THE CITY OF SAN DIEGO

AFFORDABLE HOUSING COLLABORATIVE
EXECUTIVE LOAN COMMITTEE

AGENDA
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**

2. **Approval of Minutes**
   June 25, 2009

3. **Public Comment – 3:10pm** (Time Certain)
   Public comment may be made on any subject in the Committee's area of responsibility. Presenters have three (3) minutes to address the Committee.

4. **Administrative Items**
   a. *Conflict of Interest Declarations*
   b. *Request for Agenda Revisions (continuances, change in order, etc.)*

5. **Mercado del Barrio**
   Recommendation requested for Agency subsidy of mixed-use project with affordable housing units within Barrio Logan Redevelopment Project Area. Presented by City Redevelopment Division staff: Xavier Del Valle, Project Manager.

6. **Expenditure of Low- and Moderate-Income Housing Fund Transaction Guidelines**
   Recommendation requested for implementation of updates to Expenditure of Low- and Moderate-Income Housing Fund Transaction Guidelines. Presented by City Redevelopment Division staff: Michele St. Bernard, Project Manager.

- more -

7. **General Discussion**
    a. *Committee Administrative Items and/or Non-Agenda Comment*
    b. *Staff Announcements*
        i. *2010 Affordable Housing Bond Issuance by Redevelopment Division*
    c. *Collaborative Project Spreadsheet/Tax Credit Spreadsheet/Line of Credit Update*

8. **Next Meeting Date – June 24, 2010**

9. **Adjournment – 5:00pm** (Time Certain)
   Unfinished business shall be tabled and placed on the agenda of the following meeting.

THE CITY OF SAN DIEGO

AFFORDABLE HOUSING COLLABORATIVE
EXECUTIVE LOAN COMMITTEE

MINUTES
THURSDAY, JUNE 25, 2009
3:00PM – 5:00PM

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

1. **Roll Call**
   Members Present: Cruz Gonzalez, William Shaw (chair), Sam Guillen (alternate for Sal Salas)
   Members Absent: William Anderson
   Other Staff Present: James Davies, Michele St. Bernard, Melissa Garcia, Krissy Toft, Karina Danek, Ulysses Panganiban, Eri Kameyama
   Public Present: Jordan Penn, David Billings, Jay Powell, Manuel Oncina

2. **Approval of Minutes**
   January 22, 2009 – motion to approve (Gonzalez/Guillen, passes, 3-0-0)
   April 23, 2009 – motion to approve (Gonzalez/Guillen, passes, 3-0-0)

3. **Public Comment**
   None

4. **Administrative Items**
   None

5. **Fairmount 26**
   Krissy Toft, Project Manager, City Redevelopment Division, presented a request for an allocation of an amount not to exceed $3,015,000 from the Affordable Housing Opportunity Fund ("Housing Line of Credit") for Fairmount 26, an affordable rental housing project located within the City Heights Redevelopment Project Area. The project site is in close proximity to schools, public transportation, and the Urban Village. The project would be on approximately 0.71 acre (31,000 square feet) at 3332–3406 Fairmount Avenue. It would consist of 26 affordable 2- to 3-bedroom apartment units in a 4-story building with 61 parking spaces and approximately 4,100 square feet of commercial/retail space. Onsite amenities would include 1,295 square feet of classroom space and "green" building technologies, such as photovoltaic panels and water conservation measures. All rental units would be affordable to households earning from 30% to 60% of the Area Median Income (AMI). Because two residential units would be demolished to build the project, a Replacement Housing Plan has been prepared by the

Redevelopment Agency. Members of the development (Fairmount 26, 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 is the rationale for the "high" developer's fee at 10.2%? *The developer's fee would be split between the members of the Fairmount 26, L.P. (City Heights Community Development Corporation and Chelsea Investment Corporation). Approximately $250,000 of the developer's fee would be deferred and be repaid by the project's operating income over a 10 year period.*
- What is the rationale for the general requirements, contractor's overhead, and contractor's profit to be at 14% total? *Chelsea Investment Corporation would act as the general contractor. The 14% is a not-to-exceed amount. A revised budget would be submitted.*
- What is the tax credit financing situation? *Tax credit pricing is currently at 70¢. There is also a 12¢ boost from stimulus funds. The Richmond Group has expressed interest in investing. If tax credit investors cannot be found, the alternative is to approach Bank of America or do a cash exchange.*

Motion to recommend project for Agency funding (Gonzalez/Guillen, passes, 3-0-0).

6. **General Discussion**
The status of the Affordable Housing Opportunity Fund was briefly discussed and a spreadsheet summarizing Opportunity Fund activities was distributed. A preliminary list of County of San Diego tax credit projects for the 2009 round was passed out and discussed.

7. **Meeting Adjourned**
Motion to adjourn (Gonzalez/Guillen, passes, 3-0-0)

Draft Prepared: 070709 uip

Final Approved:		Revisions to Draft:	*Double Underlined and Italic*
Motion by:		Revisions Prepared:	N/A
Committee Vote:			

DATE: May 27, 2010

ATTENTION: Affordable Housing Collaborative Executive Loan Committee

SUBJECT: Estrella del Mercado Project

FUNDING AGENCY: San Diego Housing and the Redevelopment Agency of the City of San Diego

PROJECT AREA: Barrio Logan – District 8

STAFF CONTACT: Xavier Del Valle, Project Manager, (619) 236-6260 XH
Robert Chavez, Redevelopment Coordinator, (619) 236-6263 RC

Staff Recommendation

That the Affordable Housing Collaborative Executive Loan Committee recommend to the Redevelopment Agency and Housing Authority of the City of San Diego an allocation not to exceed $16.1 million of affordable housing loan funds for the implementation of the Estella del Mercado Project (Mercado). Of this amount, it is requested that the Housing Authority allocate $7.0 million and the Redevelopment Agency (Agency) allocate $9.1 million.

Other Recommendations

On July 25, 2006, the Agency approved the establishment of a Line of Credit and pooling of the Agency's 20% Low and Moderate Income Housing Set-Aside Funds for new development projects.

On February 20, 2008, the Barrio Logan Project Area Committee (PAC) unanimously recommended that the Agency enter into an Exclusive Negotiation Agreement (ENA) with Shea Mercado LLC/ Mercado CIC, LP (Shea/Chelsea) for the Mercado.

On July 3, 2008, the Agency authorized the Executive Director to enter into an ENA with Shea/Chelsea to initiate due diligence activities for the Mercado.

On May 20, 2009, the Barrio Logan PAC unanimously recommended that the Agency continue negotiations with Shea/Chelsea for the Mercado. The residents of Barrio Logan and community stakeholders are generally supportive of the Mercado.

In September 2009, Agency staff presented the Affordable Housing Collaborative Review Team (CRT) with project information regarding the Mercado, and requested technical assistance including project review and underwriting due diligence. The CRT was generally supportive of the Mercado.

On April 28, 2010, the Barrio Logan PAC voted 8-0-2 in favor of recommending that the Agency enter into two Disposition and Development Agreements (DDAs) for implementation of the Mercado's retail and affordable housing elements.

On May 18, 2010, the San Ysidro Project Area Committee (PAC) supported staff's recommendation by a vote of 5-0-2 to allocate $1.7 million in San Ysidro Project Area 20% Low to Moderate Income Funds for implementation of the Mercado.

On May 20, 2010, the Planning Commission of the City of San Diego voted 5-0 in favor of recommending to City Council to 1) certify Addendum No. 203874 to Environmental Impact Report No. 90-0133, and adopt the Mitigation Monitoring and Reporting Program; 2) approve Coastal Development Permit 723231, Planned Development Permit No. 723233, and Site Development Permit No. 723237; and 3) approve Vesting Tentative Map No. 723238, and Easement Abandonment No. 723239 for the Mercado.

Fiscal Impact

Agency shall convey all land for the Project to Shea for the purchase price of $100 or less, with no additional public financial assistance required for the retail element. The total amount of public assistance needed for the affordable housing element is $16.1 million, or $177,000 per unit. Of this amount, it is requested that the Housing Authority allocate $7.0 million and the Redevelopment Agency allocate $9.1 million from the following Agency sources: $1.7 million from San Ysidro Project Area 20% Low to Moderate Income Fund; $5.1 million from North Bay Project Area 20% Low to Moderate Income Fund; and $2.3 million from North Bay Project Area Line of Credit (LOC) Pooled Fund. Funding is available from all aforementioned sources in Fiscal Years 2010 through 2011. Findings of benefit to each project area shall be prepared for the Agency Board to consider at a later date.

PROJECT BACKGROUND

The Mercado is a critical redevelopment project for the community of Barrio Logan, the City, and the Agency. The Mercado is the main reason for the adoption of the Barrio Logan Redevelopment Project Area (Project Area), adopted in May 1991. Since Project Area formation, the community of Barrio Logan and surrounding neighborhoods has waited patiently for the development of the Mercado. Regrettably, previous efforts to develop the Mercado over the years have failed due to weak and untested commercial market conditions at those times. However, today exists an opportunity to make the Mercado a reality given the right approach.

Previous Project Proposals

In May 1994, the original Mercado proposal was approved by the Agency under a Disposition and Development Agreement (DDA) with San Diego Mercado Associates (SDMA). Generally, the project scope included a commercial strip center anchored by a grocery store. As required under the DDA, the Agency acquired various parcels that amounted to a 6.8-acre site for the Mercado, located at Cesar Chavez Parkway, under the Coronado Bay Bridge.

Land acquisition for the project site was financed with a $7.2 million HUD Section 108 Loan and a $720,000 HUD Economic Development Initiative (EDI) Grant. Total acquisition costs were approximately $8.3 million, including $490,000 for site remediation and clearance. After various extensions to the DDA, SDMA was unable to secure an anchor tenant, thus private financing for the project was unattainable. Consequently, the Agency terminated the DDA and re-initiated a public process to solicit a new developer.

In November 2000, the Agency approved a DDA (2000 DDA) with the Mercado Alliance LLC (Alliance) for a second Mercado proposal, similar to the original proposal. Pursuant to the DDA, Alliance was to construct approximately 103,000 SF of commercial space, including a Hispanic grocer to anchor the retail center. This Mercado proposal was slated to begin construction in August 2002 and be completed by August 2003. Regrettably, due to repeated delays and lack of progress from Alliance, the Agency once again terminated a DDA for the Mercado and re-initiated the Request for Proposal (RFP) process to find a new developer.

Current Selected Project Proposal

In mid 2006, the Agency issued a Request for Qualifications (RFQ) to solicit developers interested in the Mercado. The goal was to subsequently issue an RFP to the short-listed developers selected in the RFQ process. During the RFQ process, two large community workshops were held in Barrio Logan to give community members and stakeholders an opportunity to provide input in regards to the planning and visioning of the Mercado site. These workshops also served to give guidance to any potential RFQ respondents for the preparation of their RFQ/RFP submittals to the Agency. Unfortunately, due to litigation proceedings surrounding the Mercado at the time, which will be described later in this report, the RFQ/RFP process was delayed for several months.

In August 2007, the Agency issued a new RFP to three short-listed development firms, as authorized by the Superior Court of San Diego. Two development teams including McCormack Baron Salazar/Primestor Development and Shea Mercado LLC/ Mercado CIC, LP (Shea/Chelsea) submitted proposals for the Mercado. A selection panel, consisting of community representatives, Agency, and City staff, was formed to select the winning proposal. After a series of RFP package reviews, personal interviews, and public presentation evaluations, the selection panel unanimously voted to recommend that the Agency enter into an Exclusive Negotiation Agreement (ENA) with Shea/Chelsea for the Mercado. Shea/Chelsea was selected based on the quality of their proposal, combined experience of both development firms, and their financial capacity to complete the Mercado. In July 2008, the Agency approved an ENA with Shea/Chelsea to initiate due diligence activities for the Mercado.

Since execution of the ENA, Agency staff, with assistance from Keyser Marston Associates (KMA) and Kane Ballmer and Berkman (KBB), have conducted due diligence for the Mercado under the ENA. After nearly two years of project team activities including extensive underwriting review and analyses, site planning, and environmental review, the parties have negotiated a consensus regarding the scope, schedule, and budget for the Mercado.

PROJECT SITE

The Mercado site (APN 538-511-01 through 09), wholly owned by the Agency, consists of two vacant City blocks totaling approximately 6.8 acres. The project site is bounded by Cesar Chavez Parkway to the north, the Coronado Bridge overpass and Chicano Park to the south, National Avenue to the east, and Main Street to the West, which is herein depicted in Attachment 1 – Site Map. The project site has been vacant since the Agency acquired it in the mid-1990's, following relocation of occupants and clearance of the site.

