



DATE: May 15, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

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

SYNOPSIS

Staff recommends that the City Council appropriate \$1,797,287 of unallocated HOME Program funds and \$4,707,691 of unallocated Inclusionary (In-Lieu) Housing 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 any construction can commence. As such, all available and applicable affordable housing development funds are to be appropriated to the Project during the 5-year 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. Of this, Phases A and B require \$11.9 million for completion. The City is recommending the appropriation of \$1,797,287 with the transfer of unallocated HOME Program funds (923479800277) of \$1,512,754, and fund balance of \$284,533, along with the fund balance from Inclusionary (In-lieu) Fund of \$4,707,691 to Mission Cove Project (823131900277). With this action, the total appropriation of housing funds to the Project, including the previously appropriated (923119900277) \$1,527,170 in HOME funds for predevelopment expenses and Project entitlements, is \$8,032,148. The City and the Development Team will continue to explore and identify potential funding sources to fill the remaining gap of approximately \$3.9 million to complete the initial phases. The Development Team is tasked with obtaining approximately \$65 million in private equity and debt for the Project. The Development Team has not secured the conventional or tax credit financing for the project. However, it is expected that the developer will secure approximately \$65 million. Applying for and obtaining these funding sources is contingent upon completion of the entitlement process and commitment of City subsidy. The City has also contracted with Keyser Marston Associates to further review the financial proformas as the Project moves forward to evaluate any cost savings opportunities.

Description	Account Number	Debit	Credit
Mission Cove Devlp (B)	823131900277.4391.0002		1,512,754.00
Mission Cove Devlp (B)	823131900277.5395.0001	1,797,287.00	
HOME Grant "Use of Reserve" nonposting	1277.4999		284,533.00
HOME Program (Unalloc)	923479800277.4391	1,336,252.00	
HOME Program (Unalloc)	923479800277.4391.0002	176,502.00	
Contrib-Community Svc/Non Prof	923479800277.5395		1,336,252.00
Contrib-Community Svc/Non Prof	923479800277.5395.0001		176,502.00
Mission Cove Devlp (B)	823131900277.5395.0001	4,707,691.00	
Trns-f Inclusionary In-Lieu Fund	823131900277.6800.0278		4,707,691.00
Trns-t HOME Grant Fd	1278.6900.0277	4,707,691.00	

COMMISSION OR COMMITTEE REPORT

The Project Update and Financial Summary was presented to the Housing Commission at its February 26, 2013 meeting. The Commission has consistently recommended that the Mission Cove Project be given a priority for available housing funds.

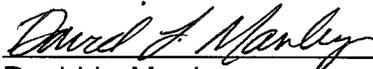
CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

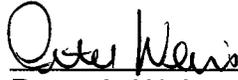
Staff recommends that the City Council appropriate \$1,797,287 of unallocated HOME Program funds and \$4,707,691 of unallocated Inclusionary (In-Lieu) Housing funds for the Mission Cove Affordable Housing Project located along the 3200 block of Mission Avenue.

PREPARED BY:



