



HOUSING AUTHORITY REPORT

EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: January 29, 2008 REPORT NO: HAR 08-005
ATTENTION: Chair and Members of the Housing Authority
For the agenda of February 26, 2008
ORIGINATING DEPT: San Diego Housing Commission
SUBJECT: Final Bond Authorization for Parkside Terrace Apartments
COUNCIL DISTRICT(S): District 2
STAFF CONTACT: Cissy Fisher (619) 578-7585

REQUESTED ACTION:

Take the final step to authorize the issuance of Housing Authority mortgage revenue bonds for the development of Parkside Terrace Apartments.

STAFF RECOMMENDATION:

Housing Authority authorize the issuance of up to \$17,114,159 million in housing revenue bonds to fund the development of the Parkside Terrace Apartments, a 77-unit apartment complex located at 505 13th Street in downtown San Diego.

BACKGROUND:

Parkside Terrace is a proposed new construction project to be located on the north side of Island Avenue between 13th and 14th Streets in the East Village neighborhood of downtown San Diego. The project would create a total of 77 multifamily rental units including 25 studios, 18 one-bedroom, 29 two-bedroom, and 5 three-bedroom apartments.

Parkside Terrace will provide 76 rental units for occupancy, and at rents affordable to low and very-low income households: 12 units will be restricted at 50% Area Median Income (AMI) (\$31,050 for a household of three) and 64 units will be restricted at 60% AMI (\$37,250 for a household of three). In addition, one two-bedroom unit will be reserved for an on-site manager and will not be occupancy-restricted.

The total development cost of the project is approximately \$30.1 million. Major cost items include construction (\$18,900,000), site acquisition and demolition (\$4,000,000), construction interest and financing costs (\$1,800,000), a developer fee (\$1,300,000), and other soft costs (\$4,100,000).

Approximately \$12 million in housing revenue bonds will be used solely to finance the construction of the project and will be repaid with other permanent financing sources after the project is built and occupied. After conversion to permanent financing approximately \$4.3 million in housing revenue bonds will remain outstanding. In addition to housing revenue bonds, anticipated permanent financing sources include tax credits (\$11,800,000), a loan from the Centre City Development Corporation (\$13,800,000), and a deferred developer fee (\$200,000).

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FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested action. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds; security for repayment of the bonds will be limited to the value of the property and its revenue sources. All costs of the financing, including compensation for staff efforts in preparing the bonds, will be borne by the project owner. The Housing Commission's origination fee under the financing will be up to \$39,362 (0.23 percent of the bond amount).

PREVIOUS COUNCIL AND/OR COMMITTEE ACTIONS:

On September 14, 2004, the Redevelopment Agency approved an Owner Participation Agreement (OPA) with Oak Shelter Systems, LLC (Oak Shelter) to develop a mixed-use project on the subject site. In 2005, Oak Shelter determined that the project was no longer financially feasible and asked to terminate the OPA. On July 10, 2007, the Housing Authority and City Council approved preliminary bond items for the project and the Redevelopment Agency terminated the original OPA with Oak Shelter, approved an OPA with Parkside Terrace, L.P., and granted design approval for the project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On February 28, 2007, the CCDC board approved the recommendation of the Centre City Advisory Committee and recommended that the Redevelopment Agency terminate the original OPA with Oak Shelter Systems, LLC; approve a new OPA with Parkside Terrace, L.P.; and grant design review approval of the proposed project. On April 27, 2007, the Housing Commission recommended that the Housing Authority and City Council approve preliminary bond items for the project.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low and very-low income households are the intended residents of the project. Wakeland will develop the project. American Baptist Churches of the Pacific Southwest, a California nonprofit corporation, doing business as Transformation Ministries currently owns the site. Red Capital Markets will provide equity and Wells and CCRC will provide debt for the project.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance & Development

Approved by,



Carrol M. Vaughan
Interim President & Chief Executive Officer