



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 22, 2008 REPORT NO.: RA-08-27
RTC-08-145

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of October 28, 2008

SUBJECT: Owner Participation Agreement (OPA) with Wakeland Village Green
Apartments LP for Acquisition and Rehabilitation Village Green
Apartments

REQUESTED ACTIONS:

1. Should the Redevelopment Agency authorize the Executive Director or Designee to execute an Owner Participation Agreement with Wakeland Village Green Apartments LP for the Acquisition and Rehabilitation of the Village Green Apartments Project?
2. Should the Redevelopment Agency and City Council approve Findings of Benefit for the use of 20% Low- and Moderate-Income Housing Set-Aside Funds and the Affordable Housing Line(s) of Credit outside source project areas including College Grove, City Heights and North Bay?
3. Should the Redevelopment Agency authorize the expenditure of funds for the Village Green Apartment Project in an amount not to exceed \$5,788,475 from the 20% Low- and Moderate-Income Housing Set-Aside Funds and Affordable Housing Line(s) of Credit as a Redevelopment Agency residual receipts loan contribution to the project from the following sources: 1) \$2,391,475 from Crossroads Set-Aside Fund; 2) \$1,500,000 from City Heights Line of Credit; 3) \$1,500,000 from North Bay Line of Credit; and 4) \$397,000 from College Grove Set-Aside Fund.
4. Should the Redevelopment Agency amend the FY 2009 Budget to receive draws of \$1,500,000 from the existing City Heights Affordable Housing Line of Credit and \$1,500,000 from the existing North Bay Affordable Housing Line of Credit.

STAFF RECOMMENDATION FOR THE AGENCY:

1. Authorize the Executive Director or Designee to execute an Owner Participation Agreement with Wakeland Village Green Apartments LP for the Acquisition and Rehabilitation of the Village Green Apartments Project, and
2. Approve Findings of Benefit for the use of 20% Low- and Moderate-Income Housing Set-Aside Funds and Affordable Housing Line(s) of Credit outside source project areas including College Grove, City Heights and North Bay, and
3. Authorize the expenditure of funds for the Village Green Apartment Project in an amount not to exceed \$5,788,475 from the 20% Low- and Moderate-Income Housing Set-Aside Funds and Housing Line(s) of Credit as a Redevelopment Agency residual receipts loan contribution to the project from the following sources: 1) \$2,391,475 from Crossroads Set-Aside Fund; 2) \$1,500,000 from City Heights Line of Credit; 3) \$1,500,000 from North Bay Line of Credit; and 4) \$397,000 from College Grove Set-Aside Fund.
4. Amend the FY 2009 Budget to receive draws of \$1,500,000 from the existing City Heights Affordable Housing Line of Credit and \$1,500,000 from the existing North Bay Affordable Housing Line of Credit.

STAFF RECOMMENDATION FOR THE CITY COUNCIL:

1. That the City Council approve and adopt Findings of Benefit for the use of 20% Low- and Moderate-Income Housing Set-Aside Funds and Affordable Housing Line(s) of Credit outside source project areas including College Grove, City Heights and North Bay.

SUMMARY:

The Crossroads Redevelopment Project Area was approved on May 17, 2001. The Second Implementation Plan (Plan) for the Crossroad Redevelopment Project Area was adopted on May 13, 2008. The Plan states as one of its primary goals “Preserve existing single-family and multiple-family housing stock and provide choices for potential buyers of new and rehabilitated housing opportunities.” The Plan’s work program recommends; working with multi-family residential property owners on a case-by-case basis regarding rehabilitation and redevelopment opportunities in order to retain, improve and enhance existing multiple-family dwellings; and coordinate with public agencies to achieve the most efficient process for providing rehabilitation and redevelopment.

