



THE CITY OF SAN DIEGO

DATE ISSUED: March 10, 2010

REPORT NO.: RA-10-14

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of March 16, 2010

SUBJECT: First Implementation Agreement to the Owner Participation Agreement for
the Florida Street 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 Florida Street Housing Associates, L.P. for the Florida Street Apartments project and to execute such further instruments and enter into such additional agreements as may be necessary to effectuate the First Implementation Agreement.

SUMMARY:

Staff Recommendation - That the Redevelopment Agency approve the requested action.

Other Recommendations - None

Fiscal Impact - No fiscal impact with this action. This action does not alter the Agency's pre-existing and pre-authorized obligation to provide funding to the Florida Street Apartments Project via a residual receipts loan. The action enables the developer to obtain additional funding from the San Diego Housing Commission without changing the amount that can be loaned by the Agency

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On July 28, 2009 the Redevelopment Agency approved the Owner Participation Agreement with Florida Street Housing Associates L.P. for the Florida Street Apartments project including an Agency subsidy of \$3,800,000. On February 19, 2010 the Housing Commission Board will consider an increase in the Housing Commission's subsidy to the project from \$4,900,000 to \$7,387,000.



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Redevelopment Agency

1200 Third Avenue, Suite 1400, MS 56D • San Diego, CA 92101-4110

Tel (619) 236-6700 Fax (619) 533-3219

City Planning & Community Investment



PROJECT BACKGROUND:

On August 10, 2009 the Redevelopment Agency ("Agency") entered into an Owner Participation Agreement ("OPA") with Community HousingWorks to provide financial assistance in the form of an advanced loan (\$550,500) and a residual receipts loan (\$3,249,500) in a combined amount not to exceed \$3,800,000 for the construction of 82 apartments for very low and low-income (50%-60% Area Median Income) families located on Florida Street south of University Avenue in North Park ("Project"). In February, 2009, the Housing Commission provided a residual receipts loan of \$4,900,000 for purchase of the property.

Construction of the Project is contingent on an award of 9% low-income housing tax credits. Projects are awarded based on a tie-breaker score that reflects a ratio of the amount of tax credits being requested and the amount of the local government subsidy. Community HousingWorks applied for an award in 2009, but was unsuccessful. To be more competitive in the March 2010 round and increase the likelihood that the federal subsidy will be awarded to this project rather than competing projects located outside the city, the Housing Commission has recommended an increase in its residual receipts loan from \$4,900,000 to \$7,387,000.

Under the OPA, the Agency's loan is reduced by any additional proceeds obtained for the Project by Community HousingWorks. The proposed First Implementation Agreement maintains this requirement, but amends the budget to specifically reflect the \$2,487,000 increase in the Housing Commission loan without a reduction in the Agency subsidy (see Attachment 1). The Agency's percentage share of residual receipts and percentage share of any foreclosure proceeds is also reduced from 22% to 17% and from 43.7% to 34%, respectively, to reflect the increased Housing Commission participation.

The revised Housing Commission loan also includes a provision whereby the Housing Commission may purchase the property from Community HousingWorks after the 15-year tax compliance period expires. The First Implementation Agreement includes a requirement that either the principal and accrued interest of the Agency loan be paid in full prior to the Housing Commission exercising the option to purchase the property or that the Housing Commission agree to assume the Agency loan. The Agency affordability restrictions will remain senior to the Housing Commission deed of trust for the 55-year Agency compliance period and Community HousingWorks will remain as the property manager.

In November, 2009, the Agency disbursed an advance loan of \$550,500 for relocation and demolition. Demolition of the site is anticipated to be completed by March 2010. The remaining \$3,249,500 of the Agency loan includes \$2,924,550 to be disbursed proportionately with construction loan funding after Community HousingWorks obtains all of the financing and a retention of \$324,950 that will not be disbursed until after completion of the project.

FISCAL CONSIDERATIONS:

Under the OPA, any costs savings or foreclosure proceeds are distributed between the Agency and the Housing Commission on a proportional basis, 43.68% for the Agency and 56.32% to the Housing Commission based on the respective loan amounts. Under the First Implementation Agreement, the pro rata split is changed to 34% and 66%, respectively, to reflect the increased Housing Commission loan. In the event actual development costs are lower than the amounts

budgeted, the amount of the tax credit award will be reduced proportionately prior to any cost savings on the Agency and Housing Commission loans as the amount of the tax credit award is calculated based on the actual development costs. Community HousingWorks has committed to cover any cost overruns.

Once the Project is completed, the loans will be repaid through a pro rata share of half of the residual receipts from the Project. Under the First Implementation Agreement, the Agency share of the residual receipts is reduced from 22% to 17% to reflect the increased Housing Commission loan. The First Implementation Agreement includes a provision that if the Housing Commission assumes the Agency loan, future residual receipts shall be no less than 90% of the amount of residual receipts received by the Agency the year prior to the assumption of the loan.

The Agency's subsidy per rent-restricted unit is \$46,341. The proposed combined Agency and Housing Commission subsidy of \$136,427 per unit (\$67,392 per bedroom) is consistent with other similar projects. The project will provide housing opportunities for very low-income families.

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).

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.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

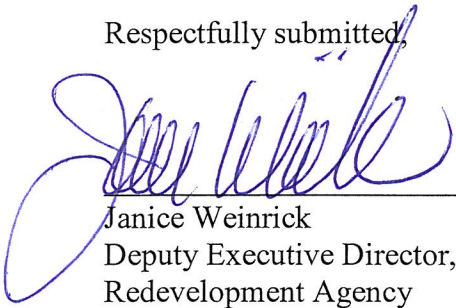
On October 14, 2008, the North Park Redevelopment Project Area Committee voted 10-2-0 to recommend approval of the \$3,800,000 expenditure from the Housing Opportunity Fund for the Florida Street Apartments project. On October 21, 2008, the Greater North Park Community Planning Group voted 11-0-0 in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

KEY STAKEHOLDERS AND PROJECTED IMPACTS:


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

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

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