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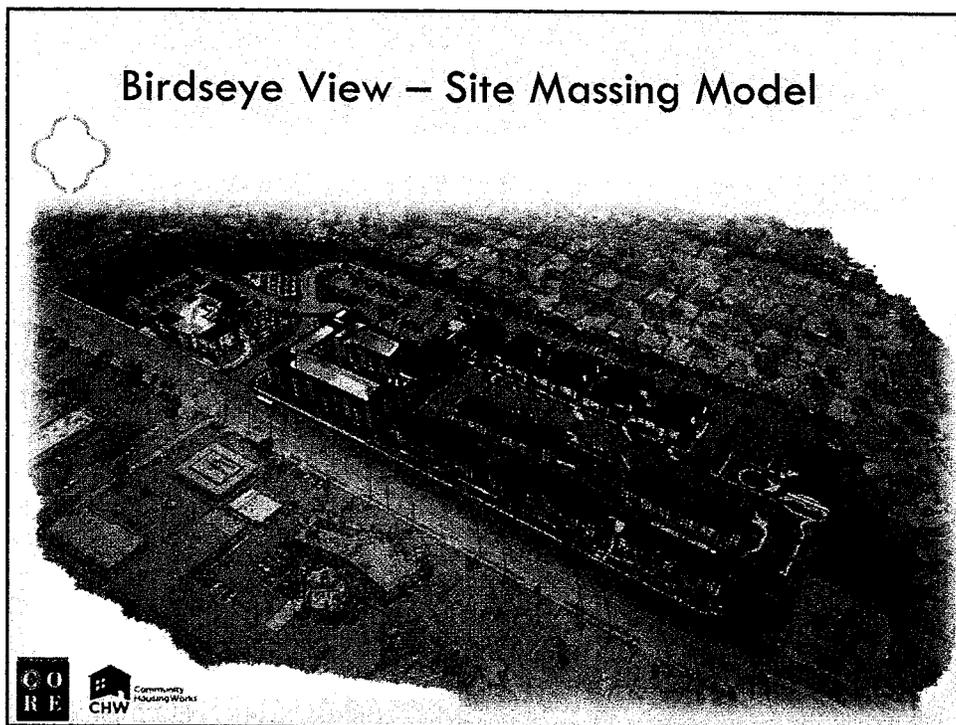
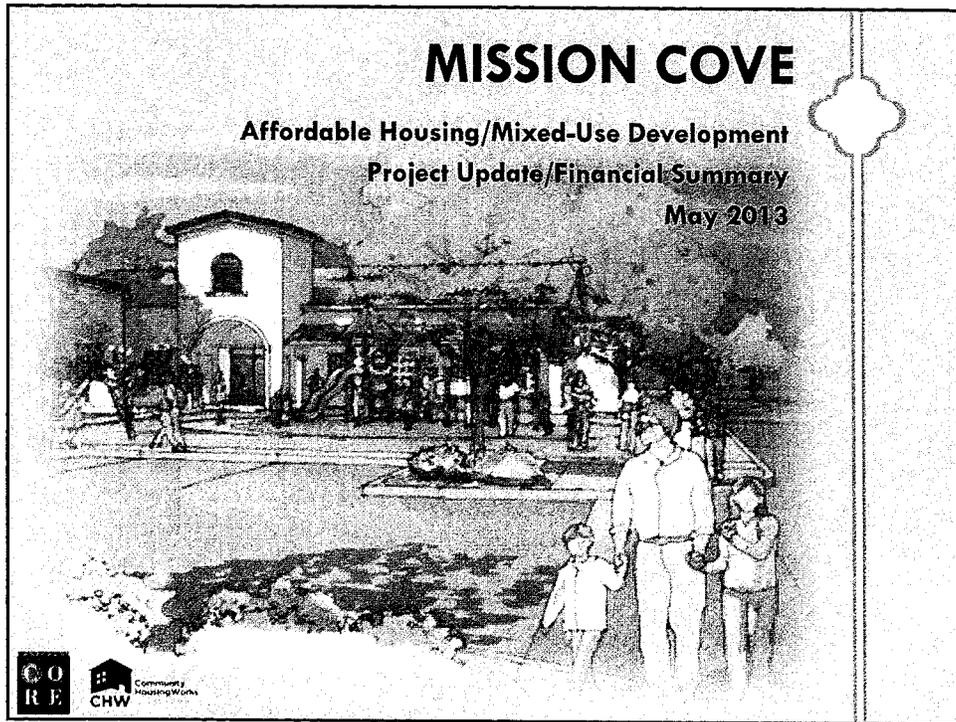
Teri Ferro, Financial Services Director







