



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: July 4, 2007

REPORT NO.: RA-07-21
RTC-07-097

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of July 10, 2007

SUBJECT: Owner Participation Agreement and Associated Actions for El Pedregal
Family Apartments Project

REQUESTED ACTION:

- 1) That the Redevelopment Agency and City Council certify environmental review for the proposed actions; and
- 2) That the Agency approve the Basic Concept Drawings; and
- 3) That the City Council recommend Agency approval and the Agency approve authorizing execution of the Disposition and Development Agreement with SYEP Associates for the El Pedregal Family Apartments Project; and
- 4) That the City Council and Agency approve Findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 5) That the Agency authorize the expenditure of \$3,606,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds as a residual receipts loan contribution to the project.

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

- 1) State for the record that the final Mitigated Negative Declaration (No. 106926) has been reviewed and considered prior to approving the project; and
- 2) Approve the Basic Concept Drawings; and
- 3) Authorize the Executive Director or designee to execute a Owner Participation Agreement with SYEP Associates for the El Pedregal Family Apartments Project; and
- 4) Approve Findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 5) Authorize the expenditure of funds for the El Pedregal Family Apartments Project in an amount not to exceed \$3,606,000 from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds as a Redevelopment Agency residual receipts loan contribution to the project from the following direct sources: 1) \$3,206,000 from Naval Training Center Housing Line of Credit funds and 2) \$400,000 from San Ysidro Project Area.

STAFF RECOMMENDATION TO THE CITY COUNCIL:

- 1) State for the record that the City has previously reviewed and considered information contained in the final Mitigated Negative Declaration (No. 106926) as it pertains to the project; and
- 2) Approve Findings of Benefit for the use of Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds outside the project area; and
- 3) Recommend to the Redevelopment Agency to enter into a Owner Participation Agreement for the El Pedregal Family Apartments Project.

SUMMARY:

The San Ysidro Redevelopment Plan (the Plan) was adopted in April 1996. The Plan identifies various redevelopment priorities including the creation of affordable housing units. San Ysidro's Third Five-Year Implementation Plan, adopted on August 8, 2006, identifies one goal and objective as the following: "Promote and enhance varied housing opportunities by improving the housing stock and expanding affordable housing opportunities which address community needs."

Global Premier Development, dba SYEP Associates, a California Limited Partnership, (the Developer) has submitted for funding assistance for the El Pedregal Family Apartments Project, a proposed 45-unit affordable housing development consisting of new rental apartments for very low to low income (30% to 60% AMI) families (the Project). The requested actions will allow for the execution of a Owner Participation Agreement (OPA) with SYEP Associates (see Attachment 1 – Owner Participation Agreement) for the implementation of the Project. The OPA includes various conditions prior to Agency funding including, but not limited to, Developer's acquisition of other funding sources, acquisition of land, and compliance with the City's Equal Opportunity Contracting program.

The Project is proposed to be developed on two adjacent parcels equaling 2.24 acres (97,574 SF) located at 104 Averil Road (the Project Site), within the San Ysidro Redevelopment Project Area (see Attachment 2 – Site Map). The Project Site is bounded by San Ysidro Boulevard, Averil Road, and Sunset Lane. Surrounding development includes primarily multi-family housing, single family housing, and commercial uses. The Project Site is vacant with no demolition required. Furthermore, the Developer is under a purchase and sale agreement with the existing property owner to acquire the property. No additional property acquisition is necessary for the Project.

The Project design consists of two 2- and 3-story buildings with subterranean parking. The apartment buildings will include two-, three-, and four-bedroom units. The Gross Building Area (GBA) is approximately 70,110 sqft., with a total of 107 parking spaces, or approximately 2.0 spaces per unit. Amenities will include recreation/play facilities, computer room, multipurpose center, educational programs, and picnic area (see Attachment 3 – Site Plan and Attachment 4 – Basic Concept Drawings). Universal Design shall be implemented in the overall design of the Project.

