



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 29, 2009

REPORT NO.: RA-09-05
RTC-09-018

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of May 5, 2009

SUBJECT: Second Implementation Agreement to the Disposition and Development
Agreement with Vietnam Veterans of San Diego for the Veterans Village
Project and Kurtz Street Vacation.

REFERENCE: Staff Report Nos. RA-07-05, RTC-07-004, RA-03-27, and CMR-03-175

REQUESTED ACTION:

For the Agency:

1. Approval of a Second Implementation Agreement to the Disposition and Development Agreement between the Redevelopment Agency and the Vietnam Veterans of San Diego for the implementation of Phase Three of Veterans Village;
2. Authorization for the Executive Director, or designee, to execute the Second Implementation Agreement, for and on behalf of the Agency, and to administer the Second Implementation Agreement;
3. Amend the budget of the North Bay Redevelopment Project Area to include the receipt of \$1,250,000 from the CalFHA Loan program for Phase Three of the Veterans Village;
4. Authorization for the Comptroller to expend up to \$1,250,000 from CalHFA HELP Loan Program funds for Phase Three of Veterans Village;
5. Authorization for the Comptroller to appropriate and expend up to \$863,000 in North Bay tax increment funds for Phase Three of Veterans Village;
6. Approval of the Summary Report (§ 33433 Report) pertaining to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
7. Making of certain findings and determination with respect to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
8. Approval of the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village; and
9. Approval of the Basic Concept Drawings for Phase Three of Veterans Village.

For the Council:

1. Approval of a Second Implementation Agreement to the Disposition and Development Agreement between the Redevelopment Agency and the Vietnam Veterans of San Diego, for Veterans Village;
2. Approval of the Summary Report (§ 33433 Report) pertaining to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
3. Making of certain findings and determination with respect to the Sale of the Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
4. Approval of the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village; and
5. Approval of the vacation of the Kurtz Street public right-of-way between Witherby Street and Coutts Street (previous Council approval expired September 2, 2006).

STAFF RECOMMENDATIONS:

For the Agency:

1. Approve of a Second Implementation Agreement to the Disposition and Development Agreement between the Redevelopment Agency and the Vietnam Veterans of San Diego for the implementation of Phase Three of Veterans Village;
2. Authorization for the Executive Director, or designee, to execute the Second Implementation Agreement, for and on behalf of the Agency, and to administer the Agency's obligations, responsibilities, and duties to be performed under the Second Implementation Agreement;
3. Amend the budget of the North Bay Redevelopment Project Area to include the receipt of \$1,250,000 from the CalFHA Loan program for Phase Three of the Veterans Village
4. Authorization for the Comptroller to expend up to \$1,250,000 from CalHFA HELP Loan Program funds for Phase Three of Veterans Village;
5. Authorization for the Comptroller to appropriate and expend up to \$863,000 in North Bay tax increment funds for Phase Three of Veterans Village;
6. Approval of the Summary Report (§ 33433 Report) pertaining to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
7. Make certain findings and determination with respect to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
8. Approve the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village; and
9. Approval of the Basic Concept Drawings for Phase Three of Veterans Village.

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2. Approval of the Summary Report (§ 33433 Report) pertaining to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village.
3. Make certain findings and determination with respect to the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village;
4. Approval of the Sale of Real Property owned by the Redevelopment Agency for the implementation of Phase Three of Veterans Village; and
5. Approval of the vacation of the Kurtz Street public right-of-way between Witherby Street and Coutts Street (previous Council approval expired September 2, 2006).

SUMMARY:

On September 2, 2003, the Redevelopment Agency (the Agency) entered into a Disposition and Development Agreement (the DDA) with Vietnam Veterans of San Diego (VVSD), a 501(c) (3) nonprofit corporation, for the development of a multi-phase drug and alcohol residential treatment facility for homeless veterans in the North Bay Redevelopment Project Area. The Veterans Village is a joint effort between Federal, State, and local agencies, including the Agency and the San Diego Housing Commission (SDHC). The project site, located at 4141 Pacific Highway, is comprised of approximately five acres bounded by Witherby Street, Pacific Highway, Coutts Street and the railroad tracks east of Kurtz Street. A vicinity and site map is herein included as Attachment 1. Aerial pictures of the project site and surrounding area are herein included as Attachment 2. Phase I and II of Veterans Village are either completed or under construction. The purpose of the requested actions is to facilitate the implementation of the final phase, Phase Three, of the Veterans Village (Phase III).

