

DATE ISSUED: March 9, 2005

REPORT NO. RA-05-07
CMR-05-046

ATTENTION: Chair and Members of the Redevelopment Agency
Honorable Mayor and City Council
Docket of March 15, 2005

SUBJECT: Disposition and Development Agreement and Associated Actions for the
Gateway I Family Apartments Project in the Barrio Logan Redevelopment
Project Area

SUMMARY

Issues – Should the City Council and Redevelopment Agency authorize the Executive Director to execute the Disposition and Development Agreement (DDA) with **Gateway I Housing Investors, L.P.** (Developer), and approve related actions for development of the Gateway I Family Apartment project in the Barrio Logan Redevelopment Project Area?

Manager/Executive Director's Recommendation –

For the Agency:

- 1) Certify that the information contained in LDR File No. 28813 has been completed in compliance with the California Environmental Quality Act and State CEQA Guidelines, and that said Addendum to Environmental Impact Report No 90-0133 reflects the independent judgment of the City of San Diego as Lead Agency. Stating for the record that the final Addendum has been reviewed and considered prior to approving the project. Adopting the Statement of Overriding Considerations. Adopting the Mitigation, Monitoring and Reporting Program.
- 2) Approve the Basic Concept Drawings.
- 3) Amend the Redevelopment Agency budget for the Barrio Logan Project Area and authorize the Executive Director or designee to accept and expend funds for the Gateway I Family Apartments project as follows: \$3,634,000 contribution from the Centre City Redevelopment Project low and moderate income housing set aside fund as Agency residual receipts loan contributions.
- 4) Authorize a finding of benefit for the use of housing set-aside funds outside the Centre City Redevelopment Project Area.

- 5) Authorize the Executive Director to execute a Disposition and Development Agreement with Gateway I Housing Investors, L.P. for the development and construction of the Gateway I Family Apartments project.
- 6) Authorize the Executive Director to make contingent offers for acquisition of properties for the Gateway I Family Apartments Project.

For the Council:

- 1) Certify that the information contained in LDR File No. 28813 has been completed in compliance with the California Environmental Quality Act and State CEQA Guidelines, and that said Addendum to Environmental Impact Report No 90-0133 reflects the independent judgment of the City of San Diego as Lead Agency. Stating for the record that the final Addendum has been reviewed and considered prior to approving the project. Adopting the Statement of Overriding Considerations. Adopting the Mitigation, Monitoring and Reporting Program.
- 2) Consent to the Redevelopment Agency entering into the Disposition and Development Agreement for the Gateway I Family Apartments project.
- 3) Authorize a finding of benefit for the use of housing set-aside funds outside the Centre City Redevelopment Project Area.

Other Recommendations –

The Barrio Logan Project Area Committee (PAC) voted on January 20, 2004 to recommend approval of the design concepts and the Redevelopment Agency support for the 42 unit affordable apartment project. Both the Affordable Housing Collaborative Review Team and the Executive Loan Committee voted to recommend a \$3,634,000 contribution to the project from the Centre City Redevelopment Project Area housing set-aside fund.

Fiscal Impact –

The Agency funding contribution to this project will be financed entirely by Centre City Redevelopment Project Area housing set-aside funds. The developer will advance the funding for all predevelopment costs, and the Agency will use housing set-aside funding for the land acquisition. The Agency will hold the property until the necessary conditions outlined in the DDA are met by the Developer, including securing contracts to proceed with construction of the project, receipt of required entitlements and confirmation of all outside project financing. At that time the remainder of the Agency allocated funds will be made available for project construction costs and disbursed in accordance with the DDA Disbursement Agreement schedule.

BACKGROUND

One of the goals of the Barrio Logan Redevelopment Plan, adopted in 1991, was to create a balanced mix of new housing stock, including low and moderate income housing. A specific goal stated in the Third Implementation Plan adopted June 15, 2004, also addressed the need for a balanced mix of new housing stock, including very low, low and moderate income housing.

The proposed project addresses the need for affordable housing in the community by providing housing for persons between 30% and 60 % of the Area Median Income (AMI).

It is proposed that this project will receive funding from the Redevelopment Agency’s Affordable Housing Fund through the Notice of Funding Availability (NOFA) process. The Developer for the project focuses on the design, development and financing of low to moderate income apartment communities utilizing federal Section 42 Low Income Housing Tax Credits, Tax Exempt Mortgage Backed Revenue Bonds, HUD and Fannie Mae affordable housing grants as well as a variety of state and local programs. While helping to address the need for affordable housing in San Diego, this project will also remove existing blighted conditions and help to stabilize and reinvigorate the Barrio Logan neighborhood.

DISCUSSION

The project is located in the northern portion of the Barrio Logan Redevelopment Project Area, on Logan Avenue and 16th Street, adjacent to the East Village Centre City Redevelopment Project Area. There are nine parcels in the project site which include an auto wrecking yard and a four unit apartment building. It is anticipated that the proposed project will add 42 new affordable family housing units to the Barrio Logan community. It is expected to provide a gain in the local affordable housing stock in an area of significant demand. The proposed project density approaches, but does not exceed, the maximum currently allowed by the community plan.