Wakeland Housing and Development Corporation, dba Village Green Apartments LP (the Developer) submitted a loan application for gap financing for acquisition and rehabilitation in response to the Housing Commission’s current NOFA for the Construction, Acquisition, and Operation of Affordable Housing for an existing 94-unit apartment development at 4140-55 Bonillo Drive (the Village Green Apartments). When the staff of the Housing Commission discovered the development proposal was located within the Crossroads Redevelopment Project Area they shared the loan application with the staff of the Redevelopment Agency.

Originally built in 1966, Village Green Apartments is located in the Rolando neighborhood near the intersection of University Avenue and College Avenue. Village Green Apartments consists of 94 townhome style apartment units in 13 two-story wood frame and stucco buildings on approximately seven acres. Laundry facilities are provided at the site; the property is within walking distance of a bus stop, and is convenient to schools, supermarkets and other retail establishments. The Joan Kroc Community Center is nearby on University Avenue. Although the existing improvements have been maintained, the complex is suffering the effects of age and could become a detriment to the neighborhood if it is not renovated in the near future.

Wakeland is a California 501(c)(3) nonprofit corporation established in 1998 with the mission of developing affordable housing. The project team for Village Green Apartments would be the staff of Wakeland. Wakeland's President and Chief Executive Officer is Mr. Ken Sauder; the Director of Project Development is Mr. Barry Getzel; its project manager for the proposed development is Mr. Jack Farris. The borrower would contract with John Stewart Company to provide property management services.

Wakeland has participated in the new construction and acquisition/rehabilitation of over 5,500 affordable rentals and for sale housing units, including over 1900 affordable housing units in seven developments in San Diego in the past five years. Wakeland's most recent projects with the Housing Commission are the Beyer Courtyard Apartments, a new construction project completed in April 2006 and Lillian Place, a new construction project completed in December 2006. Wakeland is currently in compliance with the terms of its previous loans from the Housing Commission.

Planned resident amenities for Village Green Apartments include upgraded laundry facilities, an improved outdoor play area for children, and an enlarged, remodeled community room with solar power. One unit will be converted to a Manager's office with a business center for resident use. The developer is also in discussion with the San Diego Police Department to create a police satellite office within the Manger's office unit.

Other physical improvements will include landscaping, site drainage, walkway repairs, kitchen and bathroom remodeling, roofing, energy efficient door and window replacements, floor coverings, interior and exterior painting, water-efficient plumbing fixtures, retrofitting of five percent of the units for accessibility, an additional five percent retrofitted for site and hearing impairments, and enhanced security systems based on input from the Police Department. Parking is provided on site in 103 spaces which will be resurfaced.

Upon completion of rehabilitation, Village Green Apartments would provide 79 two-bedroom apartments, 14 three-bedroom apartments, one manger's residence and one office. Sixty units would be occupancy and rent restricted for 55 years by a Redevelopment Agency regulatory agreement recorded against the property. Thirty-two units would be occupancy and rent restricted for 55 years by a Housing Commission regulatory agreement recorded against the property. Wakeland would work with the residents of Village Green Apartments to tailor a package of tenant services that may include such activities as computer training, financial fitness classes, and homeowner classes.

The proposal is consistent with the goals and objectives of the Crossroads Redevelopment Plan, Crossroads Implementation Plan and Redevelopment Law. The rents for this property are currently near affordable levels but are not income restricted. However, the property is on the market and a new owner would not be required to maintain existing rents, maintain or upgrade the property or retain the current households. The Agency and project areas currently have the funding that is necessary for this proposed project. Please see Attachment #1 – Owner Participation Agreement.