Surrounding Area

Considered the "heart" of Barrio Logan, the Mercado site is in close proximity to various public and neighborhood amenities. The award-winning Mercado Apartments, Chicano Park, and world famous Chicano Park Murals are located just south of the site. The Cesar Chavez Continuing Education Center is located east of the site. Industrial uses and the future site of the new Community College Continuing Education Center is located just west. Commercial and industrial uses are located north of the site. The project site is also in close proximity to the Logan Heights Community Health Center, Perkins Elementary School, and the Barrio Station Community Center. The Logan Heights Branch Library, Memorial Academy Charter School, and the Memorial Recreation Center are located less than a mile from the site. Lastly, there is a neighborhood serving retail center, and bay front park within walking distance of the site.

Moreover, an active economic base is located near the Mercado site, including the 32nd Street Naval Base, Kelco, and the Nassco and Campbell Ship building facilities. The project site is also uniquely situated to take advantage of mass transit and easy freeway access. Interstate 5 is located two blocks east of the site, and the Barrio Logan Trolley Station, which provides transportation connections from the US/Mexico Border to downtown and other connections, is located approximately one block west of the project site. Just two stops northwest of Barrio Logan is the San Diego Convention Center, the vibrant Gaslamp Quarter, and Petco Park.

Site Conditions

As a result of soils testing, there is evidence that groundwater is a likely source of Volatile Organic Compounds (VOC) found in soil vapors. The Mercado, as proposed by Shea/Chelsea, will not include any major subterranean construction. Therefore, significant mitigation costs are not anticipated.

Litigation Tied to Project Site

Subsequent to the execution of the 2000 DDA, the Mercado project site was conveyed in 2003 to the former developer, Mercado Alliance LLC, for project implementation. Because Mercado Alliance LLC ultimately did not perform as required under the 2000 DDA, the Agency exercised its legal rights under the 2000 DDA to regain title to the project site in the Summer of 2006. Since September 2006, the Agency had been involved in a legal battle with Mercado Alliance LLC. Generally, both the Agency and Mercado Alliance LLC filed suits and counter-suits for non-performance as required under the 2000 DDA. After the Agency prevailed in Superior Court and regained title to the project site in 2007, Mercado Alliance LLC immediately filed an appeal with the Appellate Court of California, where the case remained for approximately two years, and which negatively affected legal title for the Mercado property.

Most recently, judgment in the Mercado litigation case became final. As a result, there is no risk that the California Supreme Court will review the decision of the Appellate Court, which dismissed the case in favor of the Agency late last year. The Agency has full legal ownership and site control of the Mercado site. This is an important milestone for the Mercado as clearance of title removes risk for all stakeholders involved.

PROJECT DESCRIPTION

The Mercado, as proposed by Shea/Chelsea, will provide for a unique commercial and residential transit-oriented mixed use district. The overall cost for the Mercado is approximately $58.3 million, not including the conveyance of Agency-owned land. The Mercado is proposed to include approximately 311,000 GSF of building space comprised of a retail center anchored by a Latino-themed grocery store, 92 apartment units, and a parking structure. Surface parking, plaza area, and various amenities including public art elements are also proposed.

Smart growth principals and transit oriented design elements shall be incorporated throughout the Mercado, including the integration of high quality architecture and materials that will be compatible with the surrounding built environment. Public amenities shall include art elements, pedestrian walkways, landscaping, and plazas to highlight the culture of Barrio Logan and connections to Chicano Park. The Mercado shall also meet or exceed the U.S. Green Building Council's requirements for LEED Certification. Further, it is important to note that the Mercado proposal is reflective of the community's goals and desires, and consistent with the vision of the community plan relative to Mercado's value as a TOD opportunity site.

There are two main parcels within the Mercado project site, which are commonly referred to as the West and East Parcels. All of the proposed apartment units and associated parking will be situated on the Mercado's East Parcel. The following is a more detailed scope of development for the Mercado, which is herein included as Attachment 2 – Site Plan and Conceptuals:

West Parcel – Approximately 3.5 Acres

- Approximately 51,000 GSF of single-story commercial space to include:
  - Type V Construction
  - 36,000 GSF grocer

- 15,000 GSF of general retail/restaurant uses

- 163 parking spaces:
  - 130 on-site surface parking spaces
  - 33 on-street parking spaces

- Common open space inclusive of plaza space, artistic, and landscaping elements

East Parcel – Approximately 3.13 Acres

- Approximately 260,000 GSF, comprised of the following:
  - Type I and Type V Construction

- Mixed-use development with residential over-ground-floor commercial to include:
  - 39,000 GSF of general retail, service and restaurant uses
  - 140,000 GSF of residential uses
  - 81,000 GSF parking structure
  - 91 affordable units
    - Mix of one-, two-, and three-bedrooms
    - Available to households earning between 30% to 60% AMI
    - One three-bedroom manager's unit
    - Residential community room, with public meeting space opportunity

- 306 parking spaces:
  - 208 parking spaces within an above-ground parking structure
  - 75 on-site surface parking spaces
  - 23 on-street parking spaces

- Common open space inclusive of plaza space, artistic, and landscaping elements

The overall parking for the project shall meet or exceed the requirements of the City's Municipal Code. Moreover, the project shall include the construction of new curbs, gutters, sidewalks, driveways, street trees, water and sewer services, water mains, sewer mains, curb inlets, pavement, medians, traffic signal improvements, and street striping.

Project Entitlements

On May 20, 2009, the Planning Commission of the City of San Diego voted 5-0 in favor of recommending to City Council approval of Mercado project entitlements, and environmental certification, including the following:

1) Certifying Addendum No. 203874 to Environmental Impact Report No. 90-0133, and adopting the Mitigation Monitoring and Reporting Program;

2) Approving Coastal Development Permit 723231, Planned Development Permit No. 723233, and Site Development Permit No. 723237; and

3) Approving Vesting Tentative Map No. 723238, and Easement Abandonment No. 723239 for the Mercado.

Mercado project entitlements and environmental certification shall be considered by City Council on June 22, 2010.

DEVELOPMENT TEAM

The following table provides a listing of the Shea/Chelsea team members:

ROLE	FIRM/CONTACT	OWNERSHIP
Lead Developer	Shea Mercado, LLC (Shea) Contact: Kevin McCook	Privately held by Shea family members and trusts
Affordable Housing Developer	Mercado CIC, L.P. (Chelsea) Contact: Charles Schmid	Schmid Family Trust and Chelsea Investment Corp.
Affordable Housing 501 c 3 Non-Profit Partner	Pacific Southwest Community Development Corporation Contact: Robert W. Laing	A California Non-Profit Benefit Corporation
Architect	Safdie Rabines Architects Contact: Ricardo Rabines	Corporation
Landscape Architect	Spurlock Poirier Contact: Andrew Spurlock	Corporation
Project Engineer	Project Design Consultants Contact: Greg Shields	Privately held, employee owned company
Environmental Engineer	SCS Engineers Contact: Daniel Johnson	Privately held, employee owned company
General Contractor – Retail	PCL Construction, Inc. Contact: Darin Chestnut	Privately held, employee owned company
General Contractor – Housing	Emmerson Construction, Inc. Contract: Charles Schmid	Privately held, affiliate of Chelsea Investment, Inc.
Retail Leasing	Shea Properties Contact: Kiril McKee	Privately held by Shea family members and trusts

General Project Information

The following table includes general project information:

ITEM	DETAIL
APN #s	538-511-01, 02, 03, 04, 05, 06, 07, 08, 09
Site Area	Approximately 6.8 acres or 296,000 SF

Stories/50 FT Max. Height	Single-story for retail on West Parcel; 4-story housing over ground retail on East Parcel, and 2.5-story above grade parking structure
Construction Type	Type V with Metal Stud for retail; Type V for residential
Commercial square footage	Approximately 51,000 GSF of commercial space on the West parcel; approximately 39,000 GSF of general retail, service, and restaurant uses on the East Parcel
Type of housing (for sale/rental; single-family, multi-family, senior etc.)	Multi-Family Rental
Total number of units/total square feet	91 affordable units & 1 manager unit /140,000 SF on the East Parcel
Total number of affordable units/bedrooms at percent rate of affordability (i.e. 50%, 80%, 120%, etc., of AMI) and approximate unit size	Affordability Mix: 10 units @ 30% AMI 10 units @ 40% AMI 10 units @ 45% AMI 38 units @ 50% AMI 23 units @ 60% AMI 1 manager unit Unit Sizes: 15 one bedroom units at 549 SF 4 one bedroom shopkeeper units at 898 SF 40 two-bedroom units at 876 SF 33 three bedroom units at 1,010 SF
Number of market rate units/bedrooms	None – 100% Affordable
Projected Rental Rates	$460 to $1,118 / Unit
Market Rents for Like-Sized Units in Area	$745 to $1,200 / Unit
Inclusionary Housing Ordinance Compliance	In compliance - 91 affordable units
Project density (in units/acre)	30 units per acre
Density of adjacent blocks (in units/acre)	The adjacent properties are a mix of residential, commercial, industrial, and public uses. The adjacent 144-unit Mercado Apartments have a density of 34 units/acre.

Affordable Housing Impact

The following table includes detailed information regarding the affordable housing units:

Bedrooms	Unit Size	Income Level	Units	Restricted Rent	Utility Allowance
One Bedroom	549 SF	30% AMI	3	$460	$5
		40% AMI	4	$615	
		45% AMI	4	$692	
		50% AMI	4	$744	
One Bedroom Shopkeeper	898 SF	60% AMI	4	$894	$5
Two Bedrooms	876 SF	30% AMI	3	$552	$6
		40% AMI	3	$737	
		45% AMI	3	$830	
		50% AMI	22	$837	
		60% AMI	9	$1,005	
Three Bedrooms	1,010 SF	30% AMI	4	$638	$6
		40% AMI	3	$853	
		45% AMI	3	$930	
		50% AMI	12	$930	
		60% AMI	10	$1,118	
		MGR	1	N/A	

Mixed-Use Project

The following table includes information regarding the mixed use project:

Non-residential component of project (i.e. type and square footage of retail, office etc.)	Approximately 51,000 GSF of commercial space (36,000 GSF grocer and 15,000 GSF of general retail/restaurant uses) on the West Parcel, and 39,000 GSF of general retail, service, and restaurant uses on the East Parcel.
Housing demand to be created by project	The Mercado shall result in the creation of 500 permanent jobs, 223 construction jobs, and 201 short term jobs. The development of the housing element of the Mercado shall provide for affordable housing opportunities for future employees of the Mercado.

Feasibility/desirability of adding a housing component to project	Development of the Mercado is consistent with the Barrio Logan Redevelopment Project Area goals of 1) reconstituting the community as a viable mixed use area with compatible land use patterns, and 2) expanding the community's supply of housing, with priority on opportunities for very low to moderate income households.
Description of jobs/housing balance in area	The community of Barrio Logan has an estimated 4,000 residents, and the Barrio Logan Community Planning Area has an estimated 9,500. With the high cost of gasoline and downtown living becoming more fashionable, a significant number of the future population growth in the region is projected to be in the urban core. Adjacent downtown neighborhoods such as Barrio Logan could benefit from this shift of living in urban neighborhoods, and the development pressure for downtown type employment uses.[1]
Estimated number of units gained/lost as a result of proposal	The Mercado shall result in the development of 91 new affordable housing units for households earning between 30-60% of Area Median Income (AMI).

DISPOSITION AND DEVELOPMENT AGREEMENT (DDA)

It is proposed that the Mercado Project be implemented under two Disposition and Development Agreements (DDAs). The first DDA shall be between the Agency and Shea, addressing the retail element of the Mercado (the Retail DDA). The second DDA shall be between the Agency and Chelsea, addressing the residential element of the Mercado (the Residential DDA). The following is a summary of the proposed DDAs:

Retail DDA – Between Shea and the Agency

- The total estimated project cost for the retail element of the Mercado is $19.1 million. Attachment 3 – Retail Proforma is included as information only to illustrate the retail element's financial feasibility relative to the overall project feasibility.

- Agency and Shea shall share in the cost associated with remediating the Mercado site prior to conveyance. Shea shall pay for the cost associated with remediating the retail element of Project, and Agency shall pay for the cost associated with remediating the residential element of the Project. Total Agency assistance for the affordable housing element shall be reduced on a dollar-for-dollar basis for the pre-closing costs associated with remediating the residential element of the Project.

[1] Barrio Logan Community Plan Economics: Market Support – Jobs Impacts – Development Feasibility by Economic Research Associates (ERA), December 4, 2009.

- The Retail DDA shall commit the Agency to convey the Mercado land to Shea for the purchase price of $100, which shall be supported by a 33433 Summary Report and Fair Re-Use Analysis. The Mercado land shall be conveyed to Shea once they secure full financing for the Project. Title insurance insuring fee title to the Mercado site shall be issued to Shea. No additional public financial assistance required for the retail element.

- Grocery store pad shall be sold to a grocery anchor. Parking for the grocery store shall be developed and owned by Shea. Shea shall grant parking rights to the grocery anchor through a Reciprocal Easement Agreement (REA).

- Shea shall be responsible for the development of the retail element of the Mercado, including any required offsite improvements. Shea shall own the retail improvements, retail common area improvements and on-site retail parking.

