



THE CITY OF SAN DIEGO

Report to the Historical Resources Board

DATE ISSUED: November 3, 2016 REPORT NO. HRB-16-071

ATTENTION: Historical Resources Board
Agenda of November 17, 2016

SUBJECT: **ITEM 7 – 1425 AND 1431 C STREET (HRB 1211- W.G. REINHARDT APARTMENTS) – Centre City Planned Development Permit/Site Development Permit No. 2016-19**

APPLICANT: Wakeland Beacon Apartments LP represented by Marie Burke Lia

LOCATION: 1425 and 1431 C Street, 92101, Downtown Community, Council District 3

DESCRIPTION: Recommend to the Planning Commission adoption of the mitigation measures and findings associated with the site development permit as presented or recommend inclusion of additional permit conditions related to a designated historical resource.

STAFF RECOMMENDATION

Recommend to the Planning Commission adoption of the permit findings and mitigation measures associated with the Site Development Permit for the demolition of the designated historical resource located at 1425 and 1431 C STREET (HRB 1211- W.G. Reinhardt Apartments) as presented.

BACKGROUND

The City's Land Development Code Section 126.0503(b)(2) requires a recommendation from the Historical Resources Board prior to the Planning Commission decision on a Site Development Permit when a historical district or designated historical resource is present. The HRB has adopted the following procedure for making recommendations to decision-makers (Historical Resources Board Procedures, Section II.B):

When the Historical Resources Board is taking action on a recommendation to a decision-maker, the Board shall make a recommendation on only those aspects of the matter that relate to the historical aspects of the project. The Board's recommendation action(s) shall relate to the cultural resources section, recommendations, findings and mitigation measures of the final environmental document, the Site Development Permit findings for historical

purposes, and/or the project's compliance with the Secretary of the Interior's Standards for Treatment of Historic Properties. If the Board desires to recommend the inclusion of additional conditions, the motion should include a request for staff to incorporate permit conditions to capture the Board's recommendations when the project moves forward to the decision maker.

The W.G. Reinhardt Apartments is located at 1425 and 1431 C Street in the Downtown Community Planning area. The front building was originally constructed in 1908 and the rear building was constructed in 1912. Both buildings were constructed in the Prairie style. On March 24, 2016, the property was designated by the Historical Resources Board under HRB Criterion C as a good example of Prairie style apartment buildings.

In 1996, the owner, Episcopal Community Services, recorded Covenants, conditions, and Restrictions (CC&Rs) on the property in accordance with a loan and grant from the San Diego Housing Commission. An amendment to the CC&Rs was recorded against the property in 1999. The restrictions placed on the property require any development to be set aside and reserved as "Affordable Units."

In an effort to provide more supportive housing units, the applicant is proposing a 5-story (60 feet tall) residential development consisting of 43 living units (all 350 SF) and one 1-bedroom unit (770 SF) designated for the building manager. The 43 living units are to be affordable for individuals below 40 percent of the area median income (AMI) while the one bedroom unit is provided rent-free as part of the building manager's compensation package. Parking is not required for living units at this income threshold; however, eight spaces are provided in the ground floor garage, with one spot designated for the manager's unit. The other spaces will be used by supportive program managers and visitors. Father Joe's Villages will provide services to 21 of the 43 tenants and the County of San Diego Behavioral Health Services Division will provide mental health focused services to the remaining 22 tenants (Attachments 1, 3 and 6). As part of the project the applicant is proposing to demolish both structures on the site.

ANALYSIS

The proposed demolition of the designated building is by definition a substantial alteration requiring a site development permit, consistent with Municipal Code Section 143.0251. Impacts related to the proposed demolition would be reduced through implementation of the required mitigation measures found in the Downtown Final Environmental Impact Report (Downtown FEIR) Draft Consistency Evaluation for the Beacon project (Attachment 2). Findings for the demolition of a designated historical resource are required for approval of the permit, consistent with Municipal Code Section 126.0504(i).

The three required Supplemental Findings and supporting information are provided in Attachment 5 and are summarized below.

1. *There are no feasible measures, including a less environmentally damaging alternative, that can further minimize the potential adverse effects on the designated historical resource or historical district*

The project proposes demolition of the two designated historic structures and construction of five story building for affordable housing units. As part of the analysis, the applicant developed and evaluated four scenarios. The first scenario named the Base Project is the proposed project that would demolish both buildings and construct the new first story building on the lot. The second scenario named Alternative 1 would be to maintain both of the historic buildings and convert them into the 350SF studio units. The third scenario would be to maintain the historic building at the front, convert it to the affordable units, and demolish the rear building. Removal of the rear building would allow for construction of a new building that would house 24 units. The last alternative that was investigated was the relocation of the buildings to another parcel.

