



Good Neighbors

San Diego  
Housing Commission

# REPORT

**DATE:** For the Agenda of June 1, 2001

**ITEM 103**

**REPORT NO.:** HCR01-067

**SUBJECT:** Amendment to the Revocable Grant to TACHS Property Development for Reese Village (District 7)

## SUMMARY

**Issue:** Should the Housing Commission recommend to the Housing Authority an increase in the amount of a previously approved revocable grant to TACHS Property Development for construction of Reese Village, a 19-unit Special Purpose Housing Facility?

**Recommendation:** That the Housing Commission recommend to the Housing Authority a \$100,000 addition to a revocable grant to TACHS Property Development, increasing the amount of the grant from \$570,000 to \$670,000 to pay for demolition and replacement of a building determined to be structurally unsound.

### Certificate of Funding Availability

Certificate No.: FY01-157  
Amount: \$100,000  
Revenue Source: HOME  
Division: Housing Finance and Development  
Line Item: Grants

**Fiscal Impact:** Approval of this recommendation would result in the expenditure of up to \$100,000 in HOME funds. Added to the prior sources of funding, this would bring the total Commission participation to \$670,000.

**Affordable Housing Impact:** No Change with this action.

**Environmental Review:** The project was reviewed for compliance and meets the requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA).



**Equal Opportunity Statement:** A Work Force Analysis for TACHS Property Development is on file at the San Diego Housing Commission.

**HOME Program Compliance:** A grant for new construction, to develop rental housing for persons with disabilities, is an eligible activity under the HOME Program. The HOME regulations at 24 CFR 92.252(b)(2) allow the HOME-assisted unit rents to be the rents allowable under the Federal Project-based Rental Subsidy Program. The proposed rents and affordability conform to HOME guidelines. Of the 19 units, 18 will be HOME-assisted. Davis-Bacon Act Federal Labor Wage Rates are being paid.

**Previous Related Action:** On May 15, 2001, the Loan Committee approved a recommendation to the Housing Commission to increase the revocable grant from \$570,000 to \$670,000 with the condition that the affordability period be increased by ten years; from 55 years to 65 years.

**Future Related Actions:** Because previous funding for this development was approved by the Housing Authority, the requested increase in the revocable grant requires Housing Authority approval.

## **DISCUSSION**

Construction and rehabilitation of Reese Village began on November 15, 2000, and is approximately 50 percent complete. During rehabilitation of existing buildings, an approximately 1200 square foot structure was determined to be structurally deficient because of concealed water damage, termite damage, and a substandard foundation. Because the building would require dismantling to replace the foundation, it is cost effective to replace the entire structure rather than attempt preservation. The State determined that the building, constructed in the 1920's, has no historic value.

A contingency in the development budget was exhausted by relocation costs and other necessary construction changes. The \$100,000 grant requested in this report will be added to funds budgeted for rehabilitation and used to pay for replacement of the substandard building. With this change, the Housing Commission contribution to the development will be approximately 20 percent of the total development cost.

Financial Plan

Total Development Cost:	The total development cost is \$3,323,072 including the \$100,000 grant increase to replace the substandard building.
Cost per Unit:	The cost per unit is \$174,899 including a community space and parking garage.
Appraised Value:	After-rehabilitation market value was appraised at \$1.3 million on February 3, 2000.
Grant Amount:	A \$670,000 agency commitment leverages \$2,653,072 from other sources.
Security:	The Commission grant is secured by a Trust Deed subordinate to the HUD 811 financing.

Risks and Mitigation

There is a risk of loss of additional funds for construction should TACHS Property Development fail to complete Reese Village. This risk could be mitigated by recourse against the assets of the developer; however, TACHS Property Development is a new nonprofit organization with minimal assets.

**ALTERNATIVE**

The Housing Commission could deny a recommendation to increase the grant amount. This could cause TACHS Property Development to seek funding elsewhere, incurring significant costs to demobilize the contractor's crew and provide security at the unoccupied site during the delay.

Submitted by,

Pat Duplechan  
Director, Housing Programs

Approved by,

Elizabeth C. Morris  
Chief Executive Officer

**Signature on File  
With Original Document**

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Grant to TACHS Property Development for 4809-4819 70th Street  
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Attachments:

1. Location Map
2. Development Summary
3. Development Timeline
4. HC Development Form
5. Prior Report HCR00-019

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## ATTACHMENT 2

### DEVELOPMENT SUMMARY JUNE 1, 2001

Name: Reese Village  
Location: 4809-4819 70th Street  
Description: Rental housing for very low income disabled residents  
Sponsor: TACHS Property Development

#### Unit Affordability

Total # of units: 19  
Assisted units: 18  
Restricted rents: HUD will pay an estimated subsidized rent of \$435 per month. Tenants will pay 30% of actual household income (a typical rent payment of \$240). The developer will pay the utilities.  
Market rent: 1-bedroom units at \$575 per month  
Percent of AMI: Occupancy restricted at 50 percent or less of AMI  
Affordability: 65 years

#### Development Cost

Total development cost:	\$ 3,323,072
HC development cost:	\$ 670,000
Total development cost per unit:	\$ 174,899
HC cost per unit:	\$ 35,263
Subsidy per bedroom @ 20 br's:	\$ 33,500

#### Sources of Funds

HUD 811	\$ 2,562,072
Housing Commission grant	\$ 670,000 (revocable grant)
CDBG grant	\$ 81,000
Developer equity	\$ 10,000

#### Pro Forma Summary (based on HUD requirements)

Estimated annual income:	\$93,960 (year 1)
Estimated annual expense:	\$85,614 (year 1)
Annual debt service:	not applicable
Estimated residual receipts:	not applicable
Est. cumulative residual:	not applicable

ATTACHMENT 3

**REESE VILLAGE  
DEVELOPMENT TIMELINE**

June 1, 2001	Grant to the Housing Commission for approval
June 26, 2001	Grant to the Housing Authority for approval
October 1, 2001	Completion of Construction