- Proposed funding sources for the construction of the retail element of the Mercado shall include private equity, private financing, and New Markets Tax Credits.

- A Reciprocal Easement Agreement (REA) will govern parking and common area access rights for retail, grocery and housing, as well as operations, maintenance and repair standards and expense allocations.

- Shea shall start construction by 2011, and complete construction by 2012.

Residential DDA - Between Chelsea and the Agency

- The total estimated project cost for the affordable housing element of the Mercado is $39.2 million, and is inclusive of prevailing wages. Attachment 4 – Residential Proforma is included as information only to illustrate the residential element's financial feasibility relative to the overall project feasibility.

- The Residential DDA shall include standard DDA language as prescribed for Agency-sponsored affordable housing projects. Additionally, the DDA will include language to accommodate the partnership structure relative to the Housing Authority participation in the Mercado.

- The affordable housing element shall be financed with a combination of traditional debt sources, 9% tax credit equity, Housing Authority funds, and Agency funds.

- The total amount of public assistance needed for the affordable housing element is $16.1 million, or $177,000 per unit. Of this amount, the Agency shall contribute $9.1 million, and the Housing Authority shall contribute $7.0 million.

- The Agency affordable housing assistance shall be in a form of a residual receipts loan secured by a deed of trust, with 5% simple interest amortizing over 55 years.

- If Chelsea is unsuccessful in their initial attempt to secure 9% affordable housing tax credits, they shall be allowed two other opportunities to secure tax credits for the project.

- Chelsea shall make a good faith effort to secure Federal Home Loan Bank Affordable Housing Program (AHP) funds in the amount of approximately $950,000, or $10,000/unit. If successful, the Agency's loan amount will be reduced by the amount received on a dollar-for-dollar basis.

- Agency and Shea shall share in the cost associated with remediating the Mercado site prior to conveyance. Shea shall pay for the cost associated with remediating the retail element of the Project, and Agency shall pay for the cost associated with remediating the residential element of the Project. Total Agency assistance for the affordable housing element shall be reduced on a dollar-for-dollar basis for the pre-closing costs associated with remediating the residential element of the Project.

- Upon Agency conveyance to Shea of the remediated site, Shea shall sell fee title to the air and ground rights to the Housing Authority who shall thereafter enter into an air and ground lease with Chelsea for development of the affordable housing element.

- Chelsea shall take possession of the air and ground rights after Shea remediates the site, secures all discretionary permits and environmental certification, and delivers the apartment air space podium, residential parking spaces and on-site and off-site improvements pursuant to a construction contract that shall be executed between Chelsea and Shea.

- Chelsea secures interest to the 92 apartment units, 119 restricted residential parking spaces, 72 spaces open/shared residential parking spaces, residential common area and community room. Chelsea shall provide Shea with common area maintenance (CAM) payments, if any.

- A Reciprocal Easement Agreement (REA) will govern parking and common area access rights for retail, grocery and housing, as well as operations, maintenance and repair standards and expense allocations.

- The Housing Authority shall have the option to purchase the residential improvements associated with the Project at the end of the 15-year TCAC tax credit compliance term for the project.

- Part of the Housing Authority loan shall be forgiven at the time the Housing Authority acquires fee title to the air and ground rights associated with residential element of the Mercado. The outstanding balance of the Housing Authority loan shall be forgiven at the time the Housing Authority exercises its option to purchase the residential improvements associated with the Project.

- Chelsea shall start construction of the apartments by 2011, and complete construction by 2012.

Estimated Sources and Uses

The following tables provide the estimated sources and uses for the retail and residential components of the Mercado:

Retail - Sources and Uses (Informational Only)

SOURCES		USES	
Debt and Equity Investment	$12,220,000	Direct Costs	$12,475,000
Proceeds from housing parcel sale	$3,500,000	Indirect Costs	$5,546,000
Proceeds from grocer pad sale	$3,153,000	Financing Costs	$1,048,000
Income During Lease-Up	$196,000		
Total Sources	**$19,069,000**	**Total Uses**	**$19,069,000**

Residential - Sources and Uses

SOURCES		USES	
Tax Credit Equity	$17,936,000	Direct Costs	$24,716,000
Permanent Loan	$4,440,000	Indirect Costs	$8,065,000
Solar Tax Credit Equity	$111,000	Financing Costs	$2,911 000
Deferred Developer Fee	$601,000	Acquisition Costs	$3,500,000
Agency Loan	$9,104,000		
SD Housing Commission Loan	$7,000,000		
Total Sources	**$39,192,000**	**Total Uses**	**$39,192,000**

Local Housing Assistance Breakdown

ITEM	DETAIL
Local Agency Assistance	$16.1 million
Number of affordable units / bedrooms	91 / 195
Total Local Assistance per unit / bedroom	$177,000 / $82,560
Total Land Cost (Air/Ground Rights)	$3.5 million
Land Cost/Unit	$38,500
Land Cost/Bedroom	$17,950

Public Benefits

The Mercado shall result in numerous public benefits to the community of Barrio Logan and surrounding neighborhoods. The benefits include the following:

- Revitalization catalyst for underserved community;
- Removal of blight and development of a large vacant parcel;
- Development of Latino grocer with complementary commercial uses;
- Estimated $3 million in tax increment revenues over the lifetime of the project area;
- Creation of 500 permanent jobs, 223 construction jobs, and 201 short term jobs;
- Approximately $200,000 in annual sales taxes to the City;
- Installation of needed public improvements;
- Workforce housing opportunities for 91 families;
- Affordable housing opportunities for downtown workforce;
- Transit oriented mix-use development with LEED certification; and
- New public amenities, including art, pedestrian walkways, landscaping, and plazas.

HOUSING IMPACT

The development of the Mercado is consistent with the Barrio Logan Redevelopment Area Plan goal of expanding the community's supply of housing, with a priority for very low to moderate income households. The Mercado shall result in the development of 91 new affordable housing rental units within the Project Area. The new rental units will be made available to households earning between 30-60% of the area median income (AMI), with projected rental rates ranging between $460 per month for a single bedroom unit up to $1,118 per month for a three bedroom unit.

ENVIRONMENTAL IMPACT

The City of San Diego previously prepared an Environmental Impact Report (EIR) for the Barrio Logan Redevelopment Plan (DEP No. 90-0133/SCH No. 90010287). Based upon a review of the proposed Project, it has been determined that there are no new significant environmental impacts that have not already been considered in the previous EIR. Additionally, there are no substantial changes have occurred with respect to the circumstances under which the Project is undertaken, and there is no new information of substantial importance to the Project that would result in significant impacts. As such, Addendum No. 203874 to EIR No. 90-0133/ SCH No. 90010287 has been prepared in accordance with Section 15164 of the California Environmental Quality Act (CEQA) Guidelines, and no public review of this addendum is required per CEQA.

PROPOSED PROJECT SCHEDULE

The following table shows the proposed timeline for the Mercado project:

ACTION	TIMELINE
San Diego Housing Commission Board Hearing	June 18, 2010
Joint Public Hearing (Council/Agency/Housing Authority) for DDAs, entitlements, and environmental certification	June 22, 2010
TCAC Application Deadline	July 7, 2010

TCAC Award of Tax Credits	September 2010
Start of Construction	2011
Construction Completion	2012

CONCLUSION

After over 20 years of planning and visioning, the Mercado is at a crossroads. With a total project cost of $58.3 million, including a $39.2 million cost for the Mercado's housing element, the project faces a financial gap of approximately $16.1 million, or $177,000 per unit. To help fill the gap, it is requested that $7 million be funded with Housing Authority funds and $9.1 million be funded with Agency affordable housing funds, including the conveyance of 6.8 acres of Agency-owned land for a nominal sales amount.

Although local housing assistance of $177,000 sounds relatively high in today's development environment, it is important to consider the driving factors including the payment of prevailing wages and need for structured parking in an urban setting for the Mercado. Moreover, consider the uniqueness of the Mercado and its critical importance for the community of Barrio Logan and the City of San Diego. Inter-government agency coordination and flexibility in underwriting standards are paramount to help this very important project get off the ground after so many years of waiting.

The Mercado shall benefit the community of Barrio Logan and surrounding neighborhoods by redeveloping a vacant and long dormant parcel into a vibrant residential and commercial transit-oriented mixed use district. The Mercado shall provide for a Latino grocer and complementary commercial uses that will redevelop an underutilized parcel, generate new jobs, increase property and sales tax revenues, and countless other benefits. Moreover, the Mercado shall provide for workforce housing opportunities to families of San Diego. The construction of this project will not just satisfy the goals and objectives of the Barrio Logan Redevelopment Plan, but it will signify the long-awaited homecoming for the Mercado.

Attachments:

1. Site Map
2. Project Site Plan and Conceptuals (7)
3. Retail Proforma
4. Residential Proforma

Attachment No. 1

Site Map

[behind this page]

Aerial Photo - View Looking South

Attachment No. 2

Project Site Plan and Conceptuals

[behind this page]

Site Plan


CESAR CHAVEZ PARKWAY
CESAR CHAVEZ PARKWAY
MAIN STREET
NATIONAL AVENUE
Gonzalez
NORTHGATE MARKET

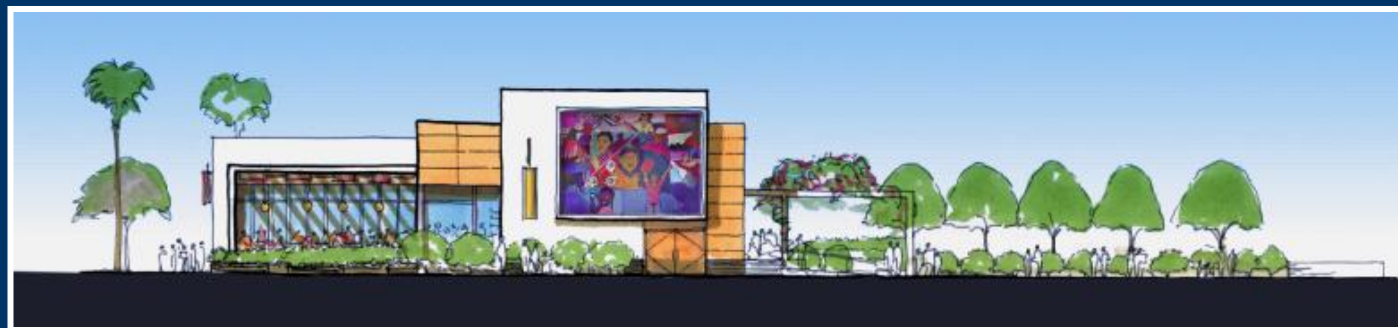
Aerial Rendering

Building A

East Elevation - Plaza Area

North Elevation - Cesar E. Chavez Parkway

Building A

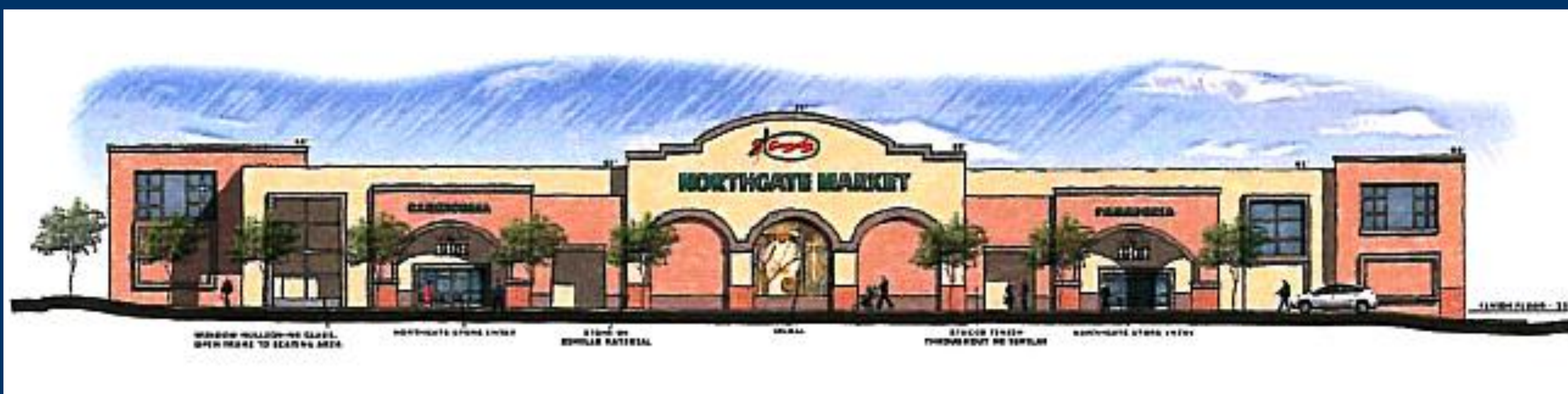


West Elevation - Main Street

South Elevation - Interior View

Building B

East Elevation - Interior



North Elevation - Interior View

Building C

East Elevation - National

North Elevation - Cesar E. Chavez Parkway

Building C

West Elevation - Interior

South Elevation - Facing the Bridge & National Ave.