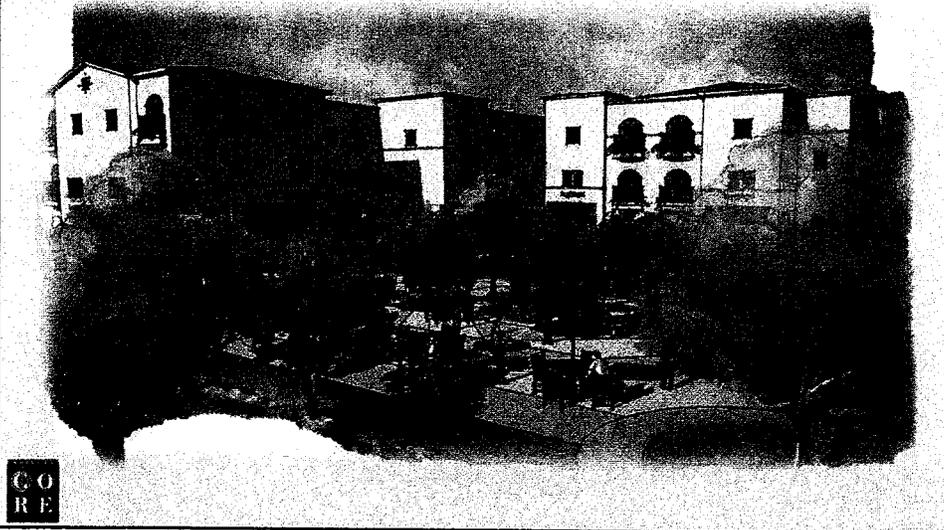
Attachment: Mission Cove Project Update/Financial Summary



Multi-Family Housing Perspective



Mixed Use



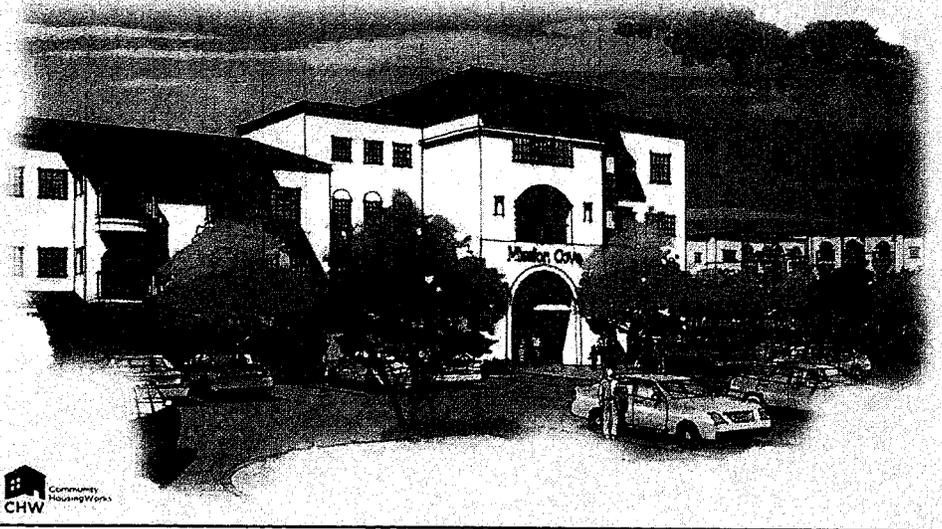
Family Resident Resource Center



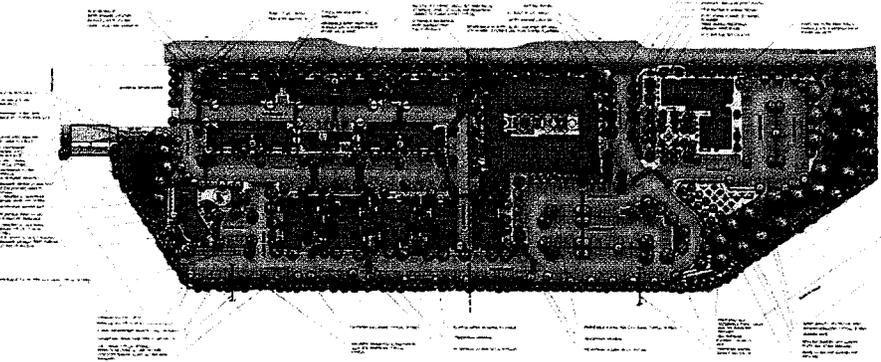
Senior Housing View From Mission Avenue



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
 - ▣ Mixed Use
 - ▣ Child Day Care
 - ▣ Adult Day Care



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 needed to commence Phase A infrastructure and Phase B and Phase D. Approx. \$4.8m additional needed for (Phase C) Senior project.
- **\$1.797M** Existing Federal HOME funds
- **\$780k** 2014 and 2015 - Federal HOME funds
- **\$4.7M** Existing balance within Inclusionary Housing Fund
- **\$4.5M** Possible Proceeds from Laguna Vista Mobile Home Park
- **\$11,777,000** **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)