



THE CITY OF SAN DIEGO

DATE ISSUED: July 22, 2009

REPORT NO.: RA 09-23

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of July 28, 2009

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

REQUESTED ACTIONS:

That the Redevelopment Agency:

1. Approve the Owner Participation Agreement with Florida Street Housing Associates, LP. for the Florida Street Apartments project and authorize the Executive Director or designee to execute the Owner Participation Agreement and associated documents.
2. Approve the Basic Concept Drawings submitted by Community Housing Works relating to the Owner Participation Agreement for the Florida Street Apartments project.
3. Authorize the Chief Financial Officer to appropriate \$550,500 designated "Florida Street Apartments Project" through the transfer of \$550,500 from "North Park Low/Mod Unallocated Funds".
4. Authorize the Chief Financial Officer to appropriate \$3,249,500 designated "Florida Street Apartments Project" through the transfer of \$3,249,500 from "North Park Low/Mod Unallocated Funds" to be received from FY2010 through FY2011.
5. Authorize the Chief Financial Officer to expend Low- and Moderate Income Housing funds from the North Park Redevelopment Project Area not to exceed \$3,800,000 designated as the "Florida Street Apartments Project" as an advance loan of \$550,500 and a residual receipts loan of \$3,249,500 upon certification from the Comptroller that funds are available.

SUMMARY

Staff Recommendation - That Redevelopment Agency approves the requested actions.

Other Recommendations – None

Fiscal Impact – The amount of subsidy being requested is 3,800,000. Funds are available in the FY2010 s Low- and Moderate Income Housing Set Aside Fund and originate from the North Park Redevelopment Project Area.



Redevelopment Agency

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City Planning & Community Investment



PREVIOUS RECOMMENDATION/COMMENT

On September 13, 2007 the Agency's Affordable Housing Collaborative Executive Loan Committee voted 3-0 recommending the \$3,800,000 Agency subsidy. On December 9, 2008 the Housing Authority approved a \$4,900,000 loan from the Housing Commission for acquisition of the property and the Redevelopment Agency adopted a Replacement Housing Plan.

PROJECT BACKGROUND

The North Park Redevelopment Plan (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.

Community HousingWorks, a non-profit affordable housing developer, has submitted a request to the Redevelopment Agency for funding assistance in the name of Florida Street Housing Associates, L.P. for the Florida Street Apartments Project (Project), a proposed 83-unit affordable housing development, of which there will be 82 units affordable to, very low and low-income families and one market rate manager's unit. The requested actions are for the approval of an Owner Participation Agreement ("OPA") with Florida Street Housing Associates, L.P. (Attachment 4) and related actions for the implementation of the Project.

PROJECT DESCRIPTION

The Project is proposed to be developed on a 0.99-acre site (43,342 sq. ft.) located at 3783 to 3825 Florida Street, on the east side of Florida Street just south of University Avenue within the North Park Redevelopment Project Area (Attachment 1– Site Map). The Project site is less than one block south of public transportation access and retail services on University Avenue and within walking distance of a grocery store, a pharmacy, schools, and a recreation area.

Surrounding development includes multi-family residential development to the west and north. To the east of the Project site across an alley is the Alabama Manor senior housing facility that was also developed by Community HousingWorks with assistance from the San Diego Housing Commission. One block south of the Project site is the new 71-unit Arbor Terrace affordable rental housing development that was completed earlier this year. Because of the high demand for affordable rental housing in San Diego, Florida Street Apartments is not likely to experience significant market competition from Arbor Terrace.

The Project site was purchased by Community HousingWorks in the name of Florida Street Housing Associates, L.P. on February 27, 2009 with proceeds from a \$4,900,000 loan from the Housing Commission. The property seller previously obtained a development permit to construct 71 condominium rental units on the property. However, due to the recent downturn in the housing market, they opted instead to sell the property. The entitlements for the current 83-unit Project was approved the City's Hearing Officer on June 3, 2009.

The development of the Project requires the relocation of fifteen households and removal of eight existing structures from the site. The existing buildings are in substandard condition and do not have significant historical value. Community HousingWorks has requested an Agency advance loan prior to confirmation that the Project has received an allocation of nine-percent tax credits and construction financing, so that it may initiate relocation and building demolition as quickly as possible rather than manage them as rentals. Community HousingWorks is particularly concerned about lead paint risk as there are children occupying a few of the homes. Relocation assistance will be provided to current tenants at Community HousingWorks expense.

