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THE CITY OF SAN DIEGO

AFFORDABLE HOUSING COLLABORATIVE EXECUTIVE LOAN COMMITTEE

MINUTES

THURSDAY, MAY 27, 2010

3:00PM – 5:00PM

CIVIC CENTER PLAZA

1200 THIRD AVENUE, SUITE 1400, LARGE CONFERENCE ROOM
SAN DIEGO, CALIFORNIA 92101

1. **Roll Call**

Members Present: Sam Guillen, Cruz Gonzalez, William Shaw, William Anderson (chair)

Members Absent: None

Other Staff Present: Michele St. Bernard, Ulysses Panganiban, Robert Chavez, Xavier Del Valle, Sam Johnson, Eri Kameyama, Diane Young

Public Present: Kevin McCook, Shannon Vanderhei, Nkechi Odu, Wally Dieckmann

2. **Approval of Minutes**

June 25, 2009 – motion to approve (Cruz/Shaw, passes, 3-0-1)

3. **Public Comment**

None

4. **Administrative Items**

None

5. **Mercado del Barrio**

Xavier Del Valle, Project Manager, City Redevelopment Division, presented a request for a Redevelopment Agency allocation of an amount not to exceed \$9.1 million for Estrella del Mercado, the affordable rental housing component of the mixed-use Mercado del Barrio project located within the Barrio Logan Redevelopment Project Area. Redevelopment Agency funding would be from the following sources: \$1.7 million from the San Ysidro Redevelopment Project Area Low Income Housing Fund (LIHF), \$5.1 million from the North Bay Redevelopment Project Area LIHF, and \$2.3 million from the North Bay Redevelopment Project Area Affordable Housing Line of Credit. The Redevelopment Agency subsidy would cover the affordable housing component only and the land for the entire project site (to be conveyed to the developer).

The project site lies in the heart of the Barrio Logan community in close proximity to: schools; public

transportation to the United States/Mexico border, Downtown San Diego, and beyond; public facilities, such as parks, recreational centers, and libraries; and other Redevelopment Agency affordable housing projects. The entire project (housing and non-housing components) would be on approximately 6.63 acres bounded by Main Street to the west, National Avenue to the east, Cesar E. Chavez Parkway to the north, and the San Diego–Coronado Bay Bridge to the south. It would consist of: 91 affordable 1-, 2- and 3-bedroom apartment units plus one manager’s unit; 105,000 square feet of commercial space (grocer, retail/service, and dining); and 469 parking spaces. Onsite amenities would include a community room, public art, walkways, landscaping, and plazas. All rental units would be affordable to households earning from 30% to 60% of the Area Median Income (AMI). Members of the development team (Shea Mercado, LLC and Mercado CIC, L.P.) were present to respond to questions from the ELC. There was no public comment on the project.

Questions from the committee and discussion items included:

- What arrangements have been made to secure the anchor Latino-themed grocer? *A purchase and sale agreement has been signed with González Northgate Markets.*
- What is the status of the litigation regarding the ownership of the project site? *In 2007, the Agency prevailed in Superior Court over Mercado Alliance LLC and regained title to the project site. Most recently, the Appellate Court dismissed the case in favor of the Agency late last year. There is no risk of the California Supreme Court reviewing the Appellate Court decision.*
- What is the rationale for placing retail at the bottom floor of the affordable housing component instead of more units in light of today’s tough retail environment? *The project was initially envisioned as a commercial development. The affordable housing component was recently added due to the recent success of nearby affordable housing projects. It would be an asset to the community to have a mixed-used development, and the proposed Northgate Market is anticipated to attract a healthy number of commercial tenants.*
- What is the retail leasing strategy? *Shea Mercado, LLC will be responsible for implementing a retail leasing strategy with Gatasso. Targeted businesses will include Latino-themed restaurants and businesses from Mexico using HSBC credit underwriting.*
- Today, it is difficult to rent out units at 50% to 60% of the AMI. Most of this project’s units are at the 50% to 60% AMI range. Can more units be accommodated, especially 2- and 3-bedroom ones at levels below 50% of the AMI? *Financial feasibility dictates the affordability mix, but the goal is to favor units with lower AMIs as much as possible. One-bedroom units tend to be transitional housing instead of family housing.*

Motion to recommend project for Agency funding (Guillen/Cruz, passes, 4-0-0).

6. **Expenditure of Low- and Moderate-Income Housing Fund Transaction Guidelines**

Michele St. Bernard, Affordable Housing Project Manager, City Redevelopment Division, presented revisions to the Expenditure of Low- and Moderate-Income Housing Fund Transaction Guidelines and requested the ELC to recommend implementation of the revised guidelines. The Redevelopment Agency Board previously authorized the Redevelopment Agency Executive Director, or designee, to revise the guidelines from time to time to reflect changing market conditions, match Low Income Housing Tax Credit financing requirements, and incorporate lessons learned by project managers. Committee members provided comments to be incorporated into the guidelines.

Questions and comments from the committee included:

- Guideline X.D, *Community Fit*, should reference the relevant community plan. *The guideline will be changed accordingly.*
- Have the revisions been reviewed by an outside economic consultant? *The Agency received comments and suggestions from Keyser Marston Associates.*
- Does Guideline X.K, *Infrastructure Improvements*, include public facilities or only infrastructure? *It encompasses both public facilities and infrastructure.*

- Guideline IX.B, *Sustainable Design*, should not include eco-roofs as they seem to be ineffective downtown. *The Transaction Guidelines are voluntary, flexible, and baseline in nature, and Centre City Development Corporation and Southeastern Economic Development Corporation may impose requirements that are above and beyond or more specific.*
- How is Guideline VIII.H, *Number of Subsidies*, applied when evaluating projects? *The interpretation of this guideline is based on the project's particular circumstances. It exists to notify developers that the number of subsidies already received will be taken into consideration by Agency staff.*
- Why does Guideline II.C, *Target Developer Profit*, state a rate of investment at 1% to 3% over industry standard cap rates for rental affordable projects without tax credit capital? *Rental affordable projects without tax credit capital are considered riskier investments. There is also pent-up demand.*

Motion to recommend implementation of guidelines as revised (Cruz/Shaw, passes, 4-0-0).

7. **General Discussion**

Committee members were informed of and briefly discussed the 2010 affordable housing bond issuance by the City Redevelopment Division. Staff anticipates the bonds to be issued in late summer/early fall of 2010. Six project areas (Crossroads, City Heights, Naval Training Center, North Bay, North Park, and San Ysidro) would be considered collectively for the purposes of housing bond issuance to achieve the best possible interest rates. Housing funds would be pooled and distributed on a project-by-project basis instead of on an area-by-area basis.

8. **Meeting Adjourned**

Motion to adjourn (Gonzalez/Shaw, passes, 4-0-0)

Draft Prepared: 060310 uip

Final Approved: Received/filed as presented (12/16/2010)
 Motion by: No vote taken due to member turnover
 Committee Vote: N/A

Revisions to Draft: Double Underlined and Italic
 Revisions Prepared: None