



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 22, 2006

REPORT NO.: RA-06-27
RTC-06-065

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of June 27, 2006

SUBJECT: Disposition and Development Agreement and Associated Actions for La
Entrada Family Housing Project

REFERENCE: Staff Report Nos. RA-06-14, RA-06-17

REQUESTED ACTION:

- 1) That the Redevelopment Agency and City Council certify environmental review for the proposed actions.
- 2) That the Agency approve the Basic Concept Drawings.
- 3) That the City Council recommend Agency approval and the Agency approve authorizing execution of the Disposition and Development Agreement with La Entrada Housing Investors, L.P. for the La Entrada Family Housing Project.
- 4) That the City Council and Agency approve findings of benefit for the use of Centre City housing set-aside funds outside of the Centre City project area.
- 5) That the Agency authorize the expenditure of \$13,167,000 from the Centre City Project Area as a residual receipts loan contribution to the project.
- 6) That the Agency authorize the Executive Director or designee to make contingent offers for acquisition of properties for the La Entrada Family Housing Project.

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

- 1) Certify that Mitigated Negative Declaration (No. 93861) has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines and state for the record that they have been reviewed and considered prior to approving the actions.
- 2) Approve the Basic Concept Drawings.
- 3) Authorize the Executive Director or designee to execute a Disposition and Development Agreement with La Entrada Housing Investors, L.P. for the La Entrada Family Housing Project.
- 4) Approve findings of benefit for the use of Centre City housing set-aside funds outside of the Centre City project area.

- 5) Authorize the expenditure of funds for the La Entrada Family Housing Project in an amount not to exceed \$13,167,000 from the Centre City Project Area as a Redevelopment Agency residual receipts loan contribution to the project.
- 6) Authorize the Executive Director or designee to make contingent offers for acquisition of properties for the La Entrada Family Housing Project.

STAFF RECOMMENDATION TO THE CITY COUNCIL:

- 1) Certify that Mitigated Negative Declaration (No. 93861) has been prepared in compliance with CEQA and State CEQA Guidelines and state for the record that it has been reviewed and considered prior to approving any of the actions.
- 2) Consent to the Redevelopment Agency entering into the Disposition and Development Agreement for the La Entrada Family Housing Project.
- 3) Approve findings of benefit for the use of Centre City housing set-aside funds outside of the Centre City project area.

SUMMARY:

The Barrio Logan Redevelopment Plan was adopted in 1991 and one of its primary goals is: “To create a balanced mix of new housing stock, including low- and moderate-income housing”. The provision of new, high quality affordable housing opportunities has been identified as a top priority by the Barrio Logan Project Area Committee and other active organizations in the Barrio Logan community.

In 2003 the Redevelopment Agency instituted the Collaborative Affordable Housing Program, with the intention of making available funding resources from all redevelopment project areas and the Housing Commission in order to proactively solicit proposals and implement affordable housing development projects throughout the City of San Diego. In 2004 the development partnership comprised of United Community, Inc. and Simpson Housing Solutions submitted a funding application to the Collaborative Affordable Housing Program for a very low and low income rental housing development in the 1700 block of Logan Avenue, within the Barrio Logan Redevelopment Project Area, as shown on the location map in Attachment 1.

The proposed project is 85 units of new rental family housing that would have rents restricted for 55 years at levels affordable to low and very low income residents. As shown on the Basic Concept Drawings, provided as Attachment 2, the project will be a three story development in a primarily Spanish Mediterranean style, with a concentration of larger units (three and four bedrooms), underground parking, a sizeable enhanced center courtyard area, common laundry and furnished community center, balconies, streetside stoops and public art components. In addition, the project is proposed to include a computer center with high speed internet access, a lobby and reception area and a usable rooftop terrace. A social services coordinator will operate on site to provide resident services such as life skills training, support and referral services, and various educational classes such as English as a Second Language and computer literacy. Universal design principles will be incorporated into the project.

The proposed project mix of number of bedrooms, income eligibility and rent levels is as follows:

<u>Number of Bedrooms (# Units)</u>	<u>Resident Income Levels</u>	<u>Rent Levels</u>
2 BR (1 unit)	30% Area Median Income	\$396/mo.
2 BR (1 unit)	40% AMI	\$542/mo.
2 BR (6 units)	50% AMI	\$688/mo.
2 BR (4 units)	60% AMI	\$834/mo.
2 BR (mgr. – 1 unit)	N/A	
3 BR (6 units)	30% AMI	\$455/mo.
3 BR (6 units)	40% AMI	\$624/mo.
3 BR (30 units)	50% AMI	\$793/mo.
3 BR (18 units)	60% AMI	\$962/mo.
4 BR (1 unit)	30% AMI	\$500/mo.
4 BR (1 unit)	40% AMI	\$688/mo.
4 BR (6 units)	50% AMI	\$876/mo.
4 BR (4 units)	60% AMI	\$1,065/mo.

