



## THE CITY OF SAN DIEGO

DATE ISSUED: July 1, 2009

REPORT NO.: 09-24

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of July 7, 2009

SUBJECT: Owner Participation Agreement and Associated Actions for the Fairmount 26  
Affordable Housing Project in the City Heights Redevelopment Project Area

### REQUESTED ACTIONS:

That the Redevelopment Agency:

1. Approve the Replacement Housing Plan for the Fairmount 26 Project.
2. Approve the Owner Participation Agreement (OPA) and authorize the Executive Director or designee to execute the OPA with the Fairmount 26, L.P. (Developer) for the Fairmount 26 Project.
3. Authorize the City Comptroller to establish an appropriation in the amount of \$3,015,000 designated "Fairmount 26 Project" through the transfer of \$3,015,000 from "City Heights Lo/Mod Unallocated Funds".
4. Authorize the City Comptroller to expend City Heights Housing Line of Credit proceeds of up to \$3,015,000 "Fairmount 26 Project" as a residual receipts loan to Developer for the Fairmount 26 Project.
5. Amend the FY 2010 City Heights Redevelopment Project Area Budget (Capital Projects Fund) to include \$45,000 designated for "City Heights Unallocated Projects" and accept the Developer's payment of \$45,000 as a non-refundable contribution for costs pertaining to the Owner Participation Agreement.
6. Approve the Basic Concept Drawings submitted by the Developer relating to the Owner Participation Agreement for the Fairmount 26 Project.

### STAFF RECOMMENDATIONS:

That Redevelopment Agency approves the requested actions.

### SUMMARY:

The City Heights Redevelopment Plan (Plan) was adopted on May 11, 1992. The Plan identifies various redevelopment priorities including the creation of affordable housing units. City Heights Fourth Five-Year Implementation Plan, adopted on June 9, 2009, identifies one of its specific goals and objectives as the following: "Support the development of high-quality, transit-oriented, mixed-use commercial, residential, office and public use projects near transportation nodes and



### Redevelopment Agency

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City Planning & Community Investment



upgrade streetscapes to improve pedestrian access.” The Plan also focuses on the supporting the development of quality rental housing and supporting a range of family household incomes levels.

The Fairmount 26, L.P., a California limited partnership (Developer) have submitted a request to the Redevelopment Agency for funding assistance for the Fairmount 26 (Project), a proposed 26-unit affordable housing development, all of which will have restricted rents for 55 years at levels affordable to extremely low, very low and low income households. The requested actions are for the execution of an Owner Participation Agreement (“OPA”) with the Developer and related actions for the implementation of the Project.

The Project is proposed to be developed on a 0.71-acre site (31,000 sq. ft.) located at 3332-3406 Fairmount Avenue, in the South Castle neighborhood within the City Heights Redevelopment Project Area (Attachment 1– Site Map). The Project site is located in proximity to Clark Middle School, Florence Griffith Joyner Elementary School, public transportation and within walking distance of the award-winning Urban Village. The Urban Village includes the Weingart City Heights Library, the Mid-City Police Station, the Mid-City Community Services Center, the City Heights Recreation Center, the Mid-City Continuing Education Center, the Village Townhomes and Office Center and the City Heights Retail Center which includes a grocery, a pharmacy, restaurants and other goods and services retailers.

The Project site is owned by the City Heights Community Development Corporation. The development of the Project requires the relocation of two residential units and two commercial businesses. The Developer has commissioned relocation consultant Overland, Pacific and Cutler, Inc. to prepare a Relocation Plan. The Developer will be responsible to comply with all statutory requirements and provisions of the Relocation Plan. The relocation consultant would administer advisory services and monetary compensation to the displaced households and businesses.

The development of the Project requires the demolition of the two residential units and two commercial businesses. The housing units demolished will be replaced pursuant to a Replacement Housing Plan (Attachment 2). The Agency is responsible to prepare and adopt the Replacement Housing Plan before entering into the OPA that would lead to the destruction or removal of the two residential units.

The proposed Project would include 18 two-bedroom units, and 8 three-bedroom units. Approximately four percent (4%) would be Extremely Low Income Household units (1 two-bedroom unit), sixty-nine percent (69%) would be Very Low Income Household units (12 two-bedroom units and 6 three-bedroom units) and twenty-seven percent (27%) would be Low Income Household units (5 two-bedroom units and 2 three-bedroom unit). The 26 affordable units developed as part of the Project on the site would contain a total of 60 bedrooms and would be scheduled to be completed within 4 years after the demolition of the existing residential structures.

The OPA (Attachment 3) sets forth the obligations of the Developer and Agency to effectuate the Project. The Project will be mixed-use with 26 affordable residential apartment units, 1,295 SF of classroom space, and 4,100 SF of commercial/retail space, and 61 parking spaces. The scope of work includes platform parking and the implementation of “green” building technologies such as on-site generation of electrical power utilizing photovoltaic panels, and water conservation measures (Attachment 4 – Basic Concept Drawings). The proposed construction costs are approximately \$13,274,000 which includes architect fees, engineering fees, relocation, demolition and a contingency.

The City Heights Community Development Corporation (CHCDC) will enter into a long-term lease for the 4,100 SF commercial space at the rates included in the project pro forma to facilitate the permanent financing. The CHCDC proposes to operate a neighborhood serving storefront retail and an Economic Opportunity Center.