Attachment No. 3

Proforma - retail

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Appendix A

RETAIL COMPONENT

PRO FORMA ANALYSIS

MERCADO DEL BARRIO

City of San Diego Redevelopment Agency

May 20, 2010

TABLE A-1

PROJECT DESCRIPTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Retail		
I. Site Area	6.8	Acres	
	296,208	SF	
II. Gross Building Area (GBA)			
Retail			
Grocery Store	0	SF (1)	0%
Restaurant Space	23,998	SF	50%
In-Line Retail Space	23,915	SF	49%
Net Rentable Area	47,913	SF (2)	99%
Common Areas	509	SF	1%
Total Retail GBA	48,422	SF	100%
Add: Shopkeeper Space (Affordable Housing)	2,790	SF	
Total Gross Building Area	51,212	SF	
III. Number of Stories	1	Story	
IV. Construction Type	Concrete Type V with Metal Stud		
V. Parking			
A. Parking by Type			
Surface	261	Spaces (3)	
Structured - Above-Grade Retail	17	Spaces	
Structured - Above-Grade Flex	72	Spaces (4)	
Structured - Above-Grade Residential	119	Spaces	
Total Parking	469	Spaces	
B. Parking by Use			
Retail	278	Spaces	
Shopkeeper	8	Spaces	
Flex	64	Spaces	
Residential	119	Spaces	
Total Parking	469	Spaces	
C. Commercial Parking Ratio	4.06	Spaces/1,000 SF Retail (incl. Grocery Net SF)	

(1) Excludes grocery pad sold to supermarket. Grocery is 35,890 SF.
(2) Excludes 2,323 SF of outdoor terrace space.
(3) Includes 42 on-street spaces, 14 spaces under Newton Avenue bridge, and 205 surface spaces.
(4) Includes eight (8) spaces owned by the Affordable Housing Developer.

Prepared by: Keyser Marston Associates, Inc.
Filename: SDRA/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE A-2

COMMERCIAL, RESIDENTIAL, AND INDUSTRIAL LAND SALES COMPARABLES (1)
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

Sale Date	Address	Zip Code	Sale Price	Acres	$/SF	Property Description
10/08/09	2626 Boston Avenue	92113	$325,000	0.16	$47	Hold for investment
06/12/09	1827-1835 Logan Avenue	92113	$710,000	0.32	$51	Unknown
05/19/09	1845 Island Avenue	92102	$490,000	0.23	$49	Mixed-use
01/20/09	1901 Main Street	92113	$2,640,215	0.90	$67	Unknown
12/05/08	1335 Cesar Chavez Parkway	92113	$9,400,000	4.20	$51	Unknown
		Minimum	$325,000	0.16	$47	
		Maximum	$9,400,000	4.20	$67	
		Median	$710,000	0.32	$51	
		Average	$2,713,043	1.16	$53	

(1) Selected sales transactions for land between 1.0 and 10.0 acres in Eastern San Diego submarket from January 2008 to present.

Source: CoStar Comps and Rasmuson Appraisal Services appraisal dated March 23, 2010.
Prepared by: Keyser Marston Associates, Inc.
Filename i: SDRA/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE A-3

ESTIMATED DEVELOPMENT COSTS
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Retail						
	Gross Development Costs			(Less) Reimbursements from Affordable Housing Developer	Net Development Costs		
	Totals	Comments		Totals	Totals	Comments	
I. Direct Costs (1)							
Off-Site Improvements (2)	$2,565,000	$9	Per SF Site	($1,732,000)	$833,000	$10	Per SF GBA (3)
On-Site/Landscaping	$4,594,000	$16	Per SF Site	($2,884,000)	$1,710,000	$20	Per SF GBA (3)
Parking - Above Grade	$4,342,000	$20,875	Per Space-Above Grade	($4,020,000)	$322,000	$18,941	Per Space-Above Grade-Retail
Shell Construction-Retail	$8,120,000	$168	Per SF GBA	($1,114,000)	$7,006,000	$145	Per SF GBA
Tenant Improvements	$2,004,000	$42	Per Net SF - Retail	$0	$2,004,000	$42	Per Net SF - Retail
Contingency	$1,093,000	5.1%	of Directs	($493,000)	$600,000	5.1%	of Directs
Total Direct Costs	$22,718,000	$469	Per SF GBA	($10,243,000)	$12,475,000	$258	Per SF GBA
II. Indirect Costs							
Architecture & Engineering	$1,590,000	7.0%	of Directs	($545,000)	$1,045,000	8.4%	of Directs
Planning & Entitlement	$1,590,000	7.0%	of Directs	($1,173,000)	$417,000	3.3%	of Directs
Permits & Fees (2)	$1,440,000	$30	Per SF GBA	($130,000)	$1,310,000	$27	Per SF GBA
Legal & Accounting	$250,000	1.1%	of Directs	($156,000)	$94,000	0.8%	of Directs
Taxes & Insurance	$321,000	1.4%	of Directs	($62,000)	$259,000	2.1%	of Directs
Developer Fee	$1,171,000	5.2%	of Directs	($315,000)	$856,000	6.9%	of Directs
Construction Management	$227,000	1.0%	of Directs	$0	$227,000	1.8%	of Directs
Marketing/Lease-Up-Retail	$937,000	$18	Per SF GBA	$0	$937,000	$18	Per SF GBA
Contingency	$452,000	6.0%	of Indirects	($51,000)	$401,000	7.8%	of Indirects
Total Indirect Costs	$7,978,000	35.1%	of Directs	($2,432,000)	$5,546,000	44.5%	of Directs
III. Financing Costs							
Loan Fees	$275,000	1.2%	of Directs	($117,000)	$158,000	1.3%	of Directs
Interest During Construction	$794,000	3.5%	of Directs	($338,000)	$456,000	3.7%	of Directs
Preconstruction and Bridge Financing	$755,000	3.3%	of Directs	($321,000)	$434,000	3.5%	of Directs
Total Financing Costs	$1,824,000	8.0%	of Directs	($776,000)	$1,048,000	8.4%	of Directs
IV. Total Costs Excluding Land	**$32,520,000**	**$672**	**Per SF GBA**	**($13,451,000)**	**$19,069,000**	**$394**	**Per SF GBA**

(1) Includes payment of prevailing wages.
(2) Not verified by KMA or the Agency.
(3) Includes 35,890-SF grocery store.

Prepared by: Keyser Marston Associates, Inc.
Filename: SDRA/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE A-4

NET OPERATING INCOME AND SUPPORTABLE DEBT AND EQUITY INVESTMENT
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Retail			
I. Gross Scheduled Income - Retail	SF	Rent/SF		Total Annual
Restaurant Space - West	5,530	$2.83	/SF/Month	$188,000
Restaurant Space - East	18,468	$2.66	/SF/Month	$589,000
In-Line Retail Space - East	16,703	$2.27	/SF/Month	$455,000
In-Line Retail Space - West	7,212	$2.66	/SF/Month	$230,000
Total Gross Scheduled Income (GSI)	47,913	$2.54	/SF/Month	$1,462,000
II. Effective Gross Income (EGI)				
(Less) Vacancy		10.0%	of GSI	($146,000)
Total Effective Gross Income (EGI)				$1,316,000
III. Operating Expenses				
Total Unreimbursed Expenses		7.1%	of EGI	($94,000)
IV. Net Operating Income (NOI)				**$1,222,000**
V. Supportable Debt and Equity Investment				
Net Operating Income				$1,222,000
Target Return on Investment (ROI)				10.0%
Supportable Debt and Equity Investment				**$12,220,000**

Prepared by: Keyser Marston Associates, Inc.
Filename: SDRA/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE A-5

RESIDUAL LAND VALUE
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

					Retail
I.	**Sources of Funds**				
	A. Net Supportable Debt and Equity Investment				$12,220,000
	B. Proceeds from Grocery Pad Sale	$88	/SF @	35,890 SF	$3,153,000
	C. Proceeds from Sale of Affordable Housing Parcel to San Diego Housing Commission				$3,500,000
	D. Income During Lease-Up				$196,000
II.	**Warranted Investment**				$19,069,000
	(Less) Net Development Costs				($19,069,000)
III.	**Residual Land Value**				**$0**

Prepared by: Keyser Marston Associates, Inc.
Filename: SDRA/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

Attachment No. 4

Proforma - residential

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Appendix B

<u>RESIDENTIAL COMPONENT</u>

PRO FORMA ANALYSIS

MERCADO DEL BARRIO

City of San Diego Redevelopment Agency

May 20, 2010

TABLE B-1

PROJECT DESCRIPTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Residential		
I. Gross Building Area (GBA)			
Net Rentable Area	80,197 SF	93%	
Common Areas	3,897 SF (1)	5%	
Clubhouse & Lease Office	2,015 SF	2%	
Total Gross Building Area	86,109 SF	100%	
II. Unit Mix			
	# Units		Average Unit Size
One Bedroom	15 Units	16%	549 SF
One Bedroom Shopkeeper	4 Units	4%	898 SF
Two Bedroom	40 Units	43%	876 SF
Three Bedroom	33 Units	36%	1,010 SF
Total / Average	92 Units	100%	872 SF
III. Number of Stories	4 Stories		
IV. Construction Type	Type V		
V. Affordability Mix			
Units @ 30% of AMI	10 Units	11%	
Units @ 40% of AMI	10 Units	11%	
Units @ 45% of AMI	10 Units	11%	
Units @ 50% of AMI	38 Units	41%	
Units @ 60% of AMI	23 Units	25%	
Manager	1 Unit	1%	
Total Units	92 Units	100%	
Average Affordability (excl. Manager unit)	49% of AMI		
VI. Parking			
Parking Type			
Above-Grade-Residential	119 Spaces		
Above-Grade-Flex	72 Spaces (2)		
Total	191 Spaces		
Parking Ratio	2.1 Spaces/Unit		

(1) Imputed by KMA based on total gross building area estimate provided by Affordable Housing Developer, May 10, 2010.
(2) Includes eight (8) shopkeeper spaces.

Prepared by: Keyser Marston Associates, Inc.
Filename i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-2

ESTIMATED DEVELOPMENT COSTS
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Residential								
	(A) Costs Reimbursed to Retail Developer			(B) Costs Paid by Affordable Housing Developer			(C) Total Cost		
	Totals	Per Unit	Comments	Totals	Per Unit	Comments	Totals	Per Unit	Comments
I. Direct Costs (1)									
Off-Site Improvements (2)	$1,732,000	$18,800	$20 Per SF GBA	$0	$0	$0 Per SF GBA	$1,732,000	$18,800	$20 Per SF GBA
On-Site/Landscaping	$2,884,000	$31,300	$33 Per SF GBA	$0	$0	$0 Per SF GBA	$2,884,000	$31,300	$33 Per SF GBA
Parking - Above Grade-Residential	$4,020,000	$43,700	$21,047 Per Space-Res./Flex	$0	$0	$0 Per Space-Res./Flex	$4,020,000	$43,700	$21,047 Per Space-Res./Flex
Shell Construction - Residential	$0	$0	$0 Per SF GBA	$13,306,000	$144,600	$155 Per SF GBA	$13,306,000	$144,600	$155 Per SF GBA
Shell Construction - Retail	$1,114,000	$12,100	$13 Per SF GBA	$0	$0	$0 Per SF GBA	$1,114,000	$12,100	$13 Per SF GBA
Solar Infrastructure (2)	$0	$0	$0 Per SF GBA	$421,000	$4,600	$5 Per SF GBA	$421,000	$4,600	$5 Per SF GBA
FF&E/Amenities	$0	$0	Allowance	$50,000	$500	Allowance	$50,000	$500	Allowance
Contingency	$493,000	$5,400	5.1% of Directs	$696,000	$7,600	5.1% of Directs	$1,189,000	$13,000	5.1% of Directs
Total Direct Costs	$10,243,000	$111,300	$119 Per SF GBA	$14,473,000	$157,300	$168 Per SF GBA	$24,716,000	$268,600	$287 Per SF GBA
II. Indirect Costs									
Architecture & Engineering	$545,000	$5,900	5.3% of Directs	$247,000	$2,700	1.7% of Directs	$792,000	$8,600	3.2% of Directs
Planning & Entitlement	$1,173,000	$12,800	11.5% of Directs	$0	$0	0.0% of Directs	$1,173,000	$12,800	4.7% of Directs
Permits & Fees (2)	$130,000	$1,400	$2 Per SF GBA	$2,826,000	$30,700	$33 Per SF GBA	$2,956,000	$32,100	$34 Per SF GBA
Legal & Accounting	$156,000	$1,700	1.5% of Directs	$180,000	$2,000	1.2% of Directs	$336,000	$3,700	1.4% of Directs
Taxes & Insurance	$62,000	$700	0.6% of Directs	$180,000	$2,000	1.2% of Directs	$242,000	$2,700	1.0% of Directs
Developer Fee	$315,000	$3,400	3.1% of Directs	$2,000,000	$21,700	13.8% of Directs	$2,315,000	$25,100	9.4% of Directs
Marketing/Lease-Up	$0	$0	0.0% of Directs	$70,000	$800	0.5% of Directs	$70,000	$800	0.3% of Directs
Contingency	$51,000	$600	2.1% of Indirects	$130,000	$1,400	2.4% of Indirects	$181,000	$2,000	2.3% of Indirects
Total Indirect Costs	$2,432,000	$26,400	23.7% of Directs	$5,633,000	$61,200	38.9% of Directs	$8,065,000	$87,600	32.6% of Directs
III. Financing Costs									
Loan Fees	$117,000	$1,300	1.1% of Directs	$359,000	$3,900	2.5% of Directs	$476,000	$5,200	1.9% of Directs
Interest During Construction/Lease-Up	$338,000	$3,700	3.3% of Directs	$1,392,000	$15,100	9.6% of Directs	$1,730,000	$18,800	7.0% of Directs
Preconstruction and Bridge Financing	$321,000	$3,500	3.1% of Directs	$0	$0	0.0% of Directs	$321,000	$3,500	1.3% of Directs
Title/Recording/Escrow	$0	$0	0.0% of Directs	$40,000	$400	0.3% of Directs	$40,000	$400	0.2% of Directs
TCAC/Syndication Fees	$0	$0	0.0% of Directs	$139,000	$1,500	1.0% of Directs	$139,000	$1,500	0.6% of Directs
Operating Lease-Up/Reserves	$0	$0	0.0% of Directs	$205,000	$2,200	1.4% of Directs	$205,000	$2,200	0.8% of Directs
Total Financing Costs	$776,000	$8,400	7.6% of Directs	$2,135,000	$23,200	14.8% of Directs	$2,911,000	$31,600	11.8% of Directs
IV. Total Costs Excluding Land	**$13,451,000**	**$146,200**	**$156 Per SF GBA**	**$22,241,000**	**$241,800**	**$258 Per SF GBA**	**$35,692,000**	**$387,957**	**$414 Per SF GBA**
Or Say (Rounded)	**$13,451,000**			**$22,241,000**			**$35,692,000**		