The developer, La Entrada Housing Investors, L.P., is a partnership of Simpson Housing Solutions and United Community, Inc. The overall development team is the following:

ROLE/FIRM	CONTACT	OWNERSHIP
Managing General Partner Las Palmas Foundation (Encinitas based non-profit)	Joseph Michaels, President	Non-profit Board of Directors – 501(C)3 Corporation
Administrative General Partner: United Community, Inc., a Nevada Corporation	Susan Han, Principal	Lance Kerness Susan Han
Co-developer/Tax Credit Equity Investor: Multi-Housing Investments, LLC a Colorado LLC (a Simpson Housing Solutions entity)	Mo Mohanna, Senior Vice President	Simpson Housing Solutions, LLC (70%) SHLP/LIHC Employee Partnership #1, LLLP (30%)
Permitting Facilitator: Global Premier Development, Inc.	Magdy Hanna	Andrew Hanna (privately owned)
Architect: Maple Dell + McClelland Architects	Rick Montoya, Project Architect	John M. Maple Richard E. Dell James P. McClelland (privately owned)
General Contractor: Wermers General Contractors	Jeff Bunker, President	Thomas W. Wermers (privately owned)

The development team is proposing that they enter into a Disposition and Development Agreement with the Agency, whereby the Agency would acquire the needed properties for the project site, assist the relocation of existing residents and businesses and provide gap funding

assistance as needed for project development. The developer currently has purchase agreements for ten of the eleven project parcels and a purchase agreement was previously in place for the eleventh parcel, but has expired. Appraisals have been prepared for all of the parcels. The proposed DDA would allow the Agency to assume the existing purchase agreements. The site currently holds fourteen housing units interspersed with several commercial uses. Phase I environmental analysis has been conducted for all project parcels and Phase II drilling and laboratory analysis have been conducted for select parcels recommended for the additional study in the Phase I reports. The project budget currently includes \$1 million for soil remediation and this amount is considered adequate for all anticipated site costs.

FISCAL CONSIDERATIONS:

The project budget, which totals \$37,941,000, is provided as Attachment 5. La Entrada is proposed as an Affordable Housing Tax Credit project. It is planned for the project to seek 9% Affordable Housing Tax Credits from the California Tax Credit Allocation Committee during the next application cycle, with an application deadline of mid-July, 2006. In order to meet the competitive eligibility requirements for this financing, the project must demonstrate site control, or an approved DDA, evidence of full funding and approval of permit entitlements.

It is also proposed for the project to pursue additional funding from multiple other public and private sources, including a private construction loan, private permanent loan, Federal Home Loan Bank Affordable Housing Program (AHP) funding, San Diego Inclusionary Housing Program In-Lieu funds and \$500,000 of deferred developer fee. Applications for the AHP and In-Lieu funds will follow the DDA hearing. It is proposed that Agency gap financing include guarantees of funding, in case the AHP and/or In-Lieu funds are not successfully obtained. With the Agency guarantee the developer would be able to demonstrate full funding in the tax credits application. The DDA is written to ensure that ultimate project cost savings and additional outside funding (i.e. In-Lieu and AHP funds) will be used to lower the Agency funding contribution.

The project pro forma has been analyzed by Agency staff and Keyser Marston Associates. Estimated costs, financing assumptions and deal terms have been negotiated and are proposed in the DDA to follow the Agency's Collaborative Affordable Housing Program financing guidelines. These guidelines and project financing deal points are summarized in the project financing terms table provided as Attachment 6.

The proposed Agency financing for this project is an amount not to exceed \$13,167,000 and would be in the form of a residual receipts loan. This amount represents a maximum subsidy of \$154,900 per unit or \$51,600 per bedroom. If the project is successful in receiving targeted AHP and In-Lieu funds the maximum Agency subsidy would be \$11,317,000, translating to \$133,100 per unit or \$44,400 per bedroom.

In accordance with California Community Redevelopment Law, a Re-Use Appraisal and 33433 financial analysis report have been prepared by Keyser Marston Associates to determine the justification for the Agency's financial contribution to the project and land re-sale cost. These reports are provided as Attachment 7.

Findings of Benefit – The proposed source for the Agency’s funding contribution to the project is Centre City tax increment housing setaside funds. The proposed project is located approximately two blocks outside of the boundaries of the Centre City Redevelopment Project Area and in order to be able to use the funds outside of the Project Area, the Agency must approve findings of benefit. Proposed findings of benefit are provided as Attachment 8.

PREVIOUS AGENCY and/or COUNCIL ACTION:

On May 16, 2006 the Agency approved the Housing Replacement Plan for La Entrada Family Housing Project. On May 16, 2006 the Agency also approved an extension to the Exclusive Negotiating Agreement with United Community, Inc. for La Entrada Project.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On April 19, 2006 the Barrio Logan Project Area Committee voted 8-1-1 to recommend approval of the proposed DDA. On May 7, the Centre City Advisory Committee voted 14-7 to recommend approval of the use of Centre City housing setaside funds for La Entrada Project. On May 24, 2006 the Centre City Development Corporation Board voted unanimously to support the use of up to \$13,167,000 in Centre City housing setaside funds for La Entrada project subject to those funds being reimbursed by the Agency when the Redevelopment Division is able to issue financing for housing setaside funds outside of the CCDC area and subject to the project undergoing fiscal analysis at the time of final financing to ensure adequate tax credit equity investment. The Collaborative Affordable Housing Program members will be addressing the CCDC funding reimbursement recommendation as the Agency pursues issuing financing for housing setaside funds from project areas outside of the CCDC area.

ALTERNATIVE:

Do not approve the proposed DDA and associated actions. This action would not enable the implementation of a valuable affordable housing project in the Barrio Logan community.

Respectfully submitted,

Maureen Ostrye
Deputy Executive Director
Redevelopment Agency/
Deputy Director
Redevelopment Division

Approved: James T. Waring
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer for
Land Use and Economic Development

- Attachments: 1. [Location Map](#)
2. [Basic Concept Drawings](#)
3. [Mitigated Negative Declaration](#)
4. [Disposition and Development Agreement](#)
5. [Project Budget](#)
6. [Project Financing Terms and Affordable Housing Guidelines](#)
7. [Re-Use Appraisal and 33433 Reports by Keyser Marston Associates](#)
8. [Findings of Benefit](#)