



Good Neighbors

San Diego
Housing Commission

INFORMATIONAL REPORT

DATE: May 10, 2002 **ITEM 104**

REPORT NO.: HCR02-041

SUBJECT: Proposed Loan to City Heights Community Development Corporation for Metro Residential Housing Development (Council District 3)

SUMMARY:

The purpose of this Report is to provide preliminary information regarding the proposed rental housing development prior to formal consideration of the funding request. General information regarding the location, development team, and financial plan is included. It is anticipated that a recommendation for funding will be presented at the meeting of June 7, 2002.

BACKGROUND

The proposed affordable housing development is part of a mixed-use office, retail and residential redevelopment project to be built in the City Heights community of San Diego on the block bounded by University Avenue to the south, 40th Street (I-15) to the east, Polk Avenue to the north and 39th Street to the west.

This proposal is being introduced in an informational report due to its highly complex nature; in addition to the Housing Commission, other potential public agency funding sources include the City of San Diego Redevelopment Agency and Centre City Redevelopment Corporation.

DISCUSSION

DEVELOPMENT TEAM

The City Heights Community Development Corporation (CHCDC) will head up the residential project development team. CHCDC will provide direct oversight for the project by the Executive Director Jay Powell and the housing oversight committee of the board of directors. Barry J. Schultz will provide project management and legal services. Mr. Schultz is with the law firm of Sullivan Wertz McDade and Wallace and is a former City Heights resident and board member. Financial consulting and planning services are being provided by Pat Getzel of Pat Getzel & Associates. Studio E Architects is providing architectural design services. The law firm of Riordan & McKenzie will provide tax credit counsel.



Initially, the Metro Career Center office building was the only development proposed as part of the redevelopment of the City Heights block. A Memorandum of Understanding was approved by the City of San Diego Redevelopment Agency with the San Diego Workforce Partnership and the development arm of Price Charities - City Heights Revitalization Corporation, which has since been renamed San Diego Revitalization Corporation (SDRC). The MOU was intended to negotiate a development agreement for an office building to house the Metro Career Center for job training and placement. Subsequent to the agreement approval, CHCDC approached the redevelopment agency and SDRC with a proposal to expand the project to include the proposed residential component. CHCDC and SDRC have negotiated a cooperative agreement whereby SDRC will be the owner and developer of the office building and CHCDC (in conjunction with a general partner) will own and develop the residential portion.

The Redevelopment Agency will take the lead for implementing the relocation plan. It is anticipated that both Redevelopment Agency financial assistance and acquisition assistance will be needed. Therefore, a Development and Disposition Agreement is being prepared by the Redevelopment Agency.

PROJECT DESCRIPTION

The housing development will consist of 120 units of affordable housing to be located in nine buildings along 39th Street and Polk Avenue. Metro Village will include three and four story buildings; a community building; a landscaped courtyard and a tot lot. There will be 48 one-bedroom flats, 36 two-bedroom flats, 24 three-bedroom townhomes, and 12 four-bedroom flats. The units will provide affordability to 54 households at 45% of the Area Median Income and 65 households at 50% of the AMI; one unit will serve as a manager's unit. Parking will be provided in a 485-space shared residential/commercial parking structure to be constructed along the 40th Street right-of-way. City Heights Community Development Corporation will perform property management and on-site youth and adult tenant services and programs.

FUNDING REQUEST

The total development cost is estimated at \$23,913,408 (approximately \$199,278 per unit for 120 units). Nine percent low-income housing tax credits of \$13,716,527 would be the primary financing with a private sector conventional loan of \$3,641,062. The Commission's total financial participation would be \$1,000,000 as a residual receipts loan and a \$960,000 loan guarantee for the Affordable Housing Program loan (maximum of \$1,960,000 or \$16,333 per assisted unit). Additional proposed public financing scenarios include a request for housing set-aside funds to the Centre City Development Corporation for a \$2,000,000 residual receipts loan and a \$2,000,000 residual receipts loan from the City of San Diego Redevelopment Agency. Absent a decrease in the development cost or an increase in the permanent loan or amount of tax credits, the approximately \$600,000 gap will be funded through a deferral of the developer fee.

For the Housing Commission Meeting of May 10, 2002
Informational Report for Metro Residential Housing Development
Page 3

This project will be applying in the July 2002 round for Federal Tax Credit Financing. Any Housing Commission funding commitment would be contingent upon award of Federal Tax Credits during calendar year 2002. Additional project details will be presented with funding recommendations.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Jack D. Farris
Manager, Housing Finance And Development

Elizabeth C. Morris
Chief Executive Officer

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Attachment(s):

1. Project Location Map
2. Summary of Sources and Uses

ATTACHMENT 2

SUMMARY OF SOURCES AND USES

METRO RESIDENTIAL HOUSING DEVELOPMENT

SOURCES

Private Lender	\$ 3,641,062
San Diego Housing Commission Loan	\$ 1,000,000
City of San Diego Redevelopment Agency	\$ 2,000,000
Centre City Development Corporation	\$ 2,000,000
Other Public Funding	\$ 595,819
Affordable Housing Program	\$ 960,000
Low Income Housing Tax Credits	<u>\$13,716,527</u>
	\$23,913,408

USES

Acquisition	\$ 5,850,000
Site Improvements	\$ 1,642,038
Structures	\$ 8,615,233
Construction Contingency	\$ 530,000
Overhead & Fees	\$ 3,064,553
Charges & Interest	\$ 1,520,766
Legal, Organization, & Audit	\$ 112,500
Other Costs	<u>\$ 2,578,318</u>
	\$23,913,408