



Good Neighbors

San Diego
Housing Commission

REPORT

DATE: For the Agenda of October 20, 2000

Item 102

REPORT NO.: HCR00-099

SUBJECT: Loan To St. Vincent De Paul Management, Inc., For Construction Of The Emporium Apartments (Council District 8)

SUMMARY

Issue No. 1: Should the Housing Commission approve a loan in the amount of \$2,000,000 to St. Vincent De Paul Management, Inc. (SVDP Management) for construction of The Emporium Apartments, consisting of 95 studio and one-bedroom units to be located at Imperial Avenue between 16th and 17th Streets?

Recommendation No. 1: It is recommended that the Housing Commission approve a loan of \$2,000,000 under the terms as outlined in this report and contingent upon the receipt of nine-percent tax credit financing, for the construction of the Emporium Apartments.

Issue No. 2: Should the Housing Commission approve a budget amendment to add \$988,564 of additional carryover of Housing Trust Redevelopment funds from FY00 to the Rental Housing Production, Loans and Grants account?

Recommendation No. 2: It is so recommended.

Fiscal Impact: Funding for this project has been allocated as follows:

Certificate No.:	01-092
Amount:	\$2,000,000 HTF loan
Revenue Source:	Housing Trust Fund
Division:	Housing Finance and Development
Line Item:	Loans

Affordable Housing Impact: Development of this project will add 94 units to the affordable housing stock (fifty-one one-bedroom and forty-three studio units). One unit will be set aside for a Manager with the remaining 94 units affordable to very low-income households. Proposed rents range from 33% to 45% of median area



A state agency authorized by the City of San Diego

income; occupancy of the units will be restricted to households earning a range of 33% to 45% of area median income. The units will be affordable for a term of 55-years.

Community Planning Group: The Emporium Apartments was presented to the East Village Community Group on October 12, 2000, and received a unanimous vote of support.

Equal Opportunity Statement: SVDP Management is in compliance with the Housing Commission's Equal Opportunity Programs.

Environmental Review: This project is within the jurisdiction of the Centre City Development Redevelopment area. Review and approval of a Centre City Development Permit are required, during which time an Environmental Secondary Study is prepared by CCDC in accordance with the Master and Supplemental Environmental Impact Reports (MEIR/SEIR) for the Community Plan and Planned District Ordinance. Based on the project's compliance with the Community Plan and Planned District Ordinance, it is anticipated that the Secondary Study will conclude that there are no new potential environmental impacts that were not anticipated in the MEIR/SEIR and therefore no further environmental studies are required. The appropriate Mitigation Measures listed in the MEIR/SEIR will be applied to the project.

Future Related Action: The recommendation of the Housing Commission will be scheduled for Housing Authority approval at the next available meeting.

BACKGROUND

SVDP Management has submitted an application under the Housing Commission's current Notice Of Funding Availability (NOFA).

SVDP Management proposes to build 95 apartment units on several contiguous lots along Imperial Avenue between 16th and 17th Streets in downtown San Diego. SVDP Management currently owns the lots, with the exception of one single-family lot which is currently in escrow.

The project anticipates nine-percent tax credit financing in addition to the proposed Housing Commission loan, a loan from SVDP, and a land grant from SVDP. There is no conventional financing proposed for the project.

It is anticipated that a tax credit limited partnership will be formed and will be the ownership entity, with SVDP serving as its managing General Partner.

DISCUSSION

The Borrower

St. Vincent De Paul Village (SVDP Village) was originally established in 1950 by the Catholic Diocese of San Diego to serve persons in need. The mission of the agency is to provide a comprehensive continuum of integrated services dedicated to impacting the immediate needs of homeless persons. SVDP Village has constructed and rehabilitated over 250,000 square feet of residential space, incorporating on-site community medical services, a dental clinic, high school, grade school, dining facilities, resource and training centers, with additional space for services to both housed and homeless clients. It is now the largest homeless service center in Southern California with an annual budget of \$12 million, 250 employees, and over 800 volunteers. SVDP Management was established in 1991 and is a 501(c) (3) subsidiary of SVDP Village. It is headed by Father Joe Carroll as President.

