



## THE CITY OF SAN DIEGO

**DATE ISSUED:** April 9, 2014

**REPORT NO.:** RTC-14-026

**ATTENTION:** Council President and Members of the City Council  
Docket of April 15, 2014

**SUBJECT:** Fourth Implementation Agreement to the Disposition and Development Agreement with Vietnam Veterans of San Diego for the Veterans Village Phase V Project, North Bay

**REFERENCE:** Staff Report Nos. RA-10-45, RTC-109-141, RA-07-05, RTC-07-004, RA-03-27, CMR-03-175, RA-09-05 and RTC-09-018.

### REQUESTED ACTIONS:

1. Approve the Fourth Implementation Agreement to the Disposition and Development Agreement (Agreement) between the City of San Diego and the Vietnam Veterans of San Diego and authorize the Mayor or designee, to execute the Agreement for the implementation of Veterans Village Phase V Project.
2. Authorize the City Chief Financial Officer, or designee, to appropriate and expend up to \$1,746,601 pursuant to the Agreement associated with Veterans Village Phase V Project from the North Bay Redevelopment Project Area allocation of 2010 Housing Set-Aside Tax Allocation Bond Proceeds, contingent on certification by the City Comptroller that funds are available for this purpose in the City Treasury.
3. Approve the Basic Concept Drawings for Veterans Village Phase V Project.

### STAFF RECOMMENDATIONS:

That the City Council approve the requested actions.

### SUMMARY OF ITEM BACKGROUND:

Veterans Village of San Diego (Developer) has submitted a request to the City (Successor Housing Entity) requesting funding assistance for the Veterans Village Phase V Project (Project), to construct a proposed 16,300 square feet building that includes support services for the entire campus, two residential manager studios (2-units), 18 female transitional beds (9-units) and counseling center for returning Female Veterans of Operation Enduring Freedom/Operation Iraqi Freedom (Afghanistan and Iraq Veterans). It is requested that the City approve the Fourth Implementation Agreement (Agreement) to the Disposition and Development Agreement (DDA) to facilitate the implementation of the Project.

On September 2, 2003, the former Redevelopment Agency (Agency) entered into a Disposition and Development Agreement with Vietnam Veterans of San Diego (dba) Veterans Village of San Diego, a 501(c) (3) nonprofit corporation, for the development of a multi-phase substance

abuse residential treatment facility for homeless Veterans to be located in the North Bay Redevelopment Project Area. The Project site, located at 4141 Pacific Highway, is bounded by Witherby Street to North, Pacific Highway to the West, Coutts Street to the South and the railroad tracks east of Kurtz Street. The property is owned by VVSD and a Project Site Plan is herein included as Attachment 1. The Veterans Village is a joint effort between Federal, State, and Local agencies, including the City and the San Diego Housing Commission (Housing Commission). Phase I, II, III and IV of Veterans Village have been completed.

The purpose of the Agreement with the Developer is for the implementation of Phase V. The Veterans Village campus is a five-acre complex that consists of 140 transitional beds and 224 early treatment beds (364 total beds), administrative offices, a cafeteria, courtyard, out-patient care facilities, employment office, medical clinic, auditorium, and classrooms.

The following table describes the complete and proposed phases of the Veterans Village campus:

Phase	Scope of Development	Schedule
Phase I	10,030 SF - 112 early treatment beds; a 10,586 SF counseling center; and 5,424 SF kitchen and dining hall.	Completed in July 2006
Phase II	10,030 SF - 112 early treatment beds; 12,848 SF for the admissions/employment center; out-patient care services; staff offices; and a 11,500 SF central courtyard.	Completed in April 2009
Phase III	21,833 SF - 96 transitional beds (16 three-bedroom units); laundry space; recreation facilities; and 125 parking spaces.	Completed in September 2010
Phase IV	12,772 SF - 24 transitional beds (12-units) and community facilities (offices, classrooms and auditorium).	Completed in December 2012
Phase V	Proposed 16,300 SF - 20 transitional beds (11-units) and community facilities (female counseling center, dental clinic, storage, commercial laundry, and weight room).	Start construction July 2014 and complete July 2015

The following table outlines the Agency's and the Housing Commission's total funding participation to date in the financing of Veterans Village Campus:

Phase	Loan Description	Redevelopment Agency	Loan Description	Housing Commission
I	Predevelopment Loan (NB)	\$575,000	Forgivable Loan	\$675,000
I	Forgivable Loan (Horton Plaza)	\$1,000,000		
II	Forgivable Loan (NTC)	\$150,000	Forgivable Loan & Grant	\$4,234,526
II	Forgivable Loan (NB)	\$4,200,000		
III	Residual Receipts Loan (HELP)	\$1,250,000	Residual Receipts Loan	\$2,300,000
III	Forgivable Loan (NB)	\$863,000		
IV	Residual Receipts Loan (NB)	\$ 1,118,012	Residual Receipts Loan	\$1,492,425
	Total:	\$9,156,012	Total:	\$8,701,951

**Project Description -**

The proposed Project Site was originally purchased by the Agency as part of the First Implementation Agreement to the DDA and conveyed to the Developer for the implementation of the Veterans Village Project. The Basic Concept Drawings for the Project are included as Attachment 2. Phase V of the Project is VVSD’s first facility tailored to address the unique issues and needs of female homeless Veterans of the current Iraq and Afghanistan wars. The proposed project would include support services for the entire campus such as a dental clinic, commercial laundry and weight room, two residential manager studios, a female counseling center and 18 female transitional beds.