Project Summary:

Type of housing	<ul style="list-style-type: none"> Multi Family Residential
Total number of units/total square feet	<ul style="list-style-type: none"> 42/65,254 S.F.
Total number of affordable units/bedrooms and rate of affordability based on Area Median Income (AMI)	<ul style="list-style-type: none"> studios: 0/0 1-bedroom: 0/0 2-bedrooms: 2/30%,2/40%,8/50%, 3/60% 3-bedrooms: 3/30%,3/40%,13/50%, 7/60% Total affordable units/bedrooms: 41/108
Number of market rate units/bedrooms	<ul style="list-style-type: none"> No Market rate units/one manager unit (2br)
Land Area (i.e. full block, half block, or number of square feet)	34,802 S.F. (.80 AC)
Project density (in units/acre)	53 units/acre
Number of units to be demolished	5

Proposed Rent per Units:

Unit Type (br/ba)	Unit Size (sq. ft.)	Number of Units	Monthly Rent/Unit @ 30%AMI	Monthly Rent/Unit @ 40%AMI	Monthly Rent/Unit @ 50% AMI	Monthly Rent/Unit @ 60%AMI	Monthly Utility Allowance per Unit
2br/2ba	900	16	\$391	\$535	\$677	\$820	\$36
3br/2ba	1,075	25	\$431	\$589	\$748	\$906	\$45

The majority of the Agency Affordable Housing funds will be used for land purchase and site remediation. Currently the Developer has site control and purchase contracts for all parcels. Appraisals prepared for the project site properties estimate the total market value at \$2,568,000. The total purchase amount set forth in the purchase contracts is \$2,528,000. It is recommended that the purchase contracts be assigned to the Agency and the Agency purchase the properties immediately following approval of the DDA. The land would be held by the Agency for up to two years or four California Tax Credit Allocation Committee (CTCAC) funding cycles to allow the Developer time to apply and secure approval of 9% Federal housing tax credits. It is anticipated that this project will be submitted for funding to CTCAC in the first round of funding for 2005, which are due March 17, 2005. The Developer will also apply for funding from the Affordable Housing Program (AHP). Should the Developer not receive the necessary funding to proceed with construction of the project within the time provided, the Agency will have the option to terminate the DDA and market and develop the property with other development partners for low income housing.

A portion of the Agency funds will be used for site clean-up. Staff received a copy of Phase I Review and a summary of Phase II Analysis for the site from GEOCON Consultants, Inc. The cost estimate for the clean up of the site is estimated to be approximately \$375,000 and has been included in the recommended funding from the Agency. This recommendation was based on the assumption that contamination remediation may not be recoverable from the seller. The existing purchase agreements state that all costs of any required site remediation will be the responsibility of the buyer. Following site acquisition, relocation, site clearance and remediation, any remaining funds will be distributed incrementally during the construction phase of the project.

The following table illustrates the recommended uses and sources of funds:

Uses	
Acquisition Costs	\$ 2,528,000
Direct Costs (construction)	\$ 8,224,000
Indirect Costs (design, insurance, etc)	\$ 2,304,000
Financing Costs	\$ 859,000
Total Uses	\$ 13,915,000
Sources	
Supportable Debt (private)	\$ 2,047,000
Low Income Tax Credit Proceeds	\$ 7,450,000
Affordable Housing Program (AHP)	\$ 105,000
Deferred Developer Fee	\$ 679,000

Gap Financing (Agency set-aside funds)	\$ 3,634,000
Total Sources	\$ 13,915,000

A further analysis of the project financing and a justification of the Agency’s contribution to the project are provided in the Re-Use Appraisal and 33433 Report, prepared by Keyser Marston Associates and provided as Attachments 4 and 5.

Universal Design features are a part of the current design and have been incorporated into the overall plans for the site. Those features include clear floor space in the bathroom and kitchen to provide a 60" turning circle and a 30x48 parallel approachability, wall reinforcement around toilet and bath fixtures, 36" wide passage doors, 40" wide hall width and adaptable kitchen cabinets. All floors will be elevator accessible. The design conforms to the California Building Code and CTCAC funded construction requirements. The ground level design provides for a community center, open space, and public art displays which will all be accessible. Copies of the site plan and elevation drawings are included as Attachment 1.

Other design features include a multi-purpose room for community meetings, activities and services, and a full service kitchen. The kitchen will be designed to facilitate group functions. A children’s play area is proposed off the first floor lobby, along with public restrooms. The project will include a media center with a large screen TV, video and DVD for movies and resident viewing. There will be a tech center for small conferences and educational services that will include computer, fax and business services for the residents. Internet service will be provided to the residents free of charge for e-mail, resume writing and job searching. On site management will provide free computer classes and support services for all interested residents.

The development team for the project:

ROLE/FIRM	CONTACT	OWNED BY
Developer/Construction Manager	Mohannad Mohanna	Gateway I Housing Investors, Limited Partnership
General Contractor	Tyson Jacobsen	ADVENT Construction
Subcontractor	N/A	N/A
Architect	Keith Minnie	Maple Dell + McClelland Architects, LLP

CONCLUSION

The proposed affordable housing project meets the need to provide quality low and very low income housing in the City of San Diego. The Developer has demonstrated the experience and presented a proposal that will insure construction of a project that provides the City with housing in a critical area lacking adequate affordable housing units. It is recommended that Staff be directed to take all the necessary actions to assist with the development and construction of this project to provide for affordable housing in the Barrio Logan Redevelopment area.

ALTERNATIVE

Do not approve the DDA, and related actions. This alternative would not allow the Gateway I Housing Project to proceed.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

Approved: Patricia T. Frazier
Deputy City Manager

CUNNINGHAM/JJL/rgg

Note: The attachments are not available in electronic format. A copy for your review is available in the Office of the City Clerk.

- Attachments:
1. Site Plan and Concept Plan
 2. Mitigated Negative Declaration
 3. Disposition and Development Agreement
 4. Agency 33433 Report prepared by Keyser Marston Associates
 5. Re-Use Appraisal Report prepared by Keyser Marston Associates
 6. Finding of Benefit