Past activities include the development of shelter and housing. Today the Village is comprised of the Joan Kroc Center (310 beds for families, including 150 beds for children), the Bishop Maher Center (150 beds for men) the Paul Mirabile Center (350 beds, short-term, for single adults), three Josue AIDS Centers (26 beds for single adults), the Toussaint Teen Center (residence and high school for 35 youth), and Village Place (a 47-unit affordable rental housing project).

Staff has reviewed SVDP's credit report and it is satisfactory and on file at the Housing Commission offices.

Site Location/Description

The site consists of five contiguous lots bounded by 16th Street on the west, 17th Street on the east, and Imperial Avenue on the north. The site area is approximately one-quarter of a block and is located in the East Village neighborhood of downtown San Diego. The site is within blocks of a public library and community college, less than ¼-mile from the proposed ballpark, and less than one mile from the San Diego Harbor. The bus and trolley are also easily accessed from the project site.

The proposed 95-unit complex will consist of studio and one-bedroom units on the second, third, and fourth floors of a newly constructed five-story building. The ground floor will house commercial and retail businesses. All units will have private kitchens and baths and are designed to provide easy access to common areas. Six of the units will be fully handicap accessible, with specially equipped bathrooms and

kitchens along with provisions for sight- and hearing-impaired devices. One unit will be reserved as a manager's unit.

Rents for the units will be at very-low income levels as defined by HUD, with the target rental rates ranging from 33% to 45% of median area income.

The target population is homeless adults with disabilities, including mentally ill and chronic alcohol and drug abusers. Residents of Emporium Apartments will not only receive safe affordable housing, they will also receive essential supportive services necessary to allow them to remain housed, stable and optimally self-sufficient. With St. Vincent De Paul only one block away, residents will be able to participate in a full range of services including medical and dental clinics, counseling, psychiatric care and adult basic education. Private security will also be provided on site.

The project timeline is shown in Attachment 3, with an estimated construction start September 2001, with completion and occupancy by July 2002.

Relocation

No relocation is anticipated as the project site is owned by SVDP. The one remaining parcel in escrow is a single-family home that is owner occupied.

The Funding Request

Total development costs for the project are \$7,925,563. The proposed financing sources include equity from the sale of nine percent tax credits in the amount of \$4,510,100, a loan from SVDP to the project in the amount of \$661,463, a land donation by SVDP Management in the amount of \$754,000, and a Housing Commission loan in the amount of \$2,000,000 for the balance of financing required. No conventional financing is proposed. SVDP has applied for Affordable Housing Program (AHP) funds which it intends to use to make the \$661,463 loan to the project. Should the application for AHP funds be unsuccessful, SVDP intends to apply to Centre City Development Corporation (CCDC) for the gap.

With no conventional financing on the project, there are no amortized debt service payments and no required debt coverage ratio. Staff proposes that the Housing Commission loan be in first position. The loan will be at three percent simple interest, for a term of 55 years. Debt service payments will equal the greater of 50% of net operating income or \$20,642 (minimum payment). The balance of net operating income will be used to pay down the SVDP loan to the project. At fifty percent of net operating income, the projected debt service payment to the Housing Commission in year one is \$41,284.

The Financial Plan

Total Development Cost:	The total development cost is \$7,925,563
Appraised Value:	An estimated value at completion of construction is \$4,275,000. This results in a loan-to-value ratio of 62%. An as-built appraisal will be obtained prior to funding.
Security:	The Commission's loan will be subordinate to the construction loan, but on completion will be secured by a first trust deed against the property.
Debt Service Ratio:	Debt service on the Housing Commission's loan is set at the greater of 50% of net operating income or \$20,642. Year one debt service on the first is estimated at \$41,284.
Interest:	3% simple interest
Payments on the 1 st and 2 nd Trust Deeds:	From net operating income. The Housing Commission to receive the greater of 50% of net operating income or \$20,642, with the balance to SVDP to pay its 2 nd Trust Deed.
Rent Restrictions:	A Declaration of Covenants and Restrictions with a 55-year term will be recorded against the property.
Occupancy Restrictions:	One unit will be set aside for a manager. Occupancy of 94 units will be restricted to households earning no more than 33% to 45% of area median income.
Recourse:	The loan will be non-recourse as provided for in the Housing Commission lending policy for tax credit projects.
Term:	55-years

Management Plan: An approved Management Plan is on file at the Housing Commission.

