



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 29, 2009

REPORT NO.: RA-09-08

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

SUBJECT: Owner Participation Agreement and Associated Actions for the North Park
Inn Project in the North Park Redevelopment Project Area

REQUESTED ACTIONS:

That the Redevelopment Agency:

1. Authorize the Executive Director or designee to execute the Replacement Housing Plan for the North Park Inn project.
2. Authorize the Executive Director or designee to execute the Owner Participation Agreement with Pathfinders of San Diego for the North Park Inn project.
3. Approve the Basic Concept Drawings submitted by Pathfinders of San Diego relating to the Owner Participation Agreement for the North Park Inn project.
4. Authorize the City Comptroller to expend up to \$2,000,000 of Housing Tax-Increment Funds from the North Park Redevelopment Project Area as a residual receipts loan to Pathfinders of San Diego for the North Park Inn project.

STAFF RECOMMENDATIONS:

That the Redevelopment Agency approve the requested actions.

SUMMARY:

The North Park Redevelopment Plan (the "Plan") was adopted on March 4, 1997. The Plan identifies various redevelopment priorities including the creation of affordable housing units. North Park's Third Five-Year Implementation Plan, adopted on July 17, 2007, identifies one of its specific goals and objectives as the following: "Create a diverse and balanced mix of new housing stock, including very low, low and moderate-income housing." The Plan also focuses on the development of affordable and market-rate housing along major transportation corridors.

Pathfinders of San Diego ("Pathfinders"), a non-profit organization that provides residential alcohol-recovery services for men, has submitted a request for funding assistance for the North Park Inn project (the "Project"), a proposed 18-unit affordable housing development, of which there will be 17 units affordable to extremely low, very low, and low income individuals and one manager's unit.

Pathfinders has operated in San Diego since 1950 and is the oldest organization of its kind in California. Pathfinders is funded in part through an operating subsidy from the federal Shelter Plus Care program to provide housing assistance to homeless alcoholics with a dual diagnosis of substance abuse and mental illness. This population is considered by health officials as one of the most under-served groups of homeless people in the nation.

For the past 13 years, Pathfinders has operated two Shelter Plus care sites, an eight-unit apartment complex in Southeastern San Diego and a 17-unit apartment building at 3047 University Avenue in North Park. The North Park location ended in June 30, 2008, when a long-term lease expired and the building owner sought redevelopment opportunities. The majority of the men that were at that location have temporarily relocated to other facilities in the city.

The proposed Project includes the acquisition and rehabilitation of the North Park Inn, located at 2621 and 2625 University Avenue. The current 27 unit motel includes two single structures on two approximately 5,200 sf lots, located on either side of an alley in the 2600 block of University Avenue in the North Park Redevelopment Project Area (Attachment 1– Site Map).

The building at 2621 University Avenue is a one story structure with wood framing and stucco siding. The building at 2625 University Avenue is two story structure that is a collection of three separate structures connected by means of a deteriorated wood deck walkway and a separate one story wood framed structure with stucco siding. The exteriors of the structures are in fair to good condition while the interiors are in poor condition. Current off-street parking consists of five automobile spaces including four standard spaces and one handicap space.

The property is considered a suitable replacement to Pathfinder's prior University Avenue site as it is close to Pathfinder's recovery homes located in South Park, it is on a major bus line, the individual units can be converted to studios and two-bedroom units with minimal renovations, it has onsite parking and laundry facilities, and it has rooms that are suitable for all types of group meetings that are necessary for the men's recovery process.

Pathfinders is under contract to purchase the property and has released non-refundable money to the property owner, Jitendrabhai Bhakta of North Park Land Corp. The contracted purchase price is \$1,750,000, based on an appraisal dated January 7, 2009. The requested actions are for the execution of an Owner Participation Agreement ("OPA") with Pathfinders (see Attachment 4 – OPA) to provide assistance with acquisition and rehabilitation of the site.

