



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE ISSUED: August 13, 2004

ITEM 100

REPORT NO.: HCR04-70

For the Agenda of September 10, 2004 (continued Item from the August 20, 2004 Housing Commission meeting)

SUBJECT: Acquisition of the Fairbanks Summit Apartments (Council District 1)

SUMMARY

Issue: Should the Housing Commission acquire the real property located at 14350-60 Camino de la Luna from Pardee Homes?

Recommendation #1: That the Housing Commission recommend that the Housing Authority authorize the:

- a) Acquisition of the 10-unit Fairbanks Summit Apartments from Pardee Homes for an amount not to exceed \$1.2 million; and
- b) Chief Executive Officer of the Housing Commission, or designee, to execute all documents necessary to facilitate the acquisition of the project, subject to approval by General Counsel.

Recommendation #2: That the Housing Authority authorize an amendment to the Housing Commission fiscal year 2005 Rental Housing Production budget to include \$1.2 million in additional carryover of Local funds from fiscal year 2004.

Fiscal Impact: The Housing Commission would expend \$1.2 million in additional carryover of Local funds from fiscal year 2004 to acquire the project. These funds are available in fiscal year 2005 as a result of a variance between estimates and actual expenses for relocation and site acquisition in fiscal year 2004.



Certificate of Funding Availability:

Certificate No:	05-046
Amount:	\$1,200,000
Revenue Source:	Carryover of Local Funds from fiscal year 2004
Division:	Housing Finance & Development
Line Item:	Site Acquisition

Affordable Housing Impact: At a minimum, the project will be restricted at 60% area median income (AMI) (\$41,100 for a four-person household) for the first thirty years and restricted at 65% AMI (\$44,500 for a four-person household) for the following twenty-five years. It is anticipated that the project will be ultimately used for public housing with rents set at 30% of household income.

Environmental Review: The proposed activity was reviewed by the City and found to be categorically exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301 and categorically excluded from the National Environmental Protection Act pursuant to 24 CFR Part 58, Section 58.34(a)(12).

Future Related Action(s): Final approval of the Housing Commission's recommendations will be sought at the next available Housing Authority meeting. In addition, conversion of the project to public housing or the use of other funding would require further actions from the Housing Commission and the Housing Authority.

BACKGROUND

Pardee Homes developed the Fairbanks Summit Apartments in order to meet the affordable housing requirements of the North City Future Urbanizing Area (NCFUA). The project has also received a density bonus. These requirements stipulate that the project be restricted at 60% AMI (\$41,100 for a four-person household) for thirty years and 65% AMI (\$44,500 for a four-person household) for the following twenty-five years. Rather than operate the property for the term of the regulatory restrictions, Pardee Homes has elected to sell the project to the Housing Commission, which will own and operate the project subject to the existing restrictions.

On January 20, 2004, the Housing Authority authorized the sale of four public housing sites, totaling 35 units, to the San Diego Unified School District. Staff is currently evaluating several alternatives to replace the 35 public housing units. One option is to acquire the Fairbanks Summit Apartments and convert the project to ten units of public housing. Since public housing is restricted to households earning up to 80% AMI (\$51,050 for a family of four), conversion of the project to public housing would not require the relocation of existing tenants.

DISCUSSION

The Fairbanks Summit Apartments are part of the master-planned Black Mountain Ranch community in the NCFUA. The project is located north of SR-56 and west of Camino Ruiz (a location map is included as Attachment 1). When fully developed, the Black Mountain Ranch community will consist of approximately 5,400 dwelling units, three public parks totaling 50 acres, three schools, and neighborhood serving retail and commercial development.

The Fairbanks Summit Apartments were completed in May of 2004 and consist of 10 units built on a 1.54-acre site. The project consists of two buildings and a tot lot. The project is well landscaped and contains ample parking. Each unit is a two-level townhome with central air conditioning, a built-in gas range and oven, a dishwasher and refrigerator, and a stackable washer/dryer.

The unit mix for the project is summarized in the following table:

Unit Type	Unit Size (sq. ft.)	No. of Units
1 bedroom/1.5 bath	751	3
2 bedroom/1.5 bath	901	4
3 bedroom/2 bath	1207	3

An appraisal has been completed to assess the value of the Fairbanks Summit Apartments. Based upon the existing rental restrictions, the project has been valued at \$1.2 million.

There are a number of compelling reasons for the Housing Commission to purchase the Fairbanks Summit Project. To begin, the stock of rental housing in the NCFUA, and adjacent communities, is extremely limited. To date, the only rental housing that has been built in the NCFUA has been developed to meet the NCFUA affordable housing requirements. By purchasing the Fairbanks Summit Apartments, the Housing Commission can ensure the presence of affordable rental housing in the NCFUA in perpetuity.

In addition, the Fairbanks Summit project is well located, adjacent to employment opportunities in Sorrento Mesa and the I-15 corridor. Acquisition of the project will also further diversify the geographical distribution of housing controlled by the Housing Commission.

Finally, at \$120,000 per unit, the cost of the acquiring the Fairbanks Summit project is significantly lower than the cost of developing or acquiring comparable housing. For instance, typical affordable housing projects are currently being developed in excess of \$220,000 per unit, with a subsidy from the Housing Commission of approximately \$70,000 per unit. The market value of existing apartments has also been increasing significantly due to pressure from condominium conversions.

It is recommended that the Housing Commission use available local funds for the initial acquisition. After the property has been acquired, various scenarios for permanent financing can be considered, including public housing.

ALTERNATIVES

Decline the opportunity to purchase the 10-unit Fairbanks Summit Apartments in the NCFUA.

Respectfully submitted,

Cissy Fisher
Director, Housing Finance & Development

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
President and Chief Executive Officer

INFORMATION: Peter Armstrong 619-578-7556

Attachment(s): 1. Location Map