Veterans Village

The Veterans Village is to be developed in three phases, and will consist of a total of 81,841 SF of building space, 16,100 SF of common area, and 125 surface parking spaces. The table below illustrates the phasing of Veterans Village. A more detailed Phasing Summary and Site Plan for Veterans Village is herein included as Attachment 3.

Phase	Scope of Development	Schedule
Phase I	10,030 SF of space for 112 transitional housing beds; 10,586 SF counseling center; and 5,424 SF kitchen/dining hall.	Completed in July 2006
Phase II	10,030 SF of space for 112 Transitional Housing Beds; 12,848 SF to house admissions/employment center, out-patient care services, staff offices, and 11,500 SF central courtyard.	Currently under construction. Estimated to be completed in April 2009.
Phase III	21,833 SF Gross Building Area for 16 three-bedroom/three-bath units (96 beds); laundry space; recreation facilities; and 125 parking spaces.	Construction Estimate: Start in May 2009 Completion in November 2010

Phase III Summary

As proposed in the Second Implementation Agreement, Phase III of the Veterans Village is proposed to be a 16-unit apartment building that will house former homeless veterans that

qualify as low income residents at or below 50% and 60% of Area Median Income (AMI). The facility shall serve as transitional housing (for up to two years) for veterans that have graduated from treatment programs provided by Veterans Village, including substance abuse rehabilitation, education and training, and/or other related programs. Each resident will share a three-bedroom/three-bath unit, with up to two veterans per bedroom, and up to six veterans per unit. Each unit will include a kitchen, dining room, and living room space. A rendering of Phase III is herein included as Attachment 4.

It is anticipated that all eligible residents of Phase III shall have regular incomes from either stable employment, disability income, or a combination of both. Monthly rents for each unit shall not exceed 30% of a resident's gross monthly income. The total development cost for Phase III is estimated at \$7,595,000. Construction is anticipated to commence in May 2009, and be completed by October 2010.

Proposed Second Implementation Agreement

The proposed Second Implementation Agreement, herein included as Attachment 5, will commit the Agency to fund up to \$2,113,000 for Phase III of Veterans Village, convey approximately 1.34 acres of Agency-owned land, including a portion of the Kurtz street vacation, to VVSD at closing. The Agency's financial contribution shall be used for construction of improvements and payoff of an outstanding \$291,000 acquisition loan for the Serv Pac parcels purchased by VVSD in 2004 for Phase III. The proposed subsidy for Phase III amounts to approximately \$22,000 per bed. The Fair ReUse Appraisal and Summary (§ 33433) Report for Phase III of Veterans Village is herein included as Attachment 6.

Furthermore, the proposed Second Implementation Agreement will commit VVSD to contribute financially to Phase III of Veterans Village and to develop the project in a timely manner, with quality building material and superior workmanship.

Land Disposition and Special Findings – Phase III

The Phase III project footprint includes a total of 1.97 acres. Of the total acreage, approximately, 1.34-acres is owned by the Agency and approximately .63 acres is owned by VVSD. The project footprint also includes Kurtz Street, which is proposed to be vacated. Attachment 9 illustrates the current land ownership of every Phase III parcel. The Agency owned parcel (APN: 450-570-18-00) was acquired in July 2008, and is currently leased to VVSD and Sonabend (tailor shop), as prescribed in the First Implementation Agreement. The Agency-owned land shall be conveyed to VVSD at a fair re-use value and price of \$1.00 (one dollar), as specified in the attached Fair ReUse Appraisal and Summary (§ 33433) prepared for Phase III.

Furthermore, included with the conveyance of Agency-owned land to VVSD shall be the transfer of the Sonabend lease agreement dated August 21, 2008, and which expires on March 31, 2010. The owners of Sonabend have indicated that they will remain onsite until the lease expires. No relocation assistance is required for Sonabend.

Lastly, in accordance with California Community Redevelopment Law (CCRL), the Agency is required to make special findings regarding the sale of Agency-owned land. The following is a list of the required special findings to be made by the Agency:

- 1) The Agency finds and determines that the consideration to be paid by the Developer for the sale of the Properties as described in the Second Implementation Agreement is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the Second Implementation Agreement.
- 2) Agency finds and determines that the sale of the Property will assist in the elimination of blight in the North Bay Redevelopment Project Area, will provide housing for very low and low-income persons and is consistent with the Project Area Redevelopment Plan.

