they may submit an application to the San Diego Housing Commission ("Housing Commission") under the Housing Commission's current Notice of Funding Availability for up to \$600,000 of gap financing in the form of a residual receipts loan. Under the OPA, the Agency's loan is reduced by any additional proceeds obtained for the project by SVDP. The proposed First Implementation Agreement maintains this requirement, but amends the budget to specifically reflect a \$600,000 Housing Commission loan without a reduction in the Agency subsidy. The percentage share of residual receipts is also amended to reflect the Housing Commission loan.

SVDP has also requested that the Agency amend the OPA to remove the 40% AMI rent restriction on the designated manager's unit. The Greater North Park Community Planning Committee recommended approval of the project with the condition that there is a 50-year agreement specifying SVDP as the manager and operator of the property. Restricting the income level of the manager unit may decrease the pool of qualified applicants for the manager position, which is inconsistent with the planning committees' desire to have the best onsite management possible.

**FISCAL CONSIDERATIONS:**

The Project is currently financed with a combination of low-income housing tax credits, state and federal loan programs (AHP and MHP), and Agency financing. Due in part to construction costs savings, the total Project cost was reduced from \$11,652,000 to \$10,868,049 in April 2008 and revised again in May 2008 to \$10,908,411 to reflect final construction costs. The Project's financing gap is covered through \$260,368 in cash equity and \$494,272 as a deferred developer fee from SVDP. The Project's updated pro forma has been analyzed by Agency staff and the Agency's financial consultant, Keyser Marston Associates.

**Proposed Revisions to Project Budget**

	ORIGINAL BUDGET	April 8, 2008 BUDGET	May 5, 2008 BUDGET	PROPOSED BUDGET
<b>SOURCES:</b>				
<b>Construction Sources:</b>				
Construction Bond	\$ 5,800,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
AHP	360,000	360,000	360,000	360,000
Agency Residual Receipts Loan	2,400,000	2,400,000	2,400,000	2,400,000
SD Housing Commission Loan	-	-	-	<b>600,000</b>
Grants - HUD SuperNOFA	400,000	400,000	400,000	400,000
Tax Credit Equity	1,482,000	37,394	37,394	37,394
Land Equity	1,210,000	1,210,000	1,210,000	1,210,000
	<b>\$ 11,652,000</b>	<b>\$ 10,407,394</b>	<b>\$ 10,407,394</b>	<b>\$ 11,007,394</b>
<b>PERMANENT SOURCES:</b>				
MHP	\$ 2,082,000	\$ 2,081,535	\$ 2,081,535	\$ 2,081,535
AHP	360,000	360,000	360,000	360,000
Agency Residual Receipts Loan	2,400,000	2,400,000	2,400,000	2,400,000
SD Housing Commission Loan	-	-	-	<b>600,000</b>
Grants - HUD SuperNOFA	400,000	400,000	400,000	400,000
Deferred Developer Fees	494,272	494,272	<b>494,272</b>	<b>154,640</b>
Tax Credit Equity	4,057,000	3,739,421	3,702,236	3,702,236
Cash Equity	648,728	182,821	<b>260,368</b>	<b>0</b>
Land Equity	1,210,000	1,210,000	1,210,000	1,210,000
	<b>\$ 11,652,000</b>	<b>\$ 10,868,049</b>	<b>\$ 10,908,411</b>	<b>\$ 10,908,411</b>
<b>USES:</b>				
Land:	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000
Direct Costs:	7,324,000	6,517,374	6,640,911	6,640,911
Indirect Costs:	2,311,000	2,330,507	2,354,971	2,354,971
Financing Costs:	807,000	810,167	702,529	702,529
	<b>\$ 11,652,000</b>	<b>\$ 10,868,048</b>	<b>\$ 10,908,411</b>	<b>\$ 10,908,411</b>

The proposed Housing Commission loan will reduce the cash equity to \$0 and the deferred developer fee to \$154,640. According to the Agency’s financial consultant, this is a reasonable level of contribution for an affordable housing project of this size. In addition, SVDP has also donated land to the project, making the overall developer contribution greater than other similar projects. SVDP had previously committed to contributing the extraordinary level of equity to make this development occur, while hoping to find another source of funds to replace some of their equity, thereby providing them with greater funds to deploy on future projects.

Under the OPA, any project cost savings reduce the Agency loan. Under the First Implementation Agreement, costs savings are proposed to be split prorata with the Housing Commission based on the respective loan amounts. 80% of any project costs savings would reduce the Agency loan and 20% of the savings would reduce the Housing Commission loan.

The Agency share of residual receipts for loan repayment are proposed to be split by the same proportion. SVDP also has a loan commitment from the State of California under the Multifamily Housing Program (MHP). MHP will retain a 20% share of the residual receipts as required under state regulations.

**Proposed Distribution of Total Residual Receipts**

	Existing OPA Distribution		Proposed Distribution	
	Years 1-30	Years 31-55	Years 1-30	Years 31-55
Developer	50%	20%	30%	0%
Redevelopment Agency	50%	80%	40%	64%
State Multifamily Housing Program			20%	20%
San Diego Housing Commission			10%	16%

The Housing Commission loan would be secured through a trust deed which would be junior to the Agency’s trust deed. The MHP trust deed is senior to the Agency and Housing Commission trust deeds, consistent with state funding requirements.

The Agency’s per unit subsidy is \$104,349. The proposed combined Agency and Housing Commission subsidy of \$130,435 per unit (\$65,217 per bedroom) is consistent with other similar projects. SVDP is leveraging a number of other financing sources and a deferred developer fee to cover the remaining project costs and is contributing land. The project will provide housing opportunities for very low-income families.

**PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:**

On July 24, 2007, the City Council adopted a resolution approving the issuance of preliminary bonds by the Housing Authority for the purpose of financing the construction of the Boulevard Apartments. On October 9, 2007 the City Council adopted a resolution recommending that the Redevelopment Agency enter into the Owner Participation Agreement for the Project.

**COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:**

On May 13, 2008 the North Park Redevelopment Project Area Committee (PAC) voted 10-2-0 recommending that the Redevelopment Agency Board permit S.V.D.P. Management, Inc. to obtain a loan of up to \$600,000 from the Housing Commission without a reduction in the Redevelopment Agency subsidy. On August 12, 2008 the PAC voted 8-1-0 recommending that

the income restriction of the manager's unit be removed. On September 9, 2008 the PAC voted 9-0-0 to share project savings with the Housing Commission based on the loan amounts.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The Project is expected to provide significant community enhancement and valuable affordable housing for the North Park community. The addition of financing from the Housing Commission will allow SVDP to commit more funds towards providing services on site to the residents and to develop additional affordable housing.

Respectfully submitted,

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Janice Weinrick  
Deputy Executive Director,  
Redevelopment Agency

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Approved: William Anderson  
Assistant Executive Director,  
Redevelopment Agency

Attachment: 1. First Implementation Agreement to the Owner Participation Agreement