(1) Includes the payment of prevailing wages.
(2) Not verified by KMA or the Agency.

Prepared by: Keyser Marston Associates, Inc.
Filename: i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-3

NET OPERATING INCOME
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

		Residential			
I. Gross Scheduled Income (GSI)		**Average Unit Size**	**# of Units**	**$/Month**	**Total Annual**
One Bedroom	@ 30% AMI	549 SF	3	$460	$16,560
One Bedroom	@ 40% AMI	549 SF	4	$615	$29,520
One Bedroom	@ 45% AMI	549 SF	4	$692	$33,216
One Bedroom	@ 50% AMI	549 SF	4	$744	$35,712
One Bedroom Shopkeeper	@ 60% AMI	898 SF	4	$894	$42,912
Two Bedroom	@ 30% AMI	876 SF	3	$552	$19,872
Two Bedroom	@ 40% AMI	876 SF	3	$737	$26,532
Two Bedroom	@ 45% AMI	876 SF	3	$830	$29,880
Two Bedroom	@ 50% AMI	876 SF	22	$837	$220,968
Two Bedroom	@ 60% AMI	876 SF	9	$1,005	$108,540
Three Bedroom	@ 30% AMI	1,010 SF	4	$638	$30,624
Three Bedroom	@ 40% AMI	1,010 SF	3	$853	$30,708
Three Bedroom	@ 45% AMI	1,010 SF	3	$930	$33,480
Three Bedroom	@ 50% AMI	1,010 SF	12	$930	$133,920
Three Bedroom	@ 60% AMI	1,010 SF	10	$1,118	$134,160
Three Bedroom	Manager	1,010 SF	1	$0	$0
Subtotal Residential GSI		872 SF	92	$839	$926,604
Add: Other Income/Laundry			$12	/Unit/Month	$13,248
Total GSI					$939,852
II. Effective Gross Income (EGI)					
(Less) Vacancy - Residential			5.0%	of GSI	($46,993)
Total Effective Gross Income (EGI)					$892,859
III. Operating Expenses					
(Less) Operating Expenses			$4,600	Unit/Year	($423,200)
(Less) Services			$130	Unit/Year	($12,000)
(Less) Property Taxes (1)			$0	Unit/Year	$0
(Less) Replacement Reserves			$350	Unit/Year	($32,200)
Total Expenses			$5,080	Unit/Year	($467,400)
			52.3%	of EGI	
IV. Net Operating Income (NOI)					**$425,459**
Or Say (Rounded)					**$425,000**

(1) Assumes Affordable Housing Developer will qualify for tax-exempt status.

Prepared by: Keyser Marston Associates, Inc.
Filename: i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-4

RESIDUAL LAND VALUE AND FINANCING DEFICIT
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

I. Sources of Funds	**Residential**
Supportable Debt (1)	$4,440,000
Market Value of Tax Credits (2)	$17,936,000
Solar Tax Credit Equity	$111,000
Deferred Developer Fee	$601,000
Total Sources of Funds	$23,088,000
II. (Less) Development Costs - Excl. Land	($35,692,000)
III. Residual Land Value	**($12,604,000)**
Per Affordable Unit	**($139,000)**
IV. (Less) Acquisition Cost - Purchase Price Paid by San Diego Housing Commission to Retail Developer	($3,500,000)
V. Total Financing Deficit	**($16,104,000)**
Per Affordable Unit	**($177,000)**

Prepared by: Keyser Marston Associates, Inc.
Filename: i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-4 (CONT'D.)

RESIDUAL LAND VALUE AND FINANCING DEFICIT
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

(1) Supportable Debt - Residential

NOI - Residential	$425,000
Interest Rate	7.00%
Term (in years)	30
Debt Coverage Ratio	1.20
Annual Debt Service	$354,473
Supportable Debt	$4,440,000

(2) Low Income Housing Tax Credits (Federal)

Threshold Basis Limits:	Effective: February 2010				
One Bedroom	19	$173,758	/Unit		$3,301,402
Two Bedroom	40	$209,600	/Unit		$8,384,000
Three Bedroom	33	$268,288	/Unit		$8,853,504
Subtotal Threshold Basis Limits					$20,538,906
Add: Basis Adjustments *				34.0%	$6,983,228
Add: Development Impact Fees (% of Permits & Fees)				83.5%	$2,468,862
Total Threshold Basis Limit					$29,990,996

* Assumes adjustments for new construction projects with prevailing wages (20%), energy efficient features (4%), and elevators (10%).

Estimate of Eligible Basis:		
Total Development Costs		$35,692,000
(Less) Ineligible Costs		($1,700,000)
Eligible Basis		$33,992,000
Maximum Eligible Basis		$29,990,996
(Less) Basis Amount Voluntarily Excluded	28.8%	($8,623,475)
Total Requested Unadjusted Basis		$21,367,521
Impacted Bonus Factor	130.0%	$27,777,778
Tax Credit Qualified Units/Applicable Factor	100.0%	$27,777,778
Tax Credit Rate @	9.0%	$2,500,000
Maximum Tax Credits		$2,500,000
Total Tax Credits @	10	$25,000,000
Limited Partner Share	99.99%	$24,997,500
Present Market Value @	71.75%	$17,936,000

TABLE B-4 (CONT'D.)

RESIDUAL LAND VALUE AND FINANCING DEFICIT
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

Tie-Breaker Calculation	
I. a. Agency/San Diego Housing Commission Contribution	$16,104,000
b. Development Costs	$35,692,000
Add: Acquisition Costs	$3,500,000
Total Development Costs	$39,192,000
c. Committed Funds to Development Costs Ratio	41.1%
II. a. Requested Basis	$21,367,521
b. Total Development Costs	$39,192,000
Requested Basis to Development Cost Ratio	55%
(Less) Inverse Factor	-1.0
c. Requested Basis to Development Cost Ratio	45.5%
III. Total Tie-Breaker Score	86.6%

Prepared by: Keyser Marston Associates Inc.
Filename: i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-5

PROPOSED SOURCES OF GAP FINANCING
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

	Residential	
	Totals	Per Affordable Unit
I. Total Financing Deficit	**$16,104,000**	**$177,000**
II. Sources of Gap Financing		
A. San Diego Housing Commission		
Purchase Price Paid to Retail Developer	$3,500,000	$38,000
Loan to Affordable Housing Developer	$3,500,000	$38,000
Total San Diego Housing Commission Loan	$7,000,000	$77,000
B. San Diego Redevelopment Agency Loan to Affordable Housing Developer	$9,104,000	$100,000
Total Sources of Gap Financing	**$16,104,000**	**$177,000**

Prepared by: Keyser Marston Associates, Inc.
Filename: i:SDRA/Mercado/Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-6

55-YEAR CASH FLOW PROJECTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

			Residential									
		Year	1	2	3	4	5	6	7	8	9	10
I.	Gross Scheduled Income (GSI)		$939,852	$963,348	$987,432	$1,012,118	$1,037,421	$1,063,356	$1,089,940	$1,117,189	$1,145,118	$1,173,746
	(Less) Vacancy		($46,993)	($48,167)	($49,372)	($50,606)	($51,871)	($53,168)	($54,497)	($55,859)	($57,256)	($58,687)
II.	Effective Gross Income (EGI)		$892,859	$915,181	$938,060	$961,512	$985,550	$1,010,188	$1,035,443	$1,061,329	$1,087,862	$1,115,059
III.	Total Operating Expenses		($467,400)	($483,759)	($500,691)	($518,215)	($536,352)	($555,125)	($574,554)	($594,663)	($615,477)	($637,018)
IV.	Total Net Operating Income		$425,459	$431,422	$437,370	$443,297	$449,197	$455,064	$460,889	$466,666	$472,386	$478,041
	(Less) Debt Service		($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)
V.	Project Cash Flow		$70,986	$76,949	$82,897	$88,824	$94,724	$100,591	$106,416	$112,193	$117,913	$123,568
VI.	(Less) Limited Partner Asset Management Fee		($5,000)	($5,138)	($5,279)	($5,424)	($5,573)	($5,726)	($5,884)	($6,046)	($6,212)	($6,383)
VII.	Total Cash Flow Available for Distribution		$65,986	$71,811	$77,618	$83,400	$89,151	$94,865	$100,532	$106,147	$111,701	$117,185
VIII.	Developer Fee Repayment											
	Beginning Balance		$600,650	$534,664	$462,853	$385,235	$301,834	$212,683	$117,818	$17,286		
	Interest	0.0%	$0	$0	$0	$0	$0	$0	$0	$0		
	(Less) Cash Flow Credit		($65,986)	($71,811)	($77,618)	($83,400)	($89,151)	($94,865)	($100,532)	($17,286)		
	Ending Balance		$534,664	$462,853	$385,235	$301,834	$212,683	$117,818	$17,286	$0		
IX.	Remaining Cash Flow Available for Distribution		$0	$0	$0	$0	$0	$0	$0	$88,861	$111,701	$117,185
	(Less) Ground Lease Payment to SDHC (1)		$0	$0	$0	$0	$0	$0	$0	($47,760)	($48,954)	($50,178)
	Adjusted Cash Flow		$0	$0	$0	$0	$0	$0	$0	$41,101	$62,747	$67,007
	(Less) Developer/Investor Cash Flow	50.0%	$0	$0	$0	$0	$0	$0	$0	($20,551)	($31,374)	($33,504)
	Net Cash Flow Available for Distribution		$0	$0	$0	$0	$0	$0	$0	$20,551	$31,374	$33,504
X.	Agency Loan Repayment											
	Beginning Balance		$9,104,000	$9,559,200	$10,014,400	$10,469,600	$10,924,800	$11,380,000	$11,835,200	$12,290,400	$12,730,756	$13,163,295
	Interest	5.0%	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200
	(Less) Cash Flow Credit of (2)	72.2%	$0	$0	$0	$0	$0	$0	$0	($14,844)	($22,661)	($24,200)
	Ending Balance		$9,559,200	$10,014,400	$10,469,600	$10,924,800	$11,380,000	$11,835,200	$12,290,400	$12,730,756	$13,163,295	$13,594,294
	Net Present Value (NPV) of Payments to Agency @ Years 1-55	10.0%	$508,000									

Debt Service:	
NOI	$425,000
Interest Rate	7.00%
Term	30
Debt Coverage	1.20
Annual Debt Service	$354,473

Assumptions:	
Income Escalation	2.5%
Vacancy	5.0%
Operating Expense Escalation	3.5%
Services/Amenities Escalation	3.5%
Replacement Reserves Escalation	3.5%
Property Tax Escalation	2.0%
Asset Management Fee Escalation	2.75%
Ground Lease Payment (% of EGI)	4.50%

(1) Reflects 4.5% of Effective Gross Income (EGI) for Years 1-15.
(2) For Years 1-15, Agency/SDHC split of 50% of cash flow is 72%/28%. Beginning in Year 16, Agency receives 50% of cash flow.