Project Budget – Phase III

The total development cost for Veterans Village Phase III is estimated at \$7,595,000. Attachment 10 provides a general description of each proposed funding source for Phase III. The following tables illustrate the proposed sources and uses for Phase III:

Uses:

Use	Amount
Direct Construction Costs	\$6,092,000
Indirect Costs	\$1,166,000
Financing Costs	\$46,000
Land Costs	\$291,000
Total Uses	\$7,595,000

Sources:

Seniority	Source of Financing	Amount
1 st Position	State of California EHAPCD Loan	\$1,000,000
2 nd Position	Cal HELP Loan – Agency Administered Funds	\$1,250,000
3 rd Position	San Diego Housing Commission	\$2,000,000
4 th Position	Redevelopment Agency – North Bay 20% funds	\$863,000
	Veterans Administration Grant	\$300,000
	San Diego County Grant	\$200,000
	Income from Sonabend Rent during Construction	\$57,000
	VVSD Equity Contribution	\$1,925,000
	Total Sources	\$7,595,000

Schedule – Phase III

Activity	Schedule
Secure Building Permits	May 2009
Closing: Financing and Conveyance	May 2009
Start Construction	May 2009
Construction Substantial Completed (60%)	December 2009
Construction Completion	November 2010

FISCAL CONSIDERATIONS:

The total project cost for Phase III of Veterans Village is estimated at \$7,595,000. Staff recommends that the Agency allocate up to \$2,113,000 for implementation of Phase III. Of the total amount, \$1,250,000 is proposed to be financed through the Cal FHA HELP Loan Program - State funds administered by the Agency. The State CalFHA HELP Loan Program was authorized by the Agency Board on May 2, 2006, Resolution R-04019. This loan agreement provides up to \$1,250,000 in loan funds for the development of affordable housing projects. This note will be payable in full with 3% interest on October 16, 2016 from the North Bay Project Area. The balance of \$863,000 is proposed to be funded with North Bay Project Area Affordable Housing 20% Set-Aside funds.

Agency assistance shall come in the form of a two-tiered loan. The initial \$1,250,000 Cal HELP loan will consist of a 65-year term at 3% simple interest that will be repaid from 50% of residual receipts. Upon repayment of the Cal HELP loan, the remaining Agency loan balance of \$863,000 shall be forgiven contingent upon VVSD operating the Veterans Village with the affordability restrictions for a minimum of 65 years. Throughout the term of the loans, VVSD shall retain 50% of residual receipts that will be used for operation of programs for Veterans Village.

In addition to the Agency's contribution, it is proposed that the San Diego Housing Commission (SDHC) contribute approximately \$2,000,000 in the form of a 65-year deferred loan. At the event of full repayment of the Cal HELP loan, SDHC shall begin to receive 50% of residual receipts for repayment of SDHC's loan. A separate Housing Authority staff report shall be prepared for SDHC's proposed participation in Phase III.

VVSD shall be responsible for the cost of developing the project, including any off-site and/or on-site improvements required by the City. If the total development costs exceed the estimated \$7,595,000 budget, VVSD shall be responsible for any cost overruns. Cost savings associated with the project shall reduce the financial contributions from the Agency, SDHC, and VVSD on a dollar-for-dollar basis.

PREVIOUS AGENCY and/or COUNCIL ACTION:

On September 2, 2003, the Redevelopment Agency approved a Disposition and Development Agreement with Vietnam Veterans of San Diego for the development of Veterans Village.

On September 2, 2003, the City Council certified that the Mitigated Negative Declaration, LDR No. 3787 (see Attachment 11), had been completed in compliance with the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). This project is adequately addressed in these documents, and there is no change in circumstance, additional information, or project changes to warrant additional environmental review. Since the prior environmental documents adequately cover this activity as part of the previously approved project, the activity is not a separate project for purposes of CEQA and NEPA.

On September 2, 2003, the City Council approved the Veterans Village project and related development entitlements. Conditional Use Permit No. 6194 (amendment to CUP No. 90-1127) was approved to allow the existing 87 bed residential care facility to expand under the framework of a three-phase campus type residential care facility, including 224 beds and 24

transitional apartment units totaling approximately 92,130 square feet of gross floor area. The project also included the street closure ("vacation") of portions of the public right-of-way at the Pacific Highway frontage road, and Kurtz Street between Witherby Street and Coutts Street

On February 27, 2007, the Redevelopment Agency approved the First Implementation Agreement to the Disposition and Development Agreement with Vietnam Veterans of San Diego for the development of Veterans Village.

