



DATE: April 23, 2013

TO: Chair and Members of the Housing Commission

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **APPROPRIATE \$1,797,287 OF HOME FUNDS AND \$4,707,691 OF INCLUSIONARY (IN-LIEU) HOUSING TRUST FUNDS TO THE MISSION COVE PROJECT**

SYNOPSIS

Staff recommends that the Housing Commission recommends that the City Council appropriate \$1,797,287 of HOME funds and \$4,707,691 of Inclusionary (In-Lieu) Housing Trust Funds for the Mission Cove Affordable Housing Project located along the 3200 block of Mission Avenue.

BACKGROUND

In December 2010, the City Council approved National Community Renaissance (National CORE) and Community Housingworks (CHW) as the Development Team for the Mission Cove Affordable Housing Project (Project). Direction was given to negotiate development agreements for the 14.5-acre Mission Avenue parcel which incorporate the elements of the approved Vision and Strategic Plan for the site. National CORE is the master developer for the overall site work, retail commercial space, and the design, construction, and ownership of the 150 units of family affordable housing. CHW is the developer for the design, construction and ownership of the 138 units of affordable senior/special needs housing component of the Project.

In April 2011, the Council approved a Reimbursement Agreement loaning up to \$1,527,170 in HOME funds with the Development Team to commence predevelopment due diligence, refinement of costs, design, and entitlements. Through this process, the conceptual site design was updated to reflect environmental, storm water, and soils constraints on the property. An application for development entitlements was submitted in January 2012. This process is expected to be completed in late 2013.

An Exclusive Negotiating Agreement (ENA) between the City and the Development Team to establish the terms of a Disposition and Development Agreement (DDA) for the Project was approved by the Council in July 2011. The ENA Negotiating Period was extended by the Council due to the uncertainty of the disposition of Redevelopment Housing Set-Aside funds which were initially identified as the primary funding resource for the Project.

The subsequent Disposition and Development Agreement (DDA) for the Project was approved by the Council in August 2012. The DDA establishes that the Project will be developed in the following four phases:

- Phase A – Infrastructure (onsite/offsite improvements)
- Phase B – Multifamily (90 units)
- Phase C – Senior/Special Needs (138 units)
- Phase D – Multifamily (60 units)

The DDA also requires that, at a minimum, total funding for Phases A and B are identified before construction can commence. As such, all available or applicable affordable housing development funds are to be appropriated to the Project during the term of the Agreement.

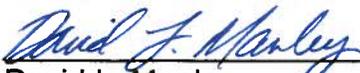
FISCAL IMPACT

The total development costs for the Project are estimated to be approximately \$81.8 million. Construction of all Project phases will require a local housing fund subsidy of approximately \$16.6 million. In April 2011, the Council approved a Reimbursement Agreement loaning up to \$1,527,170 in HOME funds. Approximately \$15 million in additional subsidy will be needed to complete the entire Project. Of this, Phases A and B require \$10.4 million for completion. Staff is recommending the appropriation of \$1,797,287 of HOME funds and \$4,707,691 of Inclusionary (In-lieu) Housing Trust funds to the Mission Cove Project. With this action, the total appropriation of housing funds to the Project, including the previously appropriated HOME funds for predevelopment expenses and Project entitlements, is \$8,032,148. Housing staff and the Development Team will continue to explore and identify potential funding sources to fill the remaining gap of approximately \$3.9 million for Phases A and B. The City has also contracted with Keyser Marston Associates to further review the financial proformas as the Project moves forward to also evaluate any cost savings opportunities.

RECOMMENDATION

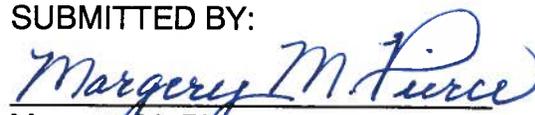
Staff recommends that the Housing Commission recommends that the City Council appropriate \$1,797,287 of HOME funds and \$4,707,691 of Inclusionary (In-Lieu) Housing Trust Funds for the Mission Cove Affordable Housing Project located along the 3200 block of Mission Avenue.

PREPARED BY:



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SUBMITTED BY:



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REVIEWED BY:

Attachment: Mission Cove Project Update/Financial Summary

MISSION COVE

Affordable Housing/Mixed-Use Development
Project Update/Financial Summary
April 2013



Birdseye View – Site Massing Model



Multi-Family Housing Perspective



Mixed Use



Family Resident Resource Center



Senior Housing View From Mission Avenue



Senior Housing View From South



Refined Site Plan – Phase A,B,C,D



City Applications

- General Plan Amendment
 - Light Industrial to High Density Residential and Commercial
 - No change of Single Family Residential lot on Carolyn Circle
- Zone Change
 - Planned Development
- Tentative Map (for financing and phasing)
- Development Plan (site plan, building design, landscape)



□ Conditional Use Permits

Financial Resources & approx. GAP loan

- \$81.8M Approx. Total Dev. Cost (no land costs – ground lease by City)
- \$65M (approx. private sector equity and debt) by National CORE and CHWorks)
- **\$15.2M** (approx. financing GAP needed to build out 100% of project – **all 4 Phases**) (1st tranch of federal HOME funds already loaned to projects \$1.5M)
- Disposition Development Agreement (DDA) adopted by Housing Commission July 2012 and City Council August 2012 requires that the financing GAP for Phase A (on and offsite infrastructure) and Phase B (90 family units) +10,500 sqft of retail, family resource center and amenities is identified and committed to the project. Infrastructure shall commence and National CORE shall apply for the 9% tax credit award. **The needed funding GAP for Phase A, B and D is approximately \$10.4M.**
- What does the \$10.4M pay for? EVERYTHING EXCEPT FOR PHASE C – Senior project. The senior project needs approx. \$4.8M more.



Financial Resources Today Available for Mission Cove GAP Loan

- Various Sources of Financing Exists to fund approx. \$10.4M to commence Phase A infrastructure and Phase B and Phase D. Approx. \$4.8m additional needed for Senior project.

- \$1.775M 2013 Federal HOME funds
- \$780k 2014 and 2015 - Federal HOME funds
- \$4.8M Existing balance within Inclusionary Housing Fund
- \$3.5M Possible Proceeds from Laguna Vista Mobile Home Park
- \$10,855,000 TOTAL IDENTIFIED**

- OTHER FUTURE SOURCES**
- \$4.3M Educational Revenue Augmentation Fund (will take several years for City to receive)
- \$500M Other sources include new permanent State of CA source (will be introduced Feb). Will produce approx. \$500M annually
- \$100M State of CA Transit Oriented Development and Infill Infrastructure Grant Funds (MISSION COVE DOES NOT HAVE THE DENSITY FOR THESE FUNDS)
- \$46M State of CA Multi-family Housing Program Funds. (MISSION COVE's financing using the 9% tax credit makes it ineligible for MHP funds)