Development Team –

Role	Company	Owner
Managing General Partner	Wakeland Village Green Apartments, LLC – Contact: Jack Farris	Wakeland Village Green Apartments, LP
Administrative General Partner	Wakeland Housing & Development Corporation - Contact: Ken Sauder	Wakeland Housing & Development Corporation
Acquisition Loan	Century Housing – Contact: Unknown	Century Housing
Construction Loan & Limited Partner/Tax Credit Investor -	US Bank – Contact: Paul Shipstead	US Bank
Architect	To be Determined	To be Determined
Relocation Consultant	Myers & Associates - Contact: Mecky Myers	Mecky Myers
Financial Advisor	Ross Financial Services - Contact: Mr. Peter Ross	Peter Ross
Bond Counsel	Quint & Thimmig - Contact: Paul Thimmig	Quint & Thimmig, LLP
Property Management	The John Stewart Company - Contact: Lori L. Horn	The John Stewart Company

Project –

Summary	
Type of Housing	Multiple-Family – Rental
Land Area	6.78 acres or 295,337 sf (3 parcels)
Gross Building Area	40,365 sf (excluding parking)
Total Number of Units	92 (excluding manager & office/satellite units)
Project Density	14 units/acre
Number of Affordable Units	2-bedroom: 78
	3-bedroom: 14
Number of Affordable Bedrooms	198

Income Restrictions	10 @ 50 % AMI
	82 @ 60 % AMI
Site Control	Purchase Contract
Relocation	23 households are over-income (June 2008)
Number of Units Demolished	None

Affordable Unit Summary –

Number of Bedrooms	Restricted Income Level	Number of Units	Monthly Restricted Rent	Monthly Utility Allowance	Savings Over Market
2 Bedrooms	CRL – 50% AMI	8	\$763	\$48	\$439
	CRL – 60% AMI	50	\$926		\$276
	HTC – 60% AMI	20	\$1,018		\$184
3 Bedrooms	CRL – 50% AMI	2	\$843	\$58	\$574
	HTC – 60% AMI	12	\$1,127		\$290

Notes: CRL – Rent restricted per California Community Redevelopment Law.

HTC – Rent restricted per Affordable Housing Tax Credit criteria.

Findings of Benefit –

The proposed source for the Redevelopment Agency’s funding contribution to the Project is the Agency’s 20% Low and Moderate Income Housing Set-Aside Fund and Affordable Housing Line(s) of Credit, specifically from the following project areas: 1) Crossroads; 2) College Grove; 3) City Heights; and 4) North Bay. Under California Community Redevelopment Law (CCRL), the governing body must make findings of benefit for the use of tax increment outside a project area. Please see Attachment #2 - Findings of Benefit for the proposed project.

FISCAL CONSIDERATIONS:

The estimated total development cost is \$20,501,722 (\$222,845 for each unit) which includes capitalized reserves. The borrower will acquire the property prior to permanent financing with an 18-month bridge loan from Century Housing. US Bank will provide the construction loan which will be funded with tax exempt bond proceeds. The bridge loans would be repaid with the proceeds of permanent financing with a portion of the US Bank proceeds converting to permanent financing as further described below. The Developer will seek 4% Affordable Housing Tax Credits from the California Tax Credit Allocation Committee (TCAC).

Proposed permanent financing would consist of the above US Bank funds that will convert to a first position amortized loan of \$6,644,921 funded with tax-exempt bond proceeds, a second position \$5,788,475 Redevelopment Agency residual receipts loan, a third position \$2,165,067

residual receipts loan from the San Diego Housing Commission, \$5,286,124 equity from four-percent tax credits, \$88,000 in solar tax credits and rebates, project income of \$229,135 and a \$300,000 deferred developer fee.

The proposed Redevelopment Agency financing for the Project is an amount not to exceed \$5,788,475 and would be in the form of a long-term (55-year) residual receipts loan to cover direct costs. The amount represents a maximum subsidy of \$ 62,918 per unit (\$ 96,475 per CRL) or \$29,234 (\$47,446 per CRL) per bedroom. It is proposed that the Redevelopment Agency funding be paid from the Agency’s 20% Low and Moderate Income Housing Set-Aside Funds and Affordable Housing Line(s) of Credit. The Redevelopment Agency’s funds are proposed to be disbursed at the project construction loan closing scheduled for March 6, 2009. Conditions precedent to the closing include, but are not limited to: evidence of all financing has been received and approved by the Agency Executive Director or designee, the construction contract has been executed, evidence of insurance has been provided, and the limited partnership agreement has been approved by the Executive Director or designee.