TABLE B-6

55-YEAR CASH FLOW PROJECTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

		Residential											
		11	12	13	14	15	16	17	18	19	20	21	22
I.	Gross Scheduled Income (GSI)	$1,203,090	$1,233,167	$1,263,996	$1,295,596	$1,327,986	$1,361,186	$1,395,216	$1,430,096	$1,465,848	$1,502,495	$1,540,057	$1,578,558
	(Less) Vacancy	($60,155)	($61,658)	($63,200)	($64,780)	($66,399)	($68,059)	($69,761)	($71,505)	($73,292)	($75,125)	($77,003)	($78,928)
II.	Effective Gross Income (EGI)	$1,142,936	$1,171,509	$1,200,797	$1,230,817	$1,261,587	$1,293,127	$1,325,455	$1,358,591	$1,392,556	$1,427,370	$1,463,054	$1,499,630
III.	Total Operating Expenses	($659,314)	($682,390)	($706,273)	($730,993)	($756,578)	($783,058)	($810,465)	($838,831)	($868,190)	($898,577)	($930,027)	($962,578)
IV.	Total Net Operating Income	$483,622	$489,119	$494,523	$499,823	$505,009	$510,069	$514,990	$519,760	$524,365	$528,793	$533,027	$537,052
	(Less) Debt Service	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)
V.	Project Cash Flow	$129,149	$134,646	$140,050	$145,350	$150,536	$155,596	$160,517	$165,287	$169,892	$174,320	$178,554	$182,579
VI.	(Less) Limited Partner Asset Management Fee	($6,558)	($6,739)	($6,924)	($7,114)	($7,310)	$0	$0	$0	$0	$0	$0	$0
VII.	Total Cash Flow Available for Distribution	$122,590	$127,907	$133,126	$138,236	$143,226	$155,596	$160,517	$165,287	$169,892	$174,320	$178,554	$182,579
VIII.	Developer Fee Repayment												
	Beginning Balance												
	Interest												
	(Less) Cash Flow Credit												
	Ending Balance												
IX.	Remaining Cash Flow Available for Distribution	$122,590	$127,907	$133,126	$138,236	$143,226	$155,596	$160,517	$165,287	$169,892	$174,320	$178,554	$182,579
	(Less) Ground Lease Payment to SDHC (1)	($51,432)	($52,718)	($54,036)	($55,387)	($56,771)	$0	$0	$0	$0	$0	$0	$0
	Adjusted Cash Flow	$71,158	$75,190	$79,090	$82,849	$86,455	$155,596	$160,517	$165,287	$169,892	$174,320	$178,554	$182,579
	(Less) Developer/Investor Cash Flow	($35,579)	($37,595)	($39,545)	($41,425)	($43,227)	($77,798)	($80,258)	($82,643)	($84,946)	($87,160)	($89,277)	($91,290)
	Net Cash Flow Available for Distribution	$35,579	$37,595	$39,545	$41,425	$43,227	$77,798	$80,258	$82,643	$84,946	$87,160	$89,277	$91,290
X.	Agency Loan Repayment												
	Beginning Balance	$13,594,294	$14,023,795	$14,451,840	$14,878,476	$15,303,755	$15,727,731	$16,105,133	$16,480,075	$16,852,632	$17,222,885	$17,590,926	$17,956,849
	Interest	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200
	(Less) Cash Flow Credit of (2)	($25,699)	($27,155)	($28,564)	($29,921)	($31,224)	($77,798)	($80,258)	($82,643)	($84,946)	($87,160)	($89,277)	($91,290)
	Ending Balance	$14,023,795	$14,451,840	$14,878,476	$15,303,755	$15,727,731	$16,105,133	$16,480,075	$16,852,632	$17,222,885	$17,590,926	$17,956,849	$18,320,759
	Net Present Value (NPV) of Payments to Agency @ Years 1-55												

(1) Reflects 4.5% of Effective Gross Income (EGI) for Years 1-1!
(2) For Years 1-15, Agency/SDHC split of 50% of cash flow is 72

Prepared by: Keyser Marston Associates, Inc.
Filename: I:sdra\Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-6

55-YEAR CASH FLOW PROJECTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

		Residential											
		23	24	25	26	27	28	29	30	31	32	33	34
I.	Gross Scheduled Income (GSI)	$1,618,022	$1,658,473	$1,699,935	$1,742,433	$1,785,994	$1,830,644	$1,876,410	$1,923,320	$1,971,403	$2,020,688	$2,071,205	$2,122,985
	(Less) Vacancy	($80,901)	($82,924)	($84,997)	($87,122)	($89,300)	($91,532)	($93,820)	($96,166)	($98,570)	($101,034)	($103,560)	($106,149)
II.	Effective Gross Income (EGI)	$1,537,121	$1,575,549	$1,614,938	$1,655,311	$1,696,694	$1,739,112	$1,782,589	$1,827,154	$1,872,833	$1,919,654	$1,967,645	$2,016,836
III.	Total Operating Expenses	($996,269)	($1,031,138)	($1,067,228)	($1,104,581)	($1,143,241)	($1,183,254)	($1,224,668)	($1,267,532)	($1,311,895)	($1,357,812)	($1,405,335)	($1,454,522)
IV.	Total Net Operating Income	$540,853	$544,411	$547,710	$550,731	$553,453	$555,857	$557,921	$559,622	$560,938	$561,842	$562,310	$562,314
	(Less) Debt Service	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	($354,473)	$0	$0	$0	$0
V.	Project Cash Flow	$186,380	$189,938	$193,237	$196,258	$198,980	$201,384	$203,448	$205,149	$560,938	$561,842	$562,310	$562,314
VI.	(Less) Limited Partner Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VII.	Total Cash Flow Available for Distribution	$186,380	$189,938	$193,237	$196,258	$198,980	$201,384	$203,448	$205,149	$560,938	$561,842	$562,310	$562,314
VIII.	Developer Fee Repayment												
	Beginning Balance												
	Interest												
	(Less) Cash Flow Credit												
	Ending Balance												
IX.	Remaining Cash Flow Available for Distribution	$186,380	$189,938	$193,237	$196,258	$198,980	$201,384	$203,448	$205,149	$560,938	$561,842	$562,310	$562,314
	(Less) Ground Lease Payment to SDHC (1)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Adjusted Cash Flow	$186,380	$189,938	$193,237	$196,258	$198,980	$201,384	$203,448	$205,149	$560,938	$561,842	$562,310	$562,314
	(Less) Developer/Investor Cash Flow	($93,190)	($94,969)	($96,619)	($98,129)	($99,490)	($100,692)	($101,724)	($102,575)	($280,469)	($280,921)	($281,155)	($281,157)
	Net Cash Flow Available for Distribution	$93,190	$94,969	$96,619	$98,129	$99,490	$100,692	$101,724	$102,575	$280,469	$280,921	$281,155	$281,157
X.	Agency Loan Repayment												
	Beginning Balance	$18,320,759	$18,682,769	$19,043,000	$19,401,581	$19,758,653	$20,114,362	$20,468,870	$20,822,346	$21,174,972	$21,349,703	$21,523,982	$21,698,027
	Interest	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200
	(Less) Cash Flow Credit of (2)	($93,190)	($94,969)	($96,619)	($98,129)	($99,490)	($100,692)	($101,724)	($102,575)	($280,469)	($280,921)	($281,155)	($281,157)
	Ending Balance	$18,682,769	$19,043,000	$19,401,581	$19,758,653	$20,114,362	$20,468,870	$20,822,346	$21,174,972	$21,349,703	$21,523,982	$21,698,027	$21,872,070
	Net Present Value (NPV) of Payments to Agency @ Years 1-55												

(1) Reflects 4.5% of Effective Gross Income (EGI) for Years 1-1!
(2) For Years 1-15, Agency/SDHC split of 50% of cash flow is 72

TABLE B-6

55-YEAR CASH FLOW PROJECTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

		Residential											
		35	36	37	38	39	40	41	42	43	44	45	46
I.	Gross Scheduled Income (GSI)	$2,176,060	$2,230,462	$2,286,223	$2,343,379	$2,401,963	$2,462,012	$2,523,563	$2,586,652	$2,651,318	$2,717,601	$2,785,541	$2,855,179
	(Less) Vacancy	($108,803)	($111,523)	($114,311)	($117,169)	($120,098)	($123,101)	($126,178)	($129,333)	($132,566)	($135,880)	($139,277)	($142,759)
II.	Effective Gross Income (EGI)	$2,067,257	$2,118,939	$2,171,912	$2,226,210	$2,281,865	$2,338,912	$2,397,384	$2,457,319	$2,518,752	$2,581,721	$2,646,264	$2,712,420
III.	Total Operating Expenses	($1,505,430)	($1,558,120)	($1,612,654)	($1,669,097)	($1,727,516)	($1,787,979)	($1,850,558)	($1,915,328)	($1,982,364)	($2,051,747)	($2,123,558)	($2,197,882)
IV.	Total Net Operating Income	$561,827	$560,818	$559,258	$557,113	$554,349	$550,933	$546,826	$541,992	$536,388	$529,974	$522,706	$514,538
	(Less) Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
V.	Project Cash Flow	$561,827	$560,818	$559,258	$557,113	$554,349	$550,933	$546,826	$541,992	$536,388	$529,974	$522,706	$514,538
VI.	(Less) Limited Partner Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VII.	Total Cash Flow Available for Distribution	$561,827	$560,818	$559,258	$557,113	$554,349	$550,933	$546,826	$541,992	$536,388	$529,974	$522,706	$514,538
VIII.	Developer Fee Repayment												
	Beginning Balance												
	Interest												
	(Less) Cash Flow Credit												
	Ending Balance												
IX.	Remaining Cash Flow Available for Distribution	$561,827	$560,818	$559,258	$557,113	$554,349	$550,933	$546,826	$541,992	$536,388	$529,974	$522,706	$514,538
	(Less) Ground Lease Payment to SDHC (1)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Adjusted Cash Flow	$561,827	$560,818	$559,258	$557,113	$554,349	$550,933	$546,826	$541,992	$536,388	$529,974	$522,706	$514,538
	(Less) Developer/Investor Cash Flow	($280,914)	($280,409)	($279,629)	($278,556)	($277,175)	($275,466)	($273,413)	($270,996)	($268,194)	($264,987)	($261,353)	($257,269)
	Net Cash Flow Available for Distribution	$280,914	$280,409	$279,629	$278,556	$277,175	$275,466	$273,413	$270,996	$268,194	$264,987	$261,353	$257,269
X.	Agency Loan Repayment												
	Beginning Balance	$21,872,070	$22,046,356	$22,221,147	$22,396,718	$22,573,362	$22,751,387	$22,931,121	$23,112,908	$23,297,112	$23,484,118	$23,674,331	$23,868,178
	Interest	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200
	(Less) Cash Flow Credit of (2)	($280,914)	($280,409)	($279,629)	($278,556)	($277,175)	($275,466)	($273,413)	($270,996)	($268,194)	($264,987)	($261,353)	($257,269)
	Ending Balance	$22,046,356	$22,221,147	$22,396,718	$22,573,362	$22,751,387	$22,931,121	$23,112,908	$23,297,112	$23,484,118	$23,674,331	$23,868,178	$24,066,109
	Net Present Value (NPV) of Payments to Agency @ Years 1-55												

(1) Reflects 4.5% of Effective Gross Income (EGI) for Years 1-1
(2) For Years 1-15, Agency/SDHC split of 50% of cash flow is 72

Prepared by: Keyser Marston Associates, Inc.
Filename: i:sdra\Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