Total project costs are \$20,027,000. The Developer seeks a public subsidy from the Redevelopment Agency of the City of San Diego (the Agency) for \$3,606,000. The Developer plans to submit an application to the State's Tax Credit Allocation Committee (TCAC) for 2nd Round (July) 2007 tax credits. The following subsections describe the Project in more detail.

Development Team

Role	Firm/Contact	Ownership
Managing General Partner	Las Palmas Foundation Contact: Joseph Michaels	Non profit Board of Directors – 501(C) 3 Corporation
Administrative General Partner	Global Premier Development Contact: Wayne Deitz	Andrew Hanna (privately owned)
Limited Partner	United Community, Inc. Contact: Susan Han	Lance Kerness Susan Han
Limited Partner/ Tax Credit Equity Investor	Sun America AIG Contact: Neil Socquet	Public Corporation
Construction	Cornerstone Building Group Contact: Mike Najera	Managing Principals: Mike Najera/Rick Osgood
Architect	Maple Dell & McClelland Architect, LLP Contact: Rick Montoya	John M. Maple Richard E. Dell James P. McClelland
Property Mangement	Buckingham Property Management Contact: Paul Chubick	Managing Principal: Paul Chubick

Residential Project Summary

Project Summary	
Type of Housing	Multifamily Apartments - Rental
Land Area	2.24 Acres (97,574 SF)
Gross Building Area (GBA)	70,110 SF (excluding parking)
Total Number of Units	45 (44 affordable, one 2BR Manager's Unit)
Project Density	21 units/acre (with density bonus)
Density of Surrounding Development	14 units/acre
Number of Affordable Units/Bedrooms	20 3-bedroom 24 4-bedroom 44 Units / 156 Bedrooms
Income Restrictions	5 @ 30% AMI 5 @ 40% AMI 22 @ 50% AMI 12 @ 60% AMI 44 @ 30% to 60% AMI
Site Control	Developer has Purchase Agreement with Owner
Site Clean-up / Remediation Issues	N/A – Phase I Analysis showed no issues.
Relocation Issues	N/A
Number of Demolished Dwelling Units	1
Affordability of Demolished Units	N/A

Affordable Unit Summary for 44 Income-Restricted Units

Number of Bedrooms	Residential Income Level	Number of Units	Monthly Rent Level
3 Bedrooms	30% AMI	2	\$500
3 Bedrooms	40% AMI	2	\$680
3 Bedrooms	50% AMI	10	\$861
3 Bedrooms	60% AMI	6	\$1,041
Total/Average	50% AMI	20	\$861
4 Bedrooms	30% AMI	3	\$549
4 Bedrooms	40% AMI	3	\$750
4 Bedrooms	50% AMI	12	\$951
4 Bedrooms	60% AMI	6	\$1,153
Total/Average	50% AMI	24	\$926

Entitlements

The Project is consistent with the San Ysidro Community Plan and applicable zoning. The Project underwent design/plan review under the City's Development Services Department. Following a *Process 3* review of the Project, a discretionary hearing for a Site Development Permit, including CEQA certification, was approved by a Hearing Officer on June 13, 2007.

Property Acquisition / Site Control

The Developer is under a Purchase and Sale Agreement with the current property owner. Full site control is secured and no other land acquisition is required. Furthermore, there are no relocation issues related to the Project.

Proposed Project Schedule

Action	Timeline
Entitlements/CEQA	June 2007
Agency OPA Approval	June 2007
TCAC Application ¹	July 2007
Construction Start	Jan 2008
Construction Completion	June 2009
(1) If July 2007 TCAC application unsuccessful, two additional application rounds to be permitted under the OPA, and timeline would change accordingly.	

FISCAL CONSIDERATIONS:

Total project costs are \$20,027,000 (see Attachment 5 – Project Budget). It is proposed that the Project be financed with a combination of affordable housing tax credits, private financing, and Agency financing.