A \$550,500 advance loan would be funded after execution of the OPA to pay for up to \$300,000 in approved relocation costs, up to \$58,500 in approved relocation consultant fees, up to \$192,000 for demolition costs, and architectural and engineering fees. The demolition would be a benefit to the surrounding neighborhood and contribute to meeting the objectives of the North Park Redevelopment Plan. Under California Redevelopment Law, the relocation consultant would conduct tenant interviews and administer advisory services and monetary compensation to the displaced households.

The units demolished will be replaced pursuant to a Replacement Housing Plan adopted by the Redevelopment Agency on December 9, 2008. The plan has been administratively amended to reflect that the final design incorporates more one bedroom units and less two bedroom units. The total number of new units has not changed, the new units still exceed the number of units required to be replaced. If the units are not completed within four years due to a delay in obtaining tax credits, then Agency assisted units recently built on El Cajon Boulevard would be designated as replacement units.

The proposed construction for the new units would cost approximately \$18 million including architect fees, engineering fees, and a contingency. The scope of work includes subterranean parking, energy conservation systems, and the implementation of “green” building technologies such as on-site generation of electrical power utilizing photovoltaic panels, and water conservation measures (Attachment 2 – Basic Concept Drawings).

Upon Project completion there would be 24 one-bedroom units, 33 two-bedroom units, and 26 three-bedroom units. The Agency would record 55-year rent and occupancy restrictions against the property establishing affordability of 63 units to households with annual incomes of 50% or less of Area Median Income (AMI) and 19 units to households with incomes at 60% or less of Area Median Income. One two-bedroom unit reserved for occupancy by a resident manager would not be rent restricted.

Community HousingWorks would contract with a professional firm to provide day-to-day property management for the complex. The tenants would be provided with access to services tailored to their specific needs. The resident services staff would include a part-time services coordinator assigned to the property. Community HousingWorks enhances the lives of the residents of its facilities by offering training in economic self-sufficiency, first-time homebuyer skills, after-school tutoring for children, computer classes, and other educational activities.

DEVELOPMENT TEAM

ROLE	FIRM/CONTACT	OWNERSHIP
Managing General Partner	Community HousingWorks 4305 University Avenue Suite 550 San Diego, CA 92105	501 (c)(3) Non-Profit, Governed by Board of Directors
Limited Partner/Tax Credit Investor	To Be Determined	Limited Partner will be comprised of a limited partnership tax credit fund
General Contractor	To Be Determined	
Architect	MW Steele Group, Inc. 325 15 th Street, San Diego CA 92101 info@mwsteele.com	Mark Steele

General Project Information

APN #s	453-012-02 through 453-012-10 (inclusive)
Site Area (sq footage)	43,342 sq. ft.
Stories	four stories

Residential Project Summary

Type of housing	multi-family rental housing		
Total number of units/total sq. ft.	83 Units/78,250 sq. ft. (bldg. approximate)		
Total number of affordable units/bedrooms at rate of affordability	one-bedroom	two-bedroom	three- bedroom
30% AMI ¹	2	4	3
40% AMI ¹	4	5	4
50% AMI	12	16	13
60% AMI	6	7	6
82 Total	24	32	26
Total number of affordable units/bedrooms	One two-bedroom		
Land area (number of sq. ft.)	43,342 sq. ft.		
Project density (in units/acre)	83.47 units/acre		
Density of adjacent blocks	70-72 dwelling units/acre		
Number of units demolished	15 units (substandard condition)		

¹ Based on tax credit rents. Restricted under California Redevelopment Law to 50% of AMI

Affordable Housing Impact

Bedrooms	Unit Size (sq. ft.)	Income Level (Area Median)	Units	Restricted Rent¹	Utility Allowance
1 Bedroom	500	30% AMI ²	2	\$464	\$4
		40% AMI ²	4	\$619	
		50% AMI	12	\$748	
		60% AMI	6	\$898	
2 Bedrooms	750	30% AMI ²	4	\$557	\$5
		40% AMI ²	5	\$743	
		50% AMI	16	\$842	
		60% AMI	7	\$1,011	
3 Bedrooms	1,000	30% AMI ²	3	\$644	\$5
		40% AMI ²	4	\$859	
		50% AMI	13	\$936	
		60% AMI	6	\$1,123	
Total/Average	756	49% AMI		\$836	\$5

¹ Including Utility Allowance

² Based on tax credit rents. Restricted under California Redevelopment Law to 50% of AMI

