



Good Neighbors

San Diego
Housing Commission

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**REPORT TO THE HOUSING AUTHORITY
EXECUTIVE SUMMARY SHEET**

DATE REPORT ISSUED: June 12, 2006 REPORT NO.: HAR06-010
 ATTENTION: Members of the Housing Authority
 ORIGINATING DEPT: San Diego Housing Commission
 SUBJECT: Loan for Arbor Crest Apartments
 COUNCIL DISTRICT: District 3
 STAFF CONTACT: Cissy Fisher (619) 578-7585

REQUESTED ACTION:

Approve funding, contingent upon the receipt of 9% low income housing tax credits, to finance the acquisition and construction of 71 units of affordable rental housing for large families.

STAFF RECOMMENDATION:

Housing Authority: **a)** approve a residual receipts loan of up to \$6.7 million to Arbor Terrace, a California Limited Partnership to fund the acquisition and construction of the Arbor Crest Apartments, located at 3693-3741 Florida Avenue, contingent upon the award of nine percent tax credits to the project; **b)** authorize the Housing Commission to take possession of the property 15 years after the project is initially occupied, in lieu of repayment of the Housing Commission loan, and assume, at its sole discretion, any project-related tax liability of the limited partner of the tax credit limited partnership; and, **c)** authorize the President and Chief Executive Officer to execute all necessary legal documents to effectuate the transaction.

EXECUTIVE SUMMARY:

The Housing Commission has been working with SADI, LLC (SADI) to finance the acquisition and construction of the Arbor Crest Apartments, a 71-unit affordable housing complex for large families. SADI Development (SADI) is a joint venture development entity composed of Squier Properties, created in 1999 by Gary Squier, former head of Los Angeles Housing Authority and General Manager of the Los Angeles Housing Department, and Advanced Development and Investments (ADI), an integrated construction, development and management company. Together and independently, the principals have produced nearly 4,000 units of affordable housing throughout California.

The proposed project will be built on a 52,511 square foot site located at the intersection of Florida Street and Robinson Avenue in the Greater North Park Community Planning Area. The project is two blocks south of University Avenue, and Balboa Park, with its host of recreational and cultural activities, is less than a half mile from the project site.

The proposed project will include 71 two-, three-bedroom, and four-bedroom affordable rental housing units. Seven units will be affordable at 30% Area Median Income (AMI) (\$20,700 for a



family of four), 7 units will be affordable at 40% AMI (\$27,600 for a family of four), 35 units will be affordable at 50% AMI (\$34,500 for a family of four), 20 units will be restricted at 60% AMI (\$41,400 for a family of four), and two units will be reserved for a resident manager.

The Housing Commission loan of \$6.7 million (\$94,366 per unit and \$32,843 per bedroom) and would leverage over \$23,767,323 in other funding sources. The Housing Commission would also have the option, but not the responsibility, to acquire the property in 15 years in lieu of repayment of the loan. Should the Housing Commission exercise the option, the Housing Commission would acquire the property and assume the project's first position loan and any accrued tax liability. As owner of Arbor Crest Apartments, the Housing Commission would benefit from the appreciation in value and the retention of the entire residual cash flow. Housing Commission ownership would also ensure that this highly attractive and well-located housing project would remain affordable indefinitely.

In its Housing Needs Assessment of the rental housing market, the City's Consolidated Plan identifies large families as an under-served renter population. Currently, very few apartment units are in development; current apartment inventory is also being reduced by condominium conversions. This project will provide 34 three-bedroom and 14 four-bedroom affordable units in a well-designed project with convenient access to employment and high quality amenities.

FISCAL CONSIDERATIONS:

Approval of this recommendation would result in the expenditure of up to \$6.7 million in Housing Commission funds. Should the Housing Commission exercise its option to take title to the property in 15 years, the Housing Commission would forego repayment of its \$6.7 million loan and accrued interest and assume the first position loan.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Arbor Crest was originally planned as a 53-unit for-sale condominium project. At its regular meeting on, March 3, 2006, the Greater North Park Planning Group voted to approve the original project. The revised project will be presented to the Planning Group at its June meeting for re-consideration.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The project is being developed by SADI. The owners of SADI are listed in Attachment 3. The developer has tentative agreements with Red Capital Markets, Hamni Bank, and CCRC to provide equity and debt for the project. The property seller is North Crest Partners, LLC.

Housing Finance and Development

President and Chief Executive Officer