TABLE B-6

55-YEAR CASH FLOW PROJECTION
MERCADO DEL BARRIO
CITY OF SAN DIEGO REDEVELOPMENT AGENCY

		Residential								
		47	48	49	50	51	52	53	54	55
I.	Gross Scheduled Income (GSI)	$2,926,559	$2,999,723	$3,074,716	$3,151,584	$3,230,374	$3,311,133	$3,393,911	$3,478,759	$3,565,728
	(Less) Vacancy	($146,328)	($149,986)	($153,736)	($157,579)	($161,519)	($165,557)	($169,696)	($173,938)	($178,286)
II.	Effective Gross Income (EGI)	$2,780,231	$2,849,737	$2,920,980	$2,994,005	$3,068,855	$3,145,576	$3,224,216	$3,304,821	$3,387,442
III.	Total Operating Expenses	($2,274,808)	($2,354,427)	($2,436,831)	($2,522,121)	($2,610,395)	($2,701,759)	($2,796,320)	($2,894,191)	($2,995,488)
IV.	Total Net Operating Income	$505,423	$495,310	$484,149	$471,884	$458,460	$443,818	$427,895	$410,630	$391,953
	(Less) Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0
V.	Project Cash Flow	$505,423	$495,310	$484,149	$471,884	$458,460	$443,818	$427,895	$410,630	$391,953
VI.	(Less) Limited Partner Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0
VII.	Total Cash Flow Available for Distribution	$505,423	$495,310	$484,149	$471,884	$458,460	$443,818	$427,895	$410,630	$391,953
VIII.	Developer Fee Repayment									
	Beginning Balance									
	Interest									
	(Less) Cash Flow Credit									
	Ending Balance									
IX.	Remaining Cash Flow Available for Distribution	$505,423	$495,310	$484,149	$471,884	$458,460	$443,818	$427,895	$410,630	$391,953
	(Less) Ground Lease Payment to SDHC (1)	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Adjusted Cash Flow	$505,423	$495,310	$484,149	$471,884	$458,460	$443,818	$427,895	$410,630	$391,953
	(Less) Developer/Investor Cash Flow	($252,711)	($247,655)	($242,074)	($235,942)	($229,230)	($221,909)	($213,948)	($205,315)	($195,977)
	Net Cash Flow Available for Distribution	$252,711	$247,655	$242,074	$235,942	$229,230	$221,909	$213,948	$205,315	$195,977
X.	Agency Loan Repayment									
	Beginning Balance	$24,066,109	$24,268,597	$24,476,142	$24,689,268	$24,908,526	$25,134,496	$25,367,787	$25,609,039	$25,858,924
	Interest	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200	$455,200
	(Less) Cash Flow Credit of (2)	($252,711)	($247,655)	($242,074)	($235,942)	($229,230)	($221,909)	($213,948)	($205,315)	($195,977)
	Ending Balance	$24,268,597	$24,476,142	$24,689,268	$24,908,526	$25,134,496	$25,367,787	$25,609,039	$25,858,924	$26,118,000
	Net Present Value (NPV) of Payments to Agency @ Years 1-55									

(1) Reflects 4.5% of Effective Gross Income (EGI) for Years 1-1
(2) For Years 1-15, Agency/SDHC split of 50% of cash flow is 72

Prepared by: Keyser Marston Associates, Inc.
Filename: i:sdra\Re-Use Mercado_Res and Retail_Re-Use;5/20/2010;rks

THE CITY OF SAN DIEGO

DATE ISSUED:	May 19, 2010
ATTENTION:	Affordable Housing Collaborative Executive Loan Committee
SUBJECT:	Low and Moderate Income Housing Fund Transaction Guidelines
FUNDING AGENCY:	Redevelopment Division, Centre City Development Corporation and Southeastern Economic Development Corporation
PROJECT AREA:	Citywide
STAFF CONTACT:	Michele St. Bernard, Redevelopment Division, 619.236.6531

SUMMARY

Staff Recommendation -

Review the Low and Moderate Income Housing Fund Transaction Guideline revisions and recommend implementation of said revisions.

Other Recommendations – None.

Fiscal Impact – None.

PREVIOUS RECOMMENDATION/COMMENT

The attached revisions to the Low and Moderate Income Housing Fund Transaction Guidelines have been considered by the Collaborative Peer Review (CPR) group on several occasions, most recently on Thursday, May 13, 2010. By consensus, the CPR agreed to forward the revisions to the Executive Loan Committee (ELC) for its recommendation.

BACKGROUND

On May 20, 2008, the Redevelopment Agency Board passed Resolution R-04282 establishing the Low and Moderate Income Housing Fund Policy and Transaction Guidelines. The guidelines, produced jointly by the Redevelopment Division, Centre City Development Corporation (CCDC), Southeastern Economic Development Corporation (SEDC) and the San Diego Housing Commission, provide basic policy and transaction guidance for development costs, developer fees, annual reserves, sources of funds and other Agency loan terms. Although every project is unique and may require a certain level of flexibility, the Guidelines provide clear expectations for all project sponsors. In the event a proposed project does not conform to the Guidelines, Agency staff identifies and explains such variances to the Agency.

The goals of the Transaction Guidelines are to provide consistent underwriting terms among the three branches of the Redevelopment Agency and to streamline the development negotiation and approval process for affordable housing projects funded by the Redevelopment Agency. The Transaction Guidelines have been in place since 2003 to provide consistent underwriting terms and have evolved over time to reflect changing development, financial and market conditions.

Resolution R-04282 authorizes the Executive Director or designee to revise the Guidelines on a periodic basis to ensure compliance with applicable law and market conditions.

DESCRIPTION

Over the past fiscal year, market conditions and the availability of low- and moderate-income housing funds have suggested the need to update the Guidelines. The Collaborative Peer Review group, consisting of management-level staff from the Redevelopment Division, CCDC, SEDC and the SDHC, has reviewed and is in support of the updated Guidelines attached to this report.

In addition, the Agency engaged the services of Keyser Marston Associates to examine our Guidelines based upon affordable housing transactions conducted statewide, to ensure San Diego remains competitive in the affordable housing development industry.

Recommended updates to the Guidelines are highlighted in yellow and include:

- Increase to the Limited Partner Asset Management Fee range
- Increase to the General Partner Asset Management Fee range
- Addition of a guideline for the participation of "other public entities"
- Addressing the number of tax credit application rounds permitted
- Expanding the definition of Tenant Eligibility Requirements
- Coordination with Section 8 Vouchers
- Expansion of the "Evaluation of the Development Team" section
- Addition of "Sustainable Design" and "Public Health and Well-Being of Residents" subsections.
- Expansion of the "Evaluation of Project and Its Fit Within the Community" section.

As required by the authorizing resolution, the updated Guidelines are to be included in the Agency Annual Budget, tentatively scheduled for the June 22, 2010 Agency hearing.

PROPOSED SCHEDULE

Action	Timeline
ELC Implementation	May 27, 2010
Agency Board Review	June 22, 2010
Guideline Implementation	July 1, 2010

SUMMARY CONCLUSION

Staff requests the recommendation of the Executive Loan Committee to implement the attached Guideline updates and forward them to the Agency Board in the Fiscal Year 2011 Annual Agency Budget.

Respectfully submitted,

Michele St. Bernard
Affordable Housing Project Manager
Redevelopment Division, CPCI

James Davies
Community Development Coordinator
Redevelopment Division, CPCI

Attachment(s):

1. Revised Low and Moderate Income Housing Fund Transaction Guidelines
2. Copy of Resolution R-04282

CITY OF SAN DIEGO
REDEVELOPMENT AGENCY

City of San Diego
Redevelopment Agency

ccdc

SEDC

Expenditure of
Low and Moderate Income Housing Fund
Transaction Guidelines

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

I. Development Costs			
A. Acquisition Costs	Purchase price of property not to exceed independent appraised value, subject to review and approval by Agency		
B. Labor Costs	If Low-Mod Housing Funds are the only source of public funds, do not assume payment of prevailing wages, unless otherwise required by Labor Code Section 1720		
C. Commercial Components	Development costs attributed to commercial components of mixed-use projects should be funded by equity or other non-Low Mod Housing Fund source		
D. Development Costs	Requires evaluation of development costs by Agency third-party consultant for reasonableness		
E. Financing Costs	9% LIHTC: 1%-3% of loan amount 4% LIHTC: 4%-8% of loan amount	1%-3% of loan amount	N/A

	Rental		
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	**For-Sale**
F. Project Contingency	Direct costs: 5% - 10% of direct costs / Indirect costs: 3% - 5% of indirect costs		

II. Developer Fee and Developer Profit

A. Developer Fee	Maximum fee permitted by California TCAC that can be included in eligible basis, as follows: 9% LIHTC: lesser of 15% of eligible basis or $1.4 million 4% LIHTC: lesser of 15% of eligible basis or $2.5 million	2%-5% of direct costs	(see developer profit)
B. Developer Fee Deferral	Up to 20% of Developer Fee First draw on cash flow Subject to repayment with interest within 10 years from date in service	None	None
C. Target Developer Profit	None	Return on Investment (ROI) @ 1%-3% over industry standard cap rates	10%-15% of total development costs excluding land
D. Minimum Cash Equity	N/A	10% of total costs	10% of total costs
E. Target Leveraged IRR (on developer Equity)	N/A	15%-20%	N/A
F. Target Developer Return on Commercial Component	None	Return on Investment (ROI) @ 1%-3% over industry standard cap rates	Return on Investment (ROI) @ 1%-3% over industry standard cap rates

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

III. Cash Flow Projection

	Rental (with / without Low Income Housing Tax Credits)	For-Sale
A. Rent Increases	2.5% annually *(adjusted to industry standard annually)*	N/A
B. Vacancy Rates	Not less than vacancy rate identified in appraisal; or Residential @ Year 1: 10-20%; Year 2+ @ 5.0% Special needs and SRO proposals @ Year 1: 20%; Year 2+: 10%; or Commercial varied by location	Commercial varied by location
C. Property Tax Increases	2% annually (except for tax-exempt organizations) Payment In-Lieu of Taxes (PILOT) fee to be considered on a case-by-case basis	N/A
D. Operating Expenses (per unit/per year)	Minimum - TCAC standard * Non-Elevator: $4,000 (SRO); $3,900 (Family); $3,100 (Senior) Elevator: $4,200 (SRO); $4,100 (Family); $3,300 (Senior) Maximum - Industry Standard Current database : $3,200 - $4,800 Includes Maximum Management Fee: $35-$50/unit/month (*depends upon nature of fee and size of project*) * 2009 TCAC Regulations subject to change. Excludes taxes, replacement reserves, services, and monitoring fees	N/A
E. Operating Expense Increases	3.5% annually [excluding taxes and replacement reserves]	N/A

IV. Annual Reserves, Services and Fees

	Rental (with / without Low Income Housing Tax Credits)	For-Sale
A. Replacement Reserves	**Minimum:** Rehabilitation at $300/unit/year New Construction and Senior Housing at $250/unit/year May vary by lender/investor requirements	N/A
B. Operating Reserves	Evaluated on a case-by-case basis / Primary lender may determine	N/A

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
C. SDHC Monitoring Fee	Set-up fee @ $500 Base monitoring fee is $65 per unit for the first 40 units, $55 per unit for each additional unit up to 80 units, and $45 per unit for each additional unit more than 80 units, as illustrated below: 1-40 units/beds @ $65/unit 41-80 units/beds @ $55/unit 81+ units/beds @$45/unit *(Subject to annual increase based on CPI)*		Determined on a project-by-project basis.
D. Service Amenities Annual Budget	Evaluated on a case-by-case basis.		N/A
E. Limited Partner Asset Management Fee	Paid during years 1-15 from project cash flow after debt service prior to payment of a deferred developer fee or distribution of residual receipts. Suggested range at Year 1: $5,000 - $10,000. (Depends upon size and complexity of project).	N/A	N/A
F. General Partner Asset Management Fee	Paid during years 1-55 from project cash flow after debt service and payment of deferred developer fee before distribution of residual receipts. Potential range at Year 1: $10,000 - $20,000 *(Limited Partner and General Partner Asset Management Fees combined shall not to exceed $30,000 in Year 1 - unless otherwise merited by size and complexity of project.)*	N/A	N/A

	Rental		
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	**For-Sale**
V. Supportable Debt (Permanent Loan)			
A. Debt Service Coverage Ratio	Minimum: 4% LIHTC: 1.10 - 1.20 9% LIHTC: 1.10 - 1.20 Maximum: Industry Standard	Minimum: 1.10 Maximum: Industry Standard	N/A
B. Loan Term	30-55 years (shorter loan terms may apply subject to constraints imposed by State and Federal financing sources)		N/A
C. Interest Rate	4% LIHTC: 100-300 basis points below conventional industry lending rates 9% LIHTC: Conventional industry lending rates	Conventional Industry Lending Rates	N/A
D. Other Outside Funding Sources	Requirements to pursue other funding sources evaluated on a case-by-case basis. The feasibility/certainty of the financing plan will also be considered.		
VI. Agency Loan Terms			
A. Method of Agency Assistance	Land Acquisition / Construction Loan / Permanent Loan / Public Improvements / Others As Negotiated		Land Acquisition / Construction Loan / Public Improvements / Homebuyer Assistance
B. Interest Rate	Applicable Federal Rate depending on source of funds. If not applicable, then: 3.0% simple interest when developer has ability to repay Agency Loan or 0% if proposed use/operation has no income source for repayment - homeless/special needs developments		Terms defined on a case-by case basis.

