



Good Neighbors

San Diego
Housing Commission

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REPORT

ITEM 106

DATE: For the Housing Commission Agenda of May 19, 2000

REPORT NO: HCR00-057

SUBJECT: Increase in Development Loan for Vista Verde (Council District 8)

SUMMARY

Issue: Should the Housing Commission recommend Housing Authority approval of an increase to the \$1,200,370 loan that was granted to 33rd Street Family Housing Limited Partnership for the development of a forty-unit new construction project located at 351-403 South 33rd Street, known as Vista Verde?

Recommendation: That the Housing Commission recommend Housing Authority approval of an increase of \$200,000 to the \$1,200,370 existing loan. It is further recommended that the Chief Executive Officer be authorized to execute all related documents prepared and/or approved by General Counsel.

Certificate of Funding Availability:

Certificate No.:	00-234
Amount/Revenue Source:	\$200,000/HOUSING TRUST FUND
Division:	Housing Finance & Development
Line Item:	Loans & Grants

Affordable Housing Impact: The subject project, known as Vista Verde, was completed in December 1999 and adds forty units to the housing stock (thirty-two 3-bedroom and eight 2-bedroom units) with 100 percent of the units affordable to very-low income families. Rents for the units are affordable at a range of 42 percent to 48 percent of median area income; occupancy of the units is restricted to families earning a range of 42 percent to 48 percent of median area income. The Housing Commission loan documents contain a declaration providing for an affordability period of 55 years. One unit is designated as a manager's unit.

Environmental Review: The project received a Negative Declaration under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), pursuant to 24 CFR Part 58, Section 58.34.

Previous Related Actions: The Housing Authority approved a loan of \$1,200,370 for this project on October 20, 1998.

Future Related Actions: If recommended, the proposed loan increase will be presented to the Housing Authority for approval.

HOME Program Compliance: This project is an eligible activity under the HOME Program. Eleven of the units are designated as HOME units.

BACKGROUND

33rd Street LP responded to a Commission Request for Proposals for the development and operation of rental housing (RFP No. HTF 98-01), proposing to build forty units on a site located near the intersection of 33rd Street and Oceanview Boulevard, adjacent to Route 15.

The project, Vista Verde, was completed in December 1999 despite many obstacles and deadlines and it provides a very positive statement in the redevelopment of the Imperial/Southcrest community. The Commission's initial financial assistance leveraged \$2.59 million in equity from the sale of 9% tax credits secured through the California Tax Credit Allocation Committee's competitive process.

DISCUSSION

Developer Background

33rd Street LP consists of Barone Galasso and Associates Inc. (BGA) as an "Associate General Partner" with a .01 percent interest, the Foundation for Affordable Housing III, Inc. (the Foundation), a California nonprofit corporation as "Managing General Partner" with a .99 percent interest, and an affiliate of Boston Capital, The California Corporate Tax Credit Fund-1997 LP, as a limited partner with a 99 percent interest. This partnership structure is typical of tax credit projects.

BGA is a San Diego based real estate development and management company established in 1986 by James V. Barone and Michael B. Galasso for the purpose of developing and managing affordable housing and residential hotels throughout California. It has built over 650 units of affordable housing including 420 units utilizing the tax credit program. It currently manages over 1,500 units including all of its development projects and the projects of others on a contract basis. BGA was responsible for developing and building Vista Verde and provides property management services.

The architect was Carlos Rodriguez, designer of the award winning Mercado Apartments. The contractor was Tony Wanket Construction.

The Funding Request

BGA is requesting a loan of \$200,000. The project needs additional money to fund a gap. The money will be used to pay off the balance of the construction loan so that the permanent loan with Citibank can fund before the interest rate lock of 7.96 percent expires on June 6, 2000. For further details, see Barone Galasso's letter of April 7, 2000 that accompanies this report as Attachment 1.

The total development cost of Vista Verde and the eligible basis for calculating tax credits has increased. Based on this, BGA applied for additional tax credits, however, due to the competitive nature of the current funding round they did not receive an award. Therefore, the \$200,000 loan increase is needed and will carry the same terms and conditions as the original Commission loan.

In support of their request, BGA has submitted revised development forms, which are included as Attachment 2.

Risks And Mitigation

The additional loan would increase the loan-to-value ratio from 103 percent to 113 percent. However, the project value is based on a 1998 appraisal, which is probably low. In addition, the revised pro forma submitted by BGA shows an increase in residual cash of approximately 6 percent that increases the source for loan repayment.

ALTERNATIVE

Denial of this loan recommendation would probably result in a loss of the interest rate lock on the permanent loan. The applicant has indicated that the fee to extend the commitment on the interest rate would be \$39,000 and project funds are not available for this purpose.

Respectfully submitted,

Carrol M. Vaughan
Director, Housing Policy and Finance

Approved by,

Elizabeth C. Morris
Chief Executive Officer

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Attachments: 1. Barone Galasso letter of April 7, 2000
2. Project Development Forms