The Base Project and each Alternative were evaluated by the London Group to determine their economic feasibility. For affordable housing projects the ultimate threshold that determines economic feasibility is not the total profit generated for investors and developers. Affordable housing projects do not generate a significant profit and developers are generally “fee builders.” Affordable housing developers do not achieve a significant profit as with market rate housing. The London Group’s evaluation on the property focused on the whether the Base Project and the alternatives are financeable. It was determined that the Base Project was economically feasible. While it was \$440,626 per unit to construct, the project could be constructed with no funding gap. The project would also achieve investor equity financing via tax credits. The Tax Credit Authority Committee (TCAC) has a cost basis threshold maximum of approximately 130% that projects cannot exceed. The Base Project is just under the benchmark at 127.17%. The project would allow for adequate cash flow and the repayment of the San Diego Housing Commission and Mental Health Services Agency funds.

Alternative 1 would allow for 13 units and would cost \$716,394 per unit. The high cost threshold is 213.5% which is higher than what is allowed by the TCAC and does not allow for an adequate cash flow resulting in an inability to repay the Housing Commission funds. Alternative 1 is considered not economically feasible.

Alternative 2 would allow for 32 affordable units and increase the costs per unit by \$28,454. This would result in a high cost threshold of 136.14% and the project would be ineligible for tax credits. The alternative would also have a funding gap of 4 million dollars and a negative cash flow which result in an inability to repay any funds. Alternative 2 is considered not economically feasible.

The relocation alternative was also evaluated to minimize adverse impacts. The CC&R restrictions would not allow the applicant to use this property as a financing source to acquire another property as a relocation site. Therefore, relocation was deemed not economically feasible.

In an effort to ensure that the analysis by the London Group was adequate Civic San Diego requested a peer review from Keyser Marston Associates (Attachment 4). As part of the peer review, Keyser Marston Associates (KMA) adjusted selected inputs and assumptions that resulted in different conclusions from the London Group with respect to the relative economic feasibility of each development alternative. KMA found that the Base Project would provide for a financing surplus. Ultimately, the KMA results concurred with the London Group in that only the Base Project would be economically feasible. Both Alternative 1 and 2 would require the identification of additional funding sources to support development.

In conclusion, based on the information provided and the analysis completed, the applicant has made Supplemental Finding 1.

- 2. The deviation is the minimum necessary to afford relief and accommodate the development and all feasible measures to mitigate for the loss of any portion of the historical resource have been provided by the applicant.*


The deviation proposed is the minimum necessary to afford relief and accommodate the development of the site in accordance with the restrictions imposed by the CC&Rs. The applicant has agreed to implement measures identified in the FEIR Mitigation, Monitoring and Reporting Program (MMRP) pertaining to the demolition of the W.G Reinhardt Apartments. They have provided HABS documentation of the existing property which includes a photo survey of the property and measured drawings of the exterior features. Therefore, the Supplemental Finding 2 can be made.

- 3. The denial of the proposed development would result in economic hardship to the owner. For purposes of this finding, "economic hardship" means there is no reasonable beneficial use of a property and it is not feasible to derive a reasonable economic return from the property.*

The property was acquired in 1996 by the Episcopal Community Services for the purpose of providing Affordable Housing for San Diego residents. At the time of purchase, CC&Rs were placed on the property in accordance with the provisions of a loan and grant obtained from the San Diego Housing Commission. The restrictions were renewed in 1999 and are still in effect. These restrictions will remain in effect for the next 38 years. Denial of the proposed development would prevent reasonable beneficial use of this property. The proposed project would provide services for a greater number of San Diego residents in need. Therefore, the Supplemental Finding 3 can be made.

CONCLUSION

Staff concurs that the proposed mitigation measures and permit conditions provided to the HRB are sufficient to reduce the identified impacts to the W.G Reinhardt Apartments. Therefore, staff recommends that the Historical Resources Board recommend to the Planning Commission adoption of the findings and mitigation measures associated with Planned Development/Site Development Permit No. 2016-19 for the demolition of the designated historical resource located at 1425 and 1431 C Street (HRB Site #1211- W.G. Reinhardt Apartments) as presented.



Jodie Brown, AICP
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Attachments:

1. Civic San Diego's Staff Report dated July 8, 2016 (under separate cover)
2. Downtown Final Environmental Impact Report (Downtown FEIR) Draft Consistency Evaluation for the Beacon Project dated October 27, 2016 (under separate cover)
3. Draft Centre City Development Permit/Neighborhood Use Permit/Site Development Permit 2016-19 (under separate cover)
4. Keyser Marston Associates Memo dated October 28, 2016 (under separate cover)
5. Findings (under separate cover)
6. Beacon Project Plans (under separate cover)