Operating Expense: Operating expense is projected at \$292 per unit per month.

Pro Forma Assumptions: Income increase is projected at 2.5 percent per year; expense increase is projected at 3.5 percent per year, and vacancy is projected at 5.0 percent per year.

Risks and Mitigation

The proposed Housing Commission loan will be the largest loan on the project (25% of total development costs and \$21,277 per restricted unit). On the other hand, a very low loan-to-value ratio (approximately 62%) is anticipated due to the large amount of equity to be contributed to the project. The Housing Commission loan will be in first position and is expected to receive regular debt service payments.

The Housing Commission could require the applicant to pursue some level of conventional financing that would correspondingly reduce the amount of Commission "gap" financing required. This would impose debt service at conventional coverage ratios that would likely result in higher rent levels. It would place the Commission's loan in second position, most likely with residual receipts payment terms. With "soft debt," SVDP can better control its rent levels which are targeted to serve a difficult population at very low income levels. At \$21,277 per assisted unit, the Housing Commission's subsidy is at a reasonable level.

ALTERNATIVE

Require the applicant to pursue a conventional loan in order to reduce the Housing Commission subsidy.

Respectfully submitted,

Pat Duplechan
Director, Housing Programs

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

DEWITT: G/HFShare/Reports/EmporLC.doc

Attachments: 1. Project Location Map

2. Project Development Summary
3. Development Timeline
4. HC Development Form
5. Developer's Disclosure Statement*
6. Audited Financial Statements*
7. Appraisal Summary Letters*

*Limited Distribution. Copies are available for review at the San Diego Housing Commission office located at 1625 Newton Avenue.

ATTACHMENT 2

Project Development Summary September 8, 2000

Name: Emporium Apartments
Location: Imperial Avenue between 16th and 17th Streets
Description: Rental housing for very low income residents
Sponsor: St. Vincent De Paul ("SVDP") Management, Inc.

Unit Affordability

Total # of units: 95
Assisted units: 94
Restricted rents: Studio units from \$306 to \$400; 1-bedroom units from \$320 to \$422
Market rent: None. One unit is reserved as a manager's unit.
Percent of MAI: Restricted Rents for the studio and one-bedroom units will be affordable to persons earning between 33 and 45 percent of MAI.
Affordability: 55 years

Development Cost

Total development cost:	\$7,925,563
HC development cost:	\$2,000,000 (maximum)
Total development cost per unit:	\$83,427
HC cost per (restricted) unit:	\$21,277
Subsidy per (restricted) bedroom @ 94 BR's:	\$21,277

Sources of Funds

Low Income Housing Tax Credits:	\$4,510,100	
SVDP/AHP Loan	\$661,463	(40-year amortization)
SVDP Land Grant	\$754,000	
SDHC – 1 st TD	\$2,000,000	(55-year amortization)
Estimated Value At Completion:	\$4,275,000	

Pro Forma Summary

Estimated annual income:	\$436,956	(Year 1)
Estimated annual expense:	\$332,540	
Net Operating Income	\$ 82,568	
Annual debt service		
1st Mortgage (SDHC): 50%	\$ 41,284	(min. pymt. \$20,642)
2 nd Mortgage (SVDP) 50%	\$ 41,284	
Estimated residual receipts:	\$ 0	

ATTACHMENT 3
DEVELOPMENT TIMELINE

- October, 2000 - Loan Committee Meeting
- October, 2000 - Housing Commission Meeting
- March, 2001 - TCAC Application
- May, 2001 - TCAC Allocation
- September, 2001 - Start Construction
- July, 2002 - Complete Construction, Full Occupancy