VACATION OF KURTZ STREET PUBLIC RIGHT-OF-WAY:

As originally approved by the City Council, the Veterans Village project included the street closure ("vacation") of portions of the public right-of-way at the Pacific Highway frontage road, and Kurtz Street between Witherby Street and Coutts Street. The vacation of the Pacific Highway frontage road was completed during the Phase I construction for the new facility. Due to the land acquisition process for Phase III exceeding the 36 month approval timeframe on the vacation entitlement, the Kurtz Street vacation was not finalized and the previous Council approval expired on September 2, 2006.

The proposed vacation of Kurtz Street would include reconfiguration of the Witherby and Kurtz Street intersection to allow direct eastbound left-turns from Witherby Street to the Pacific Highway on-ramp, and southbound left-turns from the Pacific Highway off-ramp to Witherby Street (see Attachment 12). This proposed reconfiguration would better accommodate turning movements in the site vicinity, including streamlining access to northbound Pacific Highway from the Marine Corps Recruit Depot (MCRD), as traffic would not have to loop around the project site via Kurtz Street, as is the current condition. The proposed vacation will alter existing traffic circulation from MCRD's northern exit to southbound Barnett Avenue through the elimination of the Witherby to Kurtz Street loop described above (see Attachment 13). However, MCRD traffic will continue to have direct access to Barnett Avenue through an existing signalized exit at the western edge of the base. According to the approved traffic study, Average Daily Traffic (ADT) volumes along the segment of Kurtz Street to be vacated (lying between Witherby Street and Coutts Street) are low and the vacation of Kurtz Street would not significantly impact intersection or roadway segment operations. Please refer to Attachment 14 for an Ownership Disclosure which includes surrounding property owner information.

On October 8, 2008, the North Bay Community Planning Group (formerly Midway Community Planning Advisory Committee) voted 5-2-0 to approve the project, (see Attachment 15). The report from the Chairman noted that the two votes not in support of the street vacation represented an aversion to vacating City streets as a general policy, and did not represent a specific issue with the Kurtz Street vacation or the Veterans Village project.

KEY STAKEHOLDERS:

Development Team

Role	Firm/Contact	Ownership
Developer	Vietnam Veterans of San Diego Contact: Phil Landis	501 (c)(3) Nonprofit Eugene Auerbach, Chair Victor Bianchini, Vice Chair

Development Manager	The Trimble Company Contact: Kent Trimble	Kent Trimble
Architect	Fehlman Labarre Architects Contact: Mike Labarre	Mike Labarre

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

The North Bay Community Planning Group (formerly Midway Community Planning Advisory Committee) voted unanimously to recommend approval of the project on May 6, 2003, by a vote of 12-0-0. The Developer provided a project update with the proposed Kurtz Street Vacation to the North Bay Community Planning Group on October 8, 2008.

On June 4, 2008, Agency staff and VVSD presented the Phase III project proposal to the North Bay Project Area Committee (PAC). The North Bay PAC voted to recommend approval of the proposed Second Implementation Plan on March 4, 2009, by a vote of 11-0-0. One member recused himself.

Respectfully submitted,

Janice L. Weinrick
Deputy Executive Director,
Redevelopment Agency/
Assistant Director,
City Planning & Community Investment

Approved: William R. Anderson
Assistant Executive Director,
Redevelopment Agency/
Director,
City Planning & Community Investment

- Attachments:
1. Project Site and Vicinity Map
 2. Project Site Aerial Pictures
 3. Project Phasing Summary and Site Plan
 4. Phase III Visual Renderings
 5. Proposed Second Implementation Agreement
 6. Re-Use Appraisal and 33433 Reports by Keyser Marston Associates
 7. First Implementation Plan
 8. Disposition and Development Agreement
 9. Property Ownership Map
 10. Proposed Funding Sources
 11. Mitigated Negative Declaration LDR NO. 3787
 12. Aerial of the Kurtz Street Vacation
 13. Kurtz Street Vacation Exhibit
 14. Ownership Disclosure
 15. Midway Community Planning Advisory Committee Recommendation