The following table outlines the Project information:

Site Area	16,300 square feet
Stories/Max. Height	2 Stories/30’ height limit
Type of housing	Special needs
Total number of units/beds/total rentalable	20-beds/ 5,994 square feet
Total number of affordable units/beds at what rate of affordability and approximate size.	6-beds @ 30% AMI; 688 sf to 712 sf 12-beds @ 50% AMI; 688 sf to 712 sf 2-beds @ 80% AMI; 390 sf (managers)
Number of market rate units/bedrooms	None – 100% Affordable
Projected Rental Rates	\$250/ bed & up to \$797 (managers studio)
Inclusionary Housing Ordinance Compliance	Not required – CUP
Land Area (number of square feet)	Approximately 10,000 square feet
Project density (in units/acre)	Beds allowed under the CUP
Density of adjacent blocks (in units/acre)	The adjacent block is industrial uses

The Project is designed specifically to house female Veterans returning from Iraq and Afghanistan that fit a different profile from the current Veteran clients. Many of these young female Veterans are recently returning from war and have had shorter periods of mental illness than the older veteran population who require a different treatment. They benefit more from interactions with their peers rather than from the older Veteran population. Residency in Phase V will also be for residents that will be out working in the community, but still benefit from the Veterans Village programs offering support in maintaining substance abuse recovery and dealing with other personal issues.

The Project will comply with Universal Design standards, and the Developer shall comply with City’s Equal Opportunity Contracting goals. The Project complies with the current California Building Code that includes comprehensive accessibility and adaptability requirements for multi-family new construction development. In addition, all projects that utilize Federal funds, in any amount, are required to provide five percent (5%) of the units with full accessibility features complying with the prevailing edition of ANSI A117.1 and other applicable federal, state or local standards in effect at the time of permit application.

**Entitlements -**

On September 2, 2003, the City Council approved the Veterans Village project and related entitlements. Conditional Use Permit No. 6194 (amendment to CUP No. 90-1127) was approved to allow 224 early treatment beds and 140 transitional apartment beds. The CUP allows for a

total of 364 beds. The proposed additional 20 transitional beds are consistent with the approved CUP. Completion of Phase V will bring the total number beds constructed to 364 and complete the CUP.

The following table outlines the Development Team:

<b>Role</b>	<b>Firm/Contact</b>	<b>Ownership</b>
Owner/Developer	Vietnam Veterans of San Diego: Phil Landis, Pres./CEO	501(C)(3) Corporation: Harold Konig, Chair and James Waters, Vice-Chair
Financial Consultant	The Trimble Company: Kent Trimble, President	The Trimble Company, LLC (private)
Architect	Delawie Wilkes: Michael Asaro, Principal	Delawie Wilkes Architecture Firm (private)
Legal	Shotts Law: Barry Shotts, President	Shotts Law, LLC (private)

The Agency has previously partnered with VVSD for the development of The Veterans Village Campus. In January 2007, the Project received Housing Project of the Year – Special Needs from the San Diego Housing Federation. On October 17, 2010, Veterans Village of San Diego Stand Down Program was featured on CBS “60 Minutes” Program.

**Residual Receipts Loan -**

The City is proposing to provide a Residual Receipts Loan (Loan) in the amount of \$1,746,601 for the construction of the improvements. The term of the Loan is for sixty-five (65) years with a zero percent simple interest rate. Residual receipts generated on the Project will be split as follows: (i) 50% to VVSD, (ii) the remaining 50% will be prorated between the City and the Housing Commission.

The Fourth Implementation Agreement (Agreement) is included as Attachment 3. The Agreement sets forth the obligations of the Developer and City to effectuate the Project. The Project will be financed with a Federal Home Loan Bank Affordable Housing Program (AHP) grant, a Home Depot Foundation Grant, San Diego County Grant, residual receipts loan from the Housing Commission, and a residual receipts loan from the City. The Developer received an AHP Grant of \$500,000 on June 8, 2012 and a Home Depot Foundation Grant of \$200,000 on February 27, 2014 for Phase V.

Rents for transitional beds will be set at Extremely Low, Very Low and Low income rent levels based on the recently enacted Assembly Bill (AB) 341 (California Health & Safety Code Section 33334.2) and within the ranges of 30%, 50% and 80% of Area Median Income (AMI). Construction is to begin in July 2014 and be completed by July 2015.

**FISCAL CONSIDERATIONS:**

The total Project costs are \$3,941,447. The proposed gap financing for the Project provided by the City of San Diego is \$1,746,601, which is slightly below the original amount requested of \$1,800,000. North Bay Redevelopment Project Area allocation of the 2010 Housing Set-Aside Tax Allocation Bonds will be used to finance the City’s Residual Receipts Loan.