Major renovations of the interiors of both structures are proposed. The two story structure would be converted into permanent affordable housing space for the purpose of operating the Shelter Plus Care program, and the one story structure would be converted into corporate offices for Pathfinders (see Attachment 2 – Basic Concept Drawings). Green Building aspects will be incorporated into this project through the use of sustainable building products. Ceiling fans will be installed in each room to reduce energy costs.

The development requires the relocation of three extremely low-income individuals that have been staying at the inn on a semi-permanent basis. Pathfinders retained Overland Pacific & Cutler to prepare a relocation analysis and plan. Accordingly to the report the individuals may be entitled to up to \$2,760 in relocation assistance. Pathfinders will be responsible for ensuring that the relocation plan is administered according to California Redevelopment Law.

A replacement housing plan (see Attachment 5 – Replacement Housing Plan) has been prepared by the Agency for replacement of the three units that would be demolished as part of the project. The plan describes the measures that the Agency would take to ensure the production of replacement units available at an affordable housing cost to, and occupied by, persons at the same extremely low income level as those that would be displaced from the existing motel.

Under the plan, the units would be replaced with three of the newly rehabilitated units to be produced on site. Pursuant to California Redevelopment Law, the OPA will not be executed until a minimum of 30 days after the Agency Board adopts the Replacement Housing Plan.

Public notice has been given in the San Diego Daily Transcript of the availability of the draft Replacement Housing Plan for review and comment by the North Park Redevelopment Project Area Committee, other public agencies and the general public.

The estimated total development cost for the proposed project is \$4,050,000 (\$225,000 per unit for eighteen units) which includes predevelopment costs, acquisition of the property, substantial rehabilitation of the existing improvements, relocation of the three existing residents, and a developer fee (see Attachment 3 – Project Budget). Financing would be through a \$2,050,000 loan from the Housing Commission and a \$2,000,000 loan from the Agency.

Upon Project completion there would be 14 studio units and 4 one-bedroom units of permanent supportive housing. The Agency would record 55-year rent and occupancy restrictions against the property establishing affordability of four units to households with annual incomes of 30% or less of Area Median Income (“AMI”), eight units to households with incomes at 50% or less of AMI, and five units to households with incomes at 60% or less of AMI. Three of the one-bedroom units would have two beds in each. One one-bedroom unit reserved for occupancy by a resident manager would not be rent restricted.

Residential Project Summary

Total number of units/total sq. ft.	18 / 8,285 sq. ft.
Land area (number of sq. ft.)	10,211 sq. ft (0.23 acres)
Project density (in units/acre)	78.26 unit/acre
Density of adjacent blocks	N/A (single-family and commercial)
Number of low-mod units demolished	3

Affordable Unit Summary for 17 Low-Income Units

Bedrooms	Unit Size (sq. ft.)	Income Level	Units	Proposed Monthly Rent	Annual Household Income¹
studios	up to 250	30% AMI	4	\$261	\$16,600
		50% AMI	7	\$261	\$27,650
		60% AMI	3	\$261	\$33,180
1 Bedrooms	up to 400	50% AMI	1	\$457	\$27,650
		60% AMI	2	\$457	\$33,180

1. For one person

Pathfinder’s tenants would be provided with access to services tailored to their specific needs under the Shelter Plus Care operating agreement (\$126,708 annual HUD subsidy). Social-model recovery, which only requires a minimum of paid staff, costs a fraction of medically based programs. The average cost per-day for a Pathfinder’s resident is \$35, the average inpatient costs at a medical facility is \$265 per day. Because it is non-medical, Pathfinders does not accept insurance.

FISCAL CONSIDERATIONS:

The Project’s pro forma has been analyzed by Agency staff and the Agency’s financial consultant, Keyser Marston Associates. Estimated costs, financing assumptions, and deal terms have been negotiated and are proposed in the OPA in accordance with the Affordable Housing Collaborative Program financing guidelines.