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
C. Disbursement of Funds	To be determined on a case-by-case basis. Consider timing of developer fee disbursement as well as total contribution to the project. Preferred Structure: Funds for property acquisition will be disbursed at closing, prior to construction. After land acquisition, a 50-50 distribution pari passu with construction lender and 10% withheld until project is completed (Certificate of Occupancy)		
D. Term of Loan	55 years		Case-by-case base
E. Repayment of Loan	Determined on a project-by-project basis. Common recommendation: Years 1-40: Agency/Developer 50/50 split of residual receipts Years 41-55: Agency/Developer 80/20 split of residual receipts Balance due at Year 56 Agency portion of residual receipts may be shared with other public agencies in proportion to the respective loan amounts committed by each public agency.		Determined on a project-by-project basis. *Usual recommendation for land acquisition, public improvements and construction loans: Loan repaid upon sale of each unit.* *Homebuyer Assistance Loans: No repayment as long as restrictions remain in effect. Repayment required if homeowner in default of affordability covenant. Agency right to cure in case of default depends upon financing position.*
F. Participation of other public entities	When another local, public source (such as the San Diego Housing Commission) provides a subsidy to the project along with the RDA, the RDA would expect residual receipts, cost savings, additional proceeds, and foreclosure proceeds to be shared based on a pro rata share of funds disbursed. Allowances may be given to specific transaction structure, timing and use of respective parties' funds and requirements associated with other public funding sources.		
G. Refinance Proceeds	Agency/Developer 50/50 split of net refinancing proceeds *(net refinancing proceeds = proceeds after repayment of outstanding debt, refinancing costs, any funds reinvested in project, and takeout of other third-part funding sources, subject to Agency approval)*		N/A
H. Draw Request	Provided on a monthly basis or as needed.		
I. Performance Bonds	Performance bonds may be suggested.		Performance bonds may be required.
J. Reporting	Developer to provide Agency with copies of construction inspection reports and agree to annual monitoring of affordability restrictions/covenants.		

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
K. Tax Credit Applications	Multiple tax credit applications will be considered and negotiated on a case-by-case basis.		N/A

VII. Affordable Housing Provisions

A. Term of Restrictions	Deed restriction for not less than 55 years; or Development reverts to Agency at end of a ground lease not less than 55 years, subject to the provisions of CRL. It is expected that RDA deed restrictions will be senior to all other financing instruments.		Unit shall remain restricted for a period of not less than 45 years from the date of initial escrow closing, subject to provisions of CRL
B. Tenant Eligibility Requirements	Occupants must remain income eligible per the terms of the recorded restrictions and the CRL.		Residence must remain owner-occupied for the term of the Agency Restriction. No primary residence owned in past three years and no other real estate owned.
C. Land Disposition (in cases where the Agency owns land)	Fee conveyance or ground lease, to be determined on a case-by-case basis.		
D. Eligible Households	Households at or below 120% AMI - determined on a case-by-case basis. Very-low and Low-Income figures based on HUD figures for San Diego County, Moderate Income figures based on figures from State of California Department of Housing and Community Development (HCD) for San Diego County.		
E. Calculation of Rents/Sales Prices	Based upon applicable law and most restrictive of revenue source requirements. Using 2009 income limits/regs for example: TCAC rents allowable for units below 50% AMI (even	Based upon applicable law and most restrictive of revenue source requirements.	Based upon applicable law and most restrictive of revenue source requirements.

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
F. Coordination with Section-8 Vouchers (tenant-based and project-based)	Tenant-based Section 8: Total rent paid to the owner (by the tenant or from any other source) is limited to the redevelopment agency restricted rent. This avoids over-subsidizing for the units. Project-based Section 8: As long as the tenant is paying no more than the redevelopment agency restricted rent, and the Agency has underwritten the project based upon total rent to be received by the owner (from all sources), the total rent collected by the owner (from all sources) may exceed the redevelopment agency restricted rent - up to the maximum allowed by project-based Section 8 regulations. Underwriting needs to reflect the term of the Project-based Section 8 commitment.		N/A

VIII. Evaluation of Development Team

A. Experience	Development experience in providing affordable housing for low- and moderate-income households of comparable size, scale, and complexity. This will include the physical and financial size and scope of comparable projects.
B. Funding Ability	Demonstrated ability to provide project funding (debt and equity), including current relationship with major lenders, various financial institutions and past funding experiences.
C. Community Support / Design	Demonstrated ability to determine community concerns and desires before design of a project and/or in project design and implementation.
D. Community Support / Use	Demonstrated ability to determine community concerns and desires regarding the proposed residential use of a project, specifically, how the development team has handled adverse community responses to proposed affordable housing projects.
E. Marketing Strategy	Effective strategy for marketing (selling or leasing) the proposed units, affirmative method to provide equal opportunity for housing units and educating potential applicants regarding the terms and conditions of the program.
F. Collaboration	Effective strategy for collaboration with local non-profit organizations for the provision of tenant support services, when appropriate.
G. Number of Projects	To ensure the developer has the capacity to complete projects in the proposed project, the number of projects a developer has in San Diego and the status of those projects may be considered. (Performance may be required before multiple subsidies are granted).

	Rental		
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	For-Sale
H. Number of Subsidies	The number of times public subsidies have been provided to the same developer and the cumulative amount of those subsidies.		
I. Completion of Projects	Demonstrated ability to complete affordable housing projects on time and on budget.		
J. Qualifications	Qualifications of the development team and the key individuals proposed for involvement in the development, including the proposed property manager.		
K. Neighborhood Improvement	Demonstrated experience in neighborhood improvement and elimination of blight conditions through new construction and/or rehabilitation.		
L. Public Sector Experience	Experience in working with the public sector in public/private real estate development projects.		

IX. Evaluation of Design, Planning and Urban Form Elements

A. General Design	Project maximizes project density, including the utilization of incentives/bonuses/etc., where feasible.
	Project concept meets or exceeds all development requirements specified for the Site within the Community Plan and/or PDO.
	Project incorporates Crime Prevention through Environmental Design ("CPTED") principles.
	Project demonstrates superior architectural, landscaping and urban design.
	Project embraces the uniqueness of the site/community through the incorporation of art, such as murals, and architectural features, color, texture, etc.
	Project incorporates Universal Design components into the project and complies with the Agency's Universal Design Features - FY 2009 Update memo dated September 4, 2008.

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
B. Sustainable Design	Project incorporates sustainable development principles. For example, the use of eco-roofs on Type I, II and III construction projects; LEED certification or equivalent, where feasible; drought tolerant landscaping; etc. Project should strive to meet or exceed minimum standards required by law.		
C. Public Health and Well-being of Residents	Project should strive to meet at least one of the following: Smoke-Free multifamily housing policies, community gardens, transportation alternative programs and mechanisms (bike racks, charging station for electric vehicles, reserved car-sharing space), on-site child care, nutrition programs for tenants, reserved units for supportive housing and/or special needs/formerly homeless tenants; other public health and well-being goals.		
D. Parking	In addition to providing the number of parking spaces required for the project by ordinance, special consideration should be given to security issues and safety elements for parking, including, but not limited to, pedestrian entrance and exits, lighting, open stairwells with clear visibility on each floor landing, and other design elements to ensure the tenant's/public's safety and well-being.		
E. Residential	Residential amenities, including but not limited to, common outdoor open space, common indoor space, private outdoor space (balconies, patios, etc.) should be incorporated into project concepts.		
	Innovative project designs, construction types/methods that result in reduced construction costs and/or owner association fees (when applicable) are encouraged.		
F. Commercial	Commercial spaces should be flexibly-designed to accommodate larger or sub-dividable uses/tenants.		
	Commercial spaces should accommodate retailers and services that serve the essential needs of residents living in the project and surrounding neighborhoods.		
	Ground-floor uses should provide a link to social services where appropriate.		

X. Evaluation of Project and its fit within the Community

A. Priority - Notice	Case-by-case consideration should be given to the priority of each tax credit project in relation to timing and competitiveness of each 9% LIHTC round. At least six months advance notice for projects intending to submit tax credit applications is requested.

	Rental		For-Sale
	with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	
B. Monitoring	Developer agrees to enter into an Agreement with the Agency and the San Diego Housing Commission to monitor the long-term affordability restrictions of the project.		
C. Site Control	The extent to which the developer has site control or is seeking Agency assistance with property acquisition.		
D. Community Fit	Does the project "fit in" with the current community needs (snapshot), as well as those that may develop in the future (big picture)? Consider the extent to which the project meets the goals and objectives of the project area Redevelopment Plan and most current 5-year Implementation Plan.		
E. Project as Catalyst	Will the project serve as a catalyst for other development(s) in the project area?		
F. Market for Proposed Non-Residential Use?	Are there specific tenants identified for the non-residential space or has market support been demonstrated? Is the proposed non-residential space underwritten appropriately?		
G. Revenue Generation and Economic Impact	Will the project take an existing property off of the tax roles? Consider the number of jobs created, the potential for sales tax revenues, the proximity of housing to the job center, etc.		
H. Concentration of housing	Is there a concentration of affordable housing in the surrounding community and/or a lack of other supporting development?		
I. Comments from other disciplines	Have comments from the City Planning, Urban Form, Economic Development Divisions, Development Services, been received and considered?		
J. Cost/Benefit Analysis	Consider the cost/impact of the project in relation to the benefit to the community.		
K. Infrastructure Improvements	What is the extent to which the developer is making infrastructure improvements to benefit the development and/or surrounding community.		
L. Agency Objectives	Does the project meet the broader goals and objectives of the Redevelopment Agency, in its ability to finance and implement projects and its ability to comply with California Redevelopment Law?		

RA Item #2
Item 7 5/20/08 RA Mtg
(RA-2008-125)

REDEVELOPMENT AGENCY OF

THE CITY OF SAN DIEGO

RESOLUTION NUMBER R- 04282

DATE OF FINAL PASSAGE MAY 30 2008

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO APPROVING THE LOW- AND MODERATE-INCOME HOUSING FUND POLICY AND TRANSACTION GUIDELINES.

WHEREAS, the Redevelopment Agency of the City of San Diego [Agency] is engaged in activities necessary to carry out and implement the Redevelopment Plans for the Barrio Logan, Central Imperial, Centre City, City Heights, College Community, College Grove, Crossroads, Grantville, Gateway Center West, Horton Plaza, Linda Vista, Mount Hope, North Bay, North Park, NTC, San Ysidro, and Southcrest Redevelopment Project Areas [Project Areas]; and

WHEREAS, pursuant to California Health and Safety Code Section 33334.2 of the California Community Redevelopment Law [CRL], the Agency must set aside twenty percent (20%) of tax increment funds generated in a project area to be used for the purposes of increasing, improving, and preserving the community's supply of low- and moderate- income housing available at affordable housing cost to persons and families of low or moderate income and very low income households; and

WHEREAS, in accordance with Section 33334.2(e)(8) of the CRL, the Agency may exercise any, or all of its powers to carry out this purpose; and

WHEREAS, in order to carry out and implement the objectives and goals of the Redevelopment Plan for the Project Areas and the CRL, the Agency proposes to create

Guidelines for the expenditure of funds entitled, "Low- and Moderate-Income Housing Fund Policy and Transaction Guidelines" [Guidelines]; NOW, THEREFORE,

BE IT RESOLVED, by the Redevelopment Agency of the City of San Diego, as follows:

1. That the Agency approves the Guidelines, which are contained within the Fiscal Year 2009 Redevelopment Agency Budget, a copy of which shall be placed on file in the office of the secretary of the Agency as Document No. D-04278.

2. That the Agency shall give its Executive Director or his/her designee the authority to revise these guidelines on a periodic basis to ensure compliance with applicable law and applicability to market conditions.

3. That updated Guidelines will be included in the annual Agency Budget.

4. That this activity is not a "project" for purposes of the California Environmental Quality Act [CEQA] because it does not meet the criteria set forth in CEQA Guidelines Section 15378. Therefore, pursuant to CEQA Guidelines Section 15060(c)(3), this activity is not subject to CEQA.

APPROVED: MICHAEL J. AGUIRRE, General Counsel

By ______________________
Huston Carlyle
Deputy General Counsel

HC:cfq
04/24/08
Or.Dept:RA
RA-2008-125
Council:Companion R-2008-1004
MMS#6178

I hereby certify that the foregoing Resolution was passed by the Redevelopment Agency of the City of San Diego, at its meeting of MAY 20 2008.

REDEVELOPMENT AGENCY

By [signature]
Jeannette Santos, Deputy Secretary

Approved: 6.30.08
(date)

[signature]
JERRY SANDERS, Executive Director

Vetoed: ____________
(date)

JERRY SANDERS, Executive Director

Passed by the Redevelopment Agency of The City of San Diego on MAY 20 2008, by the following vote:

Agency Members	Yeas	Nays	Not Present	Ineligible
Scott Peters	☑	☐	☐	☐
Kevin Faulconer	☑	☐	☐	☐
Toni Atkins	☑	☐	☐	☐
Anthony Young	☑	☐	☐	☐
Brian Maienschein	☑	☐	☐	☐
Donna Frye	☑	☐	☐	☐
Jim Madaffer	☑	☐	☐	☐
Ben Hueso	☑	☐	☐	☐

Date of final passage MAY 30 2008.

AUTHENTICATED BY:

JERRY SANDERS
Executive Director of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND
Secretary of The City of San Diego, California.

By ______________________, Deputy

Office of the Redevelopment Agency, San Diego, California

Resolution Number R- 04282