The Project will seek 9% Affordable Housing Tax Credits from the California Tax Credit Allocation Committee (TCAC) during the next application cycle, with an application deadline of July 12, 2007. In order to meet the competitive eligibility requirements for TCAC financing, a project must demonstrate site control, or an approved OPA/DDA, evidence of full funding, and approval of entitlements. The Project meets TCAC's competitive eligibility requirements.

Private financing is proposed to be in the form of a construction loan and permanent loan. After the OPA hearing, other public financing shall be sought for the Project including Federal Home Loan Bank Affordable Housing Program (AHP) funds. In addition, the Developer has agreed to a Deferred Developer Fee of \$340,000, representing 24% of the total Developer Fee.

The proposed Agency financing for the Project is an amount not to exceed \$3,606,000 and would be in the form of a long-term (55-year) residual receipts loan to cover direct costs. This amount represents a maximum subsidy of \$80,000 per unit or \$23,000 per bedroom. If AHP funds are acquired by the Developer, or other cost savings are realized for the Project, the OPA is written to ensure the Agency's subsidy be reduced by those amounts received from other sources and/or cost savings. It is proposed that Agency funding be paid from the Agency's 20% Low and Moderate Income Housing Set-Aside Funds, specifically from the following direct sources: 1) \$3,206,000 from Naval Training Center Housing Line of Credit funds, scheduled to be secured in June 2007 and 2) \$400,000 from San Ysidro Project Area's existing fund. The draw-down of Agency funds will be initiated after the Developer successfully secures Tax Credits and construction financing and is proposed as follows:

First Disbursement: \$2,635,000 disbursed at Close, following acquisition of Tax Credits and Construction Loan.
Second Disbursement: \$485,500 at commencement of construction.
Third Disbursement: \$291,300 at 50% completion of construction.
Fourth Disbursement: \$97,100 at end of construction - Notice of Completion.
Final Disbursement: \$97,100 Remaining funds (Retention) disbursed at least 35 days after Project Completion and Acceptance.

The Project's 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 OPA in accordance with the Agency's Affordable Housing Collaborative Program financing guidelines.

Findings of Benefit

A proposed source for the Agency's funding contribution to the Project is Naval Training Center's 20% Low and Moderate Income Housing Set-Aside Funds. California Community Redevelopment Law (CCRL) requires that the governing body make findings of benefit for the

use of tax increment outside a project area. Please see Attachment 6- Findings of Benefit for the proposed findings.

ENVIRONMENTAL IMPACTS:

A City Hearing Officer has previously reviewed and certified the information contained in the final Mitigated Negative Declaration (No. 106926, dated June 13, 2007) as it pertains to the Project (see Attachment 7 – Mitigated Negative Declaration). There are no significant environmental impacts associated with the Project.

PREVIOUS AGENCY and/or COUNCIL ACTIONS:

On July 25, 2006, the Agency approved the pooling of the Agency’s 20% Low and Moderate Income Housing Set-Aside Funds for the purpose of funding projects such as the El Pedregal Project. On October 17, 2006, the Agency approved an Exclusive Negotiation Agreement for the Project.

OTHER RECOMMENDATIONS:

On May 24, 2007, the Agency’s Affordable Housing Collaborative Executive Loan Committee (ELC) voted 4-0 in favor of the Project’s concept and proposed financing structure.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On October 17, 2006, January 16, 2007, and May 15, 2007, the Project was presented to the San Ysidro Planning and Development Group (SYPDG), at which times SYPDG voted in support of the Project’s concept and proposed OPA. There is no Project Area Committee (PAC) in San Ysidro.

ALTERNATIVE:

Do not approve the proposed OPA and associated actions. This action would not enable the implementation of a valuable affordable housing project in the San Ysidro community.

Respectfully submitted,

Janice Weinrick
Deputy Executive Director
Redevelopment Agency/
Assistant Director
City Planning and Community Investment

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

- Attachments:
1. Owner Participation Agreement
 2. Site Map
 3. Site Plan
 4. Basic Concept Drawings
 5. Project Budget
 6. Findings of Benefit
 7. Mitigated Negative Declaration

NOTE: [Click on this link to obtain Attachments 1 - 7](#)