Pathfinders proposes to finance the Project with a combination of the Housing Commission and Agency permanent financing, a \$50,000 Housing Commission Early Assistance Loan, and a \$175,000 predevelopment loan from the non-profit Corporation for Supportive Housing. The two predevelopment loans would be repaid from proceeds of the Agency and Housing Commission loans upon loan closing.

The Housing Commission and Agency loans would be in the form of 55-year permanent residual receipts loans with 3% interest accruing to maturity. A first position trust deed would be held by the Housing Commission and a second position trust deed would be held by the Agency. The Housing Commission and Agency would each receive 25 percent of the total amount of residual receipts of the project for repayment of the loans, and Pathfinders would retain 50 percent. Although the Agency loan would be junior to the Housing Commission financing, provisions have been made in the loan documents for the Agency and Housing Commission each to receive pro-rata shares of any funds recovered as a result of a foreclosure.

A permanent loan of up to \$2 million from the Agency would fund half of the acquisition costs and a portion of the costs to rehabilitate the two story structures. A portion of the Housing

Commission loan would fund rehabilitation of the corporate offices, as the Agency cannot use low- and moderate income housing set-aside funds to rehabilitate corporate offices. The total Agency financing is a maximum subsidy of \$117,647 per affordable unit or \$100,000 per bed.

The total estimated rehabilitation cost of \$1,722,899 (\$215 per square foot) includes a 24 percent contingency (\$406,940) to take into account the age of the complex and the likelihood of numerous concealed construction defects. Any contingency not used and any other cost savings, or financing from other sources, would be used to reduce the principals of the Housing Commission and Agency loans.

EQUAL OPPORTUNITY CONTRACTING:

The development agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

To support its Equal Opportunity Contracting commitment, the City has established voluntary participation levels. The goals for this contract are 20% Voluntary Subcontractor Participation Goal, 15% Voluntary Subconsultant Participation goal. Goals are achieved by contracting with any combination of Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Disadvantaged Business Enterprise (DBE), Disabled Veteran Business Enterprise (DVBE), or Other Business Enterprise (OBE) level. Attainment of the participation level is strongly encouraged but strictly voluntary.

Prior to award, a workforce report or an Equal Opportunity (EEO) Plan will be submitted to the Program Manager of the City of San Diego Equal Opportunity Contracting Program (EOCP) for approval. Staff will monitor the plan and adherence to the Nondiscrimination Ordinance.

ENVIRONMENTAL REVIEW:

This project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA guidelines Section 15301 (existing facilities).

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On October 21, 2008, the North Park Planning Committee voted 6-0-0 to endorse the program proposal and support project funding from the Agency and Housing Commission. On January 13, 2009 the North Park Redevelopment Project Area Committee voted 10-0-0 recommending that the Agency provide financial assistance for the project as presented by staff.

OTHER RECOMMENDATIONS:

On January 22, 2008 the Agency's Affordable Housing Collaborative Executive Loan Committee voted 4-0 recommending the \$2,000,000 Agency subsidy.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Role	Contact	Ownership
Developer	Stan Stanley, Executive Director	Pathfinders / a 501(c)(3) nonprofit corporation
Project Management	Mark Lukacs	Diamond One Construction
Financial Consultant	Jahi Akobundu	California Housing Partnership
Architect	Roger Basinger	BP Architects
Property Management	Stan Stanley, Executive Director	Pathfinders / a 501(c)(3) nonprofit corporation

The Project fulfills the objectives of the Redevelopment Plan by eliminating a blighting influence in the community and providing affordable housing along a major transportation corridor. This project is expected to provide significant community enhancement and much needed housing for the North Park community, as well as act as a catalyst for further improvements in the area.

Respectfully submitted,

Janice Weinrick
Deputy Executive Director
Redevelopment Agency

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency

- Attachments:
1. Site Map
 2. Basic Concept Drawings
 3. Project Budget
 4. Owner Participation Agreement
 5. Replacement Housing Plan