#### Residential Project Summary

Type of Housing:	Rental, Multiple-Family
Total Number of Affordable Units/Bedrooms:	26 units / 60 bedrooms
Projected Rental Rates:	\$491 to \$1,107 (2009 AMI)
Inclusionary Housing Ordinance Compliance	Satisfied through the Agency’s Agreement
Land Area (square feet)	30,710
Project Density (units/acre)	37 Units du/ac
Number of Extremely Low/ Very Low Units Demolished	2
Rent/Unit Price of Demolished Low/Mod Units	1 Studio Unit : \$595; 1 One-Bedroom Unit: \$715

#### Affordable Unit Summary

Bedrooms	Unit Size (sq. ft.)	Income Level	Units	Restricted Rent <sup>1</sup>	Utility Allowance
2 Bedrooms	880	CRL– 30% AMI	1	\$491	\$15
		HTC– 30% AMI	1	\$542	
		HTC – 40% AMI	2	\$728	
		CRL – 50% AMI	9	\$828	
		CRL – 60% AMI	5	\$996	
3 Bedrooms	1,040	HTC – 30% AMI	1	\$627	\$17
		HTC – 40% AMI	1	\$842	
		CRL – 50% AMI	4	\$919	
		CRL – 60% AMI	1	\$1,107	
		Manager – 60% AMI	1	\$0	
<b>Total/Average</b>	<b>929</b>	<b>49% AMI</b>	<b>26</b>	<b>\$824</b>	<b>\$16</b>

<sup>1</sup> Including Utility Allowance

Notes: CRL – Rent restricted per California Community Redevelopment Law

HTC – Rent restricted per Affordable Housing Tax Credit criteria

#### 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 Redevelopment Agency's Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines.

Estimated total Project costs are \$13,274,000 (Attachment 5 Project Budget). The Developer proposes to finance the Project with a combination of low-income housing tax credits, deferral of Owner's Developer Fee, Affordable Housing Program (AHP) funds, an institutional loan, solar tax credits and rebates and the Agency Loan. The Agency's loan of up to \$3,015,000 to be used only for the extremely low, very low and low income eligible uses. The Developer will be responsible to fund any remaining gap on the Project costs. Any additional proceeds awarded and received as well as any cost savings from the Project shall be paid to the Agency to further reduce the principal amount of the Agency loan.

The Agency subsidy will be in the form of a long-term (55 years) residual receipts loan. The proposed Agency financing for the Project is up to \$3,015,000 and represents a maximum subsidy of approximately \$116,000 per unit or approximately \$50,000 per bedroom. It is proposed that Agency funding be paid from the City Heights Housing Project Line of Credit.

#### ENVIRONMENTAL REVIEW:

The Project qualifies for the categorical exemption for infill development projects described in Section 15332 of the CEQA Guidelines.

#### EQUAL OPPORTUNITY CONTRACTING:

This 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).

#### OTHER ACTIONS:

The Agency's Affordable Housing Collaborative Executive Loan Committee will be considering the recommended up to \$3,015, 000 in Agency subsidy on June 25, 2009. Staff will be prepared to discuss their recommendation at the July 7, 2009 Agency Board meeting.

#### COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On April 13, 2009, the City Heights Redevelopment Project Area Committee voted 7-4-2 to make a recommendation to approve the project in concept subject to pending financial information. On June 8, 2009, the City Heights Redevelopment Project Area Committee voted 9-2-0 to recommend approval of the \$3,015,000 expenditure from the City Heights Housing Project Line of Credit for the Fairmount 26 project.



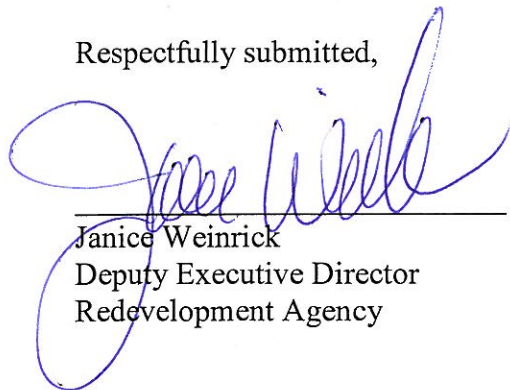
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

ROLE	FIRM/CONTACT	OWNERSHIP
Developer	City Heights Community Development Corporation 4283 El Cajon Blvd., Suite 220 San Diego, CA 92105	501 (c)(3) Non-Profit, Governed by Board of Directors
Developer	Chelsea Investment Corporation 5993 Avenida Encinas, Suite 101 Carlsbad, CA 92008	A California Corporation
Consultant/Development Project Management	Lucas Advisory Group, Inc 990 Highland Drive, Suite 110 Solana Beach, CA 92075	David Billings, President
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	
Relocation Consultant	Mr. Vince McCaw	Overland, Pacific, and Cutler, Inc.
Architect	Zagronik & Thomas Architects LLP 3956 30 <sup>th</sup> Street San Diego CA 92104	Scott Thomas


ALTERNATIVE:

Do not approved the Replacement Housing Plan and/or the Owner Participation Agreement .

Respectfully submitted,



Janice Weinrick  
Deputy Executive Director  
Redevelopment Agency



Approved: William Anderson  
Assistant Executive Director  
Redevelopment Agency

- Attachments:
1. Site Map
  2. Replacement Housing Plan for the Fairmount 26 Project
  3. Owner Participation Agreement (Fairmount 26 Project)
  4. Basic Concept Drawings
  5. Project Budget