Sources and Use of Funds

Sources of Funding		Use of Funding	
Housing Commission Loan	\$ 4,900,000	Acquisition	\$ 4,900,000
Agency Advance Loan	\$550,500	Demolition/Relocation	\$ 550,500
Agency Residual Receipts Loan	\$3,249,500	Permanent Financing	\$3,249,500
Institutional Loan	\$ 4,350,000	Permanent Financing	\$ 4,350,000
Tax Credit Equity	\$16,998,300	Permanent Financing	\$16,998,300
Total Financed	\$ 30,048,300		\$ 30,048,300
Ratio of Agency Funds to other Financing for the Project			12.65 %

Funding Request Ratios

Agency Subsidy Request	\$ 3,800,000
Housing Commission Subsidy Request	\$ 4,900,000
Number of Affordable Units Proposed	82
Number of Bedrooms:	166
Agency Subsidy per Unit Requested:	\$ 46,341
Agency Subsidy per Bedroom Requested:	\$ 22,892
Total Acquisition Cost (Land & Buildings):	\$ 4,900,000
Acquisition Cost/Unit:	\$ 59,756
Acquisition Cost/Bedroom:	\$ 29,518

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 and attachments in accordance with the Affordable Housing Collaborative Program financing guidelines.

Estimated total Project costs are \$30,048,300 (Attachment 3 – Project Budget). Community HousingWorks proposes to finance the Project with a combination of low-income housing tax credits, an institutional loan, and Housing Commission and Redevelopment Agency financing. Community HousingWorks has pledged to fund any remaining gap of the Project costs.

The \$550,500 Agency advance will be a three year permanent loan with 3% interest accruing to maturity. At the close of construction and tax credit financing, the loan will then become part of a \$3,800,000 residual receipts loan. Funds not to exceed \$3,800,000 are available in the North Park Redevelopment Project Area's low- and moderate income housing fund for the Project.

If Community HousingWorks cannot obtain tax credits within three years, they will have the option of paying the Agency advance and Housing Commission acquisition loans in full (outstanding principal and accrued interest) or deed the land to the Housing Commission in lieu of payment, in which case the Housing Commission will pay the Agency the outstanding principal portion of the advance loan (not including accrued interest). If the project is not constructed, 55 year affordability covenants will be recorded against the property to ensure the availability of low-income housing with annual incomes of 60% AMI or less.

ENVIRONMENTAL REVIEW

The Redevelopment Agency action is adequately addressed in the Mitigated Negative Declaration prepared for Arbor Crest North (Project No. 89239, dated June 20, 2006) adopted on July 13, 2006, by Planning Commission Resolution No. 4103-PC and there is no change in circumstance, additional information, or project changes to warrant additional environmental review. Therefore, the activity to approve the OPA and Associated Actions is not a separate project for purposes of CEQA review pursuant to State CEQA Guidelines Section §15060(c)(3).

EQUAL OPPORTUNITY CONTRACTING

This agreement is with a Non-Profit organization, and therefore exempt from Workforce Report analysis. This agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708). This agreement is subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

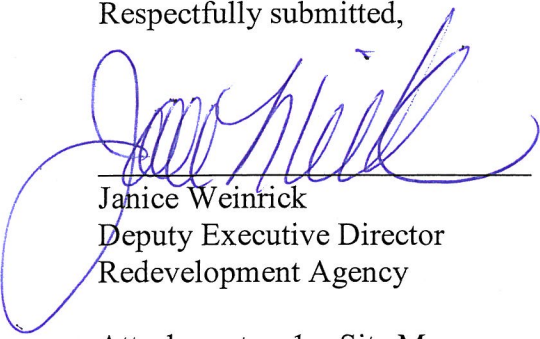
COMMUNITY COMMENT

On October 14, 2008, the North Park Redevelopment Project Area Committee voted 10-2-0 to recommend approval of the \$3,800,000 expenditure from the Housing Opportunity Fund for the Florida Street Apartments project. On October 21, 2008, the Greater North Park Community Planning Group voted 11-0-0 in favor of a recommendation to support Community HousingWork's application to the Housing Commission and Redevelopment Agency for acquisition and development of the Project.

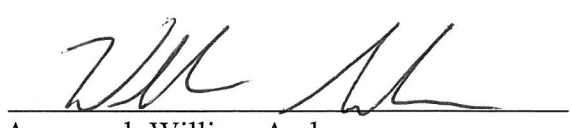
SUMMARY CONCLUSION

The Project fulfills the objectives of the Redevelopment Plan by replacing substandard housing and providing affordable housing in close proximity to a major transportation and mixed-use 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