The following table outlines the sources and uses for all funds:

Sources of Funding		Uses of Funding	
City Residual Receipts Loan	\$ 1,746,601	Construction	\$ 2,772,009
SDHC Residual Receipts Loan	\$ 1,444,846	Other Project Costs	\$ 430,324
Federal Home Loan Bank – AHP	\$ 500,000	Indirect Costs	\$ 388,196
Home Depot Foundation Grant	\$ 200,000	Architectural Fees	\$ 286,800
San Diego County Grant	\$ 50,000	Financing Costs	\$ 64,118
Total	\$ 3,941,447	Total	\$ 3,941,447
Ratio of City funds to other financing	44%	City Cost Per bedroom	\$ 87,330

The City Council as Successor Agency, Oversight Board and State of California Department of Finance (DOF) have approved Recognized Payment Obligation Schedule (ROPS) 13-14B (for January to June 2014) which included an obligation to fund this Project on ROPS line item #570 from Low and Moderate Income Housing Funds up to \$1,800,000.

ENVIRONMENTAL REVIEW:

The proposed actions and project was reviewed for consistency with Finding of No Significant Impact (FONSI)/Mitigated Negative Declaration (MND) No. 3787/SCH No. 2003031102 (dated 4/24/03) prepared for the Veterans Village of San Diego Project (VVSD). The CEQA portion of the environmental document was certified by City Council on 9/3/03 along with associated entitlements (Amendment No. 6194 to CUP No. 90-1127) to allow for construction of the VVSD campus that exists today. The original project also requested the use of Community Development Block Grant (CDBG) funds and therefore required an evaluation in accordance with National Environmental Policy Act (NEPA) and HUD Environmental Review Procedures. HUD compliance was completed for the original project in September 2003. Each subsequent phase of the project has been subject to environmental review in accordance with both CEQA (Section 15162 Consistency Reviews) and NEPA pursuant to 24 CFR Part 58.47 a(1) through a(3). As such, in accordance with CEQA and NEPA, the current actions and project were reviewed under CEQA by the Development Services Department on March 25, 2014 which concluded that there are no substantial changes to the project; that the project would not result in new impacts or changed circumstances that would require a subsequent or new MND; and there is no new information available that was not part of the original environmental document and/or considered with subsequent review of the project which identifies new significant effects not addressed in the previous document or a substantial increase in the severity of previously identified effects. In addition, the current actions and project were re-evaluated by the City’s Certifying Officer on January 30, 2014 and no conditions are present that prompt any action identified in §58.47 b(1) through b(3).

EQUAL OPPORTUNITY CONTRACTING INFORMATION:

This development agreement is subject to the City’s Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On February 27, 2007, the Redevelopment Agency and City Council approved the First Implementation Agreement to the Disposition and Development Agreement.

On May 5, 2009, the Redevelopment Agency and the City Council approved the Second Implementation Agreement to the Disposition and Development Agreement. On November 30, 2010, the Redevelopment Agency and the City Council approved the Third Implementation Agreement to the Disposition and Development Agreement.

On May 14, 2013 the City Council approved the Affordable Housing Master Plan (Master Plan). The Master Plan states “production of homeless housing is one of the most important priorities for the City and the most challenging to finance”. The Master Plan proposed expenditures/projects and listed this VVSD Phase V Project and funding up to \$1,800,000.

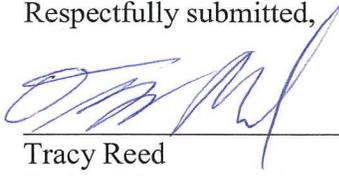
COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

On October 16, 2013, Phase V was presented to the North Bay Community Planning Group as an informational item. The group indicated that they supported the completion of the project, the funding amount of \$1,746,601, and thanked the Owner/Developer for presenting the final phase to them.

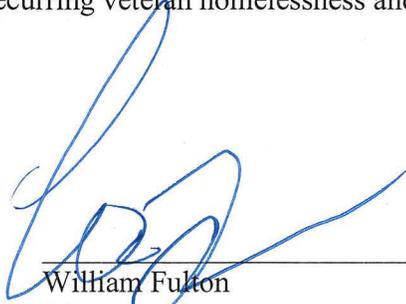
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The development of VVSD on the site has and will continue to help eliminate blight within the North Bay Redevelopment Project Area. The VVSD development replaced underutilized land with new transitional housing for the homeless veterans, thus reducing the impacts of homelessness, high incidences of loitering, calls for emergency services, arrests and negative impacts on businesses and residents. By providing supportive services for residents, especially case management, VVSD will decrease recurring veteran homelessness and promote long-term self-sufficiency.

Respectfully submitted,



Tracy Reed  
Project Manager,  
Economic Growth Services,  
Planning, Neighborhoods &  
Economic Development Department



William Fulton  
Director,  
Planning, Neighborhoods &  
Economic Development Department

- Attachments: 1. Project Site Plan  
2. Basic Concept Drawings  
3. Fourth Implementation Agreement