



Good Neighbors

San Diego
Housing Commission

HOUSING AUTHORITY REPORT

DATE ISSUED: November 15, 2006

REPORT NO: HAR06-022

ATTENTION: Members of the Housing Authority
For the Agenda of November 21, 2006

SUBJECT: 3822 - 3836 Alabama Street, San Diego (Council District 3)

REQUESTED ACTION:

Approve an increase of up to \$200,000 to the previously approved loan for the acquisition and rehabilitation of 66 units of affordable senior rental housing.

STAFF RECOMMENDATION:

Housing Authority approval of:

1. An increase of up to \$200,000 to the previously approved \$3,600,000 residual receipts loan to Community Housing Works to fund the acquisition and rehabilitation of Alabama Manor Apartments, located at 3822- 3836 Alabama Street; and
2. Authorization of the President and Chief Executive Officer, or designee, to execute any and all documents necessary to make the approved loan.

SUMMARY:

Community Housing Works (CHW) is requesting an increase of up to \$200,000 to the previously approved \$3,600,000 residual receipts loan to fund the acquisition and rehabilitation of Alabama Manor Apartments. This is an existing 67-unit rental housing project that was built in 1984 under a conditional use permit (CUP) for age-restricted only senior housing (at least 62 years of age).

The developer submitted an application to the State of California Multifamily Housing Program (MHP) Spring 2006 round for additional loan financing. The application was rejected by MHP due to its concerns regarding fair housing and resident services; these concerns have now been addressed by the developer. Because this is potentially the final round of the MHP, CHW must maximize the application's competitiveness by enhancing services and affordability. MHP has directed CHW to raise the proposed level of resident services, doubling that budget from \$25,000 to \$50,000 per year. Also, tax credit equity pricing has dropped substantially since the previous application submittal thus lowering the amount of projected equity contribution. These factors result in a bigger funding gap, which is the subject of this request for additional funds.

The CUP was issued in 1984 to the original developers who still own the property. The Development Services Department (DSD) has issued a certificate of substantial conformance effectively reducing the project's age requirement from 62 to 55 years of age; this will allow all of the existing tenants who are income-eligible to remain in their units. The 55-year age requirement is the current norm for "senior" CUPs with greater than 35 units. Per California Fair Housing Law, which is more restrictive than federal law, 80% of a senior housing development must be occupied by households where at least one resident is 55 years of age or older. The proposed project meets the 80% threshold and has committed that the remaining 20% of the units will be rented to a household that includes a senior or an adult with a disability.

The proposed project would extend the useful life of the apartment complex and provide rent restrictions to 66 units of housing for low and very low income households for 55 years. This would also ensure that all of the existing tenants would pay affordable rents in the future.

The proposed project elements outlined in the attached previous Housing Authority Report remain in effect with a minor rent reduction for the five two-bedroom rental units. The current actual monthly rent is \$808. The current proposed rent for these units has been reduced from \$784 to \$749.

FISCAL CONSIDERATIONS:

Approval of these recommendations would result in the expenditure of up to \$3,800,000 in San Diego Housing Commission funds.

| | |
|------------------|---------------------------------|
| Amount: | \$3,800,000 |
| Revenue Sources: | HOME / HTF/Various |
| Division: | Housing Finance and Development |
| Line Item: | Loans |

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

At its meeting of April 4, 2006, the Housing Authority approved a loan in the amount of \$3,600,000 and adopted a bond inducement resolution for the project. The original Housing Authority report indicated that staff would submit applications to the California Debt Limit Allocation Committee (CDLAC) during 2006 to secure a bond allocation. Due to delays in securing an MHP loan, a bond allocation for the project was not received in 2006 and one or more applications will be submitted to CDLAC in 2007. On the same date, the City Council adopted a TEFRA resolution for the project. (See Attachment 3, Report No. HAR06-005). The subject requested action was recommended for approval at the October 6, 2006 Housing Commission meeting.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The project received unanimous approval (11-0-0) at the March 21, 2006 meeting from the Greater North Park Planning Committee and its Urban Design Project Review Committee.

KEY STAKEHOLDERS & PROJECTED IMPACTS

The current owners and sellers of the property are Ronald A. Crampton and Michael J. Hall. The buyer is Community Housing Works, a 501(c)3 nonprofit public benefit corporation.

Respectfully submitted,

Cissy Fisher
Director of Housing Finance & Development

Elizabeth C. Morris
President and Chief Executive Officer

Attachments: 1. Development Summary
2. General Application Form
3. HA Report No. HAR06-005*

* Distribution of this attachment may be limited. Copies available for review during business hours at the San Diego Housing Commission offices located at 1625 Newton Avenue.

ATTACHMENT 1

DEVELOPMENT SUMMARY

November 15, 2006

Name: Alabama Manor
Location: 3822-3836 Alabama Street, San Diego
Description: Rental housing for very low-income and low-income seniors
Sponsor: Community Housing Works

Unit Affordability

Total # of units: 67
Assisted units: 66
Restricted rents: 1 Studio @ \$347
60 One-bedroom @ \$367 to \$621
5 Two-bedroom @ \$749
Market rent: Studio units rent for approximately \$750 per month
One-bedroom units rent for approximately \$880 per month
Two-bedroom units rent for approximately \$1,204 per month
Percent of AMI: 14 units at 30 percent, 10 units at 35 percent, 42 units at 50 percent (previous 60%) or less of Area Median Income
Affordability: 55 years

Development Cost

| | | |
|------------------------------------|--------------|---------------------|
| Total development cost: | \$10,801,619 | |
| HC development cost: | \$ 3,800,000 | |
| Total development cost for 1 unit: | \$ 161,218 | |
| HC cost for 1 unit: | \$ 56,716 | (Previous \$53,731) |
| HC subsidy per bedroom (72 br's): | \$ 52,778 | (Previous \$50,000) |

Sources of Funds

| | | |
|--------------------------------|--------------|------------------------|
| Tax Exempt Bonds | \$ 971,400 | (Previous \$1,297,800) |
| Housing Commission Loans | \$ 3,800,000 | (Previous \$3,600,000) |
| State MultiFamily Housing Loan | \$ 2,650,000 | (Previous \$2,653,611) |
| 4% Tax Credits | \$ 2,896,089 | (Previous \$3,073,008) |

Pro Forma Summary (year 1 aggregate)

| | | |
|---|------------|--|
| Estimated annual income: | \$ 456,312 | (Previous \$458,244) |
| Estimated annual expense: | \$ 325,602 | (Previous \$300,625 includes MHP annual expense) |
| Annual debt service (1 st): | \$ 70,564 | (Previous \$94,778) |
| Estimated SDHC residual receipts | Not Known | (year 15+ – first payment) |