The following table outlines the sources of Agency funds:

Fund	Amount	Type
Crossroads	\$ 2,391,475	20% Low- Mod Income Housing Set-Aside Fund
College Grove	\$ 397,000	20% Low- Mod Income Housing Set-Aside Fund
City Heights	\$ 1,500,000	Affordable Housing Line of Credit Fund
North Bay	\$ 1,500,000	Affordable Housing Line of Credit Fund
Total	\$ 5,788,475	

ENVIRONMENTAL IMPACTS:

This project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA guidelines Section 15301 (Existing Facilities).

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 Fund for the purpose of funding projects such as the Village Green Apartments Project.

KEY STAKEHOLDERS

The seller of the property is the Odom Family Trust. Stakeholders include Wakeland Housing and Development Corporation as the nonprofit development. The Village Green Apartments are located within the Rolando Neighborhood which is within the Eastern Area of the Mid-City Communities Plan.

HOUSING IMPACT:

Rents allowed under California Redevelopment Law (CRL) are currently lower (more restrictive) than rents allowed under the tax credit rules. Due to the project income required to support the development, it is proposed that 60 units will be assessed CRL rents (Redevelopment units) and the remaining 32 units will be assessed tax credit rents (Housing Commission units). The Redevelopment Agency will record 55-year rent restrictions against 10 units affordable to households with annual incomes of 50% or less of Area Median Income (AMI) and 50 units affordable to households with annual incomes of 60% or less AMI. The Redevelopment Agency will count 60 of the 92 units towards affordable housing production requirements. The Housing Commission will record 55-year rent restriction against 32 units affordable to households with annual incomes of 60% or less AMI. One non-restricted two-bedroom unit will be occupied by a resident manager and one non-restricted two-bedroom unit will be converted into office use.

There will be a potential relocation of twenty-three over-income households. The number of relocations will not be confirmed until after acquisition by the Developer. The Developer's relocation consultant, Myers & Associates, will follow the Agency's approved Plan and Method for Relocation for the Crossroads Redevelopment Project Area, approved May 6, 2002 by Ordinance O-19174.

This Project will increase the supply of affordable housing for low-income households by 92 within the Crossroads Project Area.

OTHER RECOMMENDATIONS:

The Agency's Affordable Housing Collaborative Executive Loan Committee (ELC) will consider this project at a special meeting on October 9, 2008. The recommendations of the ELC will be provided to the Agency Board verbally at the Agency hearing.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

The Crossroads Project Area Committee (PAC) voted to recommend the Agency approve the project and use project area housing funds. The vote was 8-4-1 on August 28, 2008. Some of the comments and concerns of the PAC members and audience were: proposal is not consistent with the purpose or objectives of the redevelopment plan nor the implementation plan, providing assistance to this project is not the responsibility of redevelopment nor the PAC, the property is well maintained and is not blighted therefore funding should not be provided, other multiple-family developments in the Crossroads project area have more urgent needs and the proposal will not provide additional affordable housing.

The Eastern Area Planning Committee recommended that their PAC representative support the proposal with a condition. Their condition is that no more than twenty of the existing ninety-four households be displaced or relocated.

ALTERNATIVE:

Do not approve the proposed OPA and associated actions. This action would not enable the retention or rehabilitation of existing affordable multiple-family housing and could lead to the displacement and relocation of current low and moderate income households.

Respectfully submitted,

Janice L. Weinrick
Deputy Executive Director
Redevelopment Agency /
Assistant Director
City Planning & Community Investment

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency /
Deputy Chief Operating Officer
Executive Director of City Planning and
Development

Attachments: 1. Owner Participation Agreement
2. Findings of Benefit