

REPORT

DATE ISSUED: June 8, 2007 REPORT NO: HCR07-44

ATTENTION: Members of the Housing Commission
For the Agenda of June 15, 2007

SUBJECT: YWCA Transitional Housing Development (Confidential Address)

REQUESTED ACTION:

Approve an increase of up to \$500,000 to the previously approved loan for the construction of 14 units of transitional housing for families fleeing domestic violence.

STAFF RECOMMENDATION:

Subject to the conditions described below, the San Diego Housing Commission recommends Housing Authority approval of:

1. An increase of up to \$500,000 to the previously approved \$1,686,000 residual receipts 0% interest loan to the YWCA of San Diego County; and
2. Authorize the President and Chief Executive Officer, or designee, to execute any and all documents necessary to make the approved loan.

BACKGROUND:

The YWCA of San Diego County (YWCA) received approval in February 2005 for a \$1,686,000, 0% residual receipts loan to fund the construction of 14 units of transitional housing. (See Attachment 4, HCR04-95 for further project description.) The project is under construction and is currently 70 % complete. Construction completion is scheduled for late August 2007.

During the initial project development phase several unanticipated expenses arose that have impacted the project budget. The developer was directed to reroute the off-site sewer into the center of a heavily trafficked boulevard and perform associated sidewalk improvements, the preservation of a historic tree required additional routing requirements, and archeological monitoring costs all contributed to the construction cost shortfall. The developer directed the architect and the construction contractor to review the project design for any potential cost savings. There still exists a need for \$518,609 in additional funds. (See Attachment 1.)

The YWCA has proactively searched for additional funding sources. It previously raised \$300,000 in donations as part of the original project financing. The YWCA is currently soliciting other potential donors as part of this current request for increased funding. The project has received discretionary funding approval for \$50,000 each from two County Supervisorial District offices. Council District Two has approved \$5,000. A private donor will provide

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Loan Revision for YWCA of San Diego

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\$12,500 and has committed to an additional matching amount at year end for this current funding need. The aggregated value of the confirmed donations is \$17,500.

The \$518,609 in additional funds currently needed (per Attachment 1) will be offset by the confirmed \$117,500. The YWCA request for \$500,000 from the Housing Commission would be utilized to cover the \$401,109 gap. The balance of the Housing Commission funds would be applied to certain items that have been previously value-engineered out. These include nearly \$70,000 in landscape and irrigation system features and additional site enhancements and any remaining construction-related expenses.

The YWCA has also submitted an application for funding to the Affordable Housing Program (AHP) for a loan of \$420,000, the maximum amount for which the project is eligible to apply. An approximate amount of \$80,000 in Housing Commission funds will be required if the project receives full funding approval by the AHP. Due to the competitive nature of the loan and the large amount of applicants, it will not be known until the end of summer whether the project will be awarded the fully requested amount or any portion thereof. The YWCA has requested Housing Commission approval of a loan of up to \$500,000 in order to close the potential funding gap, to provide funding and for timely payment of all contractors and vendors who will be anticipating payment at construction completion.

Proposed Funding Request

The project received Housing Commission funding in the amount of \$843,000 of San Diego Housing Trust Fund (HTF) and \$843,000 in State of California Local Housing Trust Fund Program matching funds. The YWCA is requesting up to an additional \$500,000 in Housing Commission funds for any construction gap financing that may occur in the event that the AHP does not fully fund the current application request. The maximum of Housing Commission funds would be \$2,186,000, for a total development cost of \$378,617 per unit, a Housing Commission cost of \$156,143 per unit and a Housing Commission subsidy per bedroom of \$78,071. See Attachment 2 for a side by side comparison of Development Costs and Sources of Funds.

The current funding combined with the total additional funds needed of \$518,609 equal a projected total development cost of \$5,300,643. The Housing Commission would remain in first loan position. All other terms and conditions of the first position San Diego Housing Commission 0% simple interest, residual receipts loan will remain in effect. Attachment 3 is the revised project General Application that further identifies the project needs and anticipated financial performance.

FISCAL CONSIDERATIONS:

Approval of these recommendations would result in the expenditure of up to \$500,000 in San Diego Housing Commission funds.

| | |
|------------------|---------------------------------|
| Amount: | \$500,000 |
| Revenue Sources: | HTF/Various |
| Division: | Housing Finance and Development |
| Line Item: | Loans |

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This project initially received a \$10,000 Predevelopment Project Support Grant. On October 26, 2004, the Loan Committee recommended approval of a loan up to \$1,686,000. The Housing Commission recommended Housing Authority approval on November 19, 2004 (HCR04-095). The loan was approved by the Housing Authority on February 1, 2005

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

This project was presented in August 2004 to the local community planning group where it was approved by a vote of 13-1-0.

ENVIRONMENTAL REVIEW

This new construction project is approximately 70% complete. The environmental review previously approved at the November 19, 2004 Housing Commission meeting (HCR04-095) stated that the project has been found to be exempt under the National Environmental Policy Act (NEPA) pursuant to 24CFR58, Section 58.34(a). A California Environmental Quality Act (CEQA) Revised Final Mitigated Negative Declaration for Project 44721 was issued by the City of San Diego Development Services Division on January 14, 2005.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The project will add 56 beds of transitional housing to low income families victimized by domestic violence and homelessness.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance & Development

Approved by,



Elizabeth C. Morris
President and Chief Executive Officer

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Attachments: 1. YWCA Construction Project Funding Needs
 2. Development Summary
 3. SDHC General Application Form
 4. HA Report No. HAR04-095*

* Distribution of this attachment may be limited. Copies available for review during business hours at the San Diego Housing Commission offices located at 1122 Broadway, San Diego CA

ATTACHMENT 1

YWCA of San Diego County
Becky's House II
Construction Project Funding Needs

| | |
|---|---------------------|
| Original Budget | \$ 4,782,034 |
| Increases: | |
| Increase in Direct Construction Costs | \$ 188,644 |
| Increase in Off-site work costs (sewer) | \$ 104,819 |
| Predevelopment Construction Management | \$ 4,500 |
| Title and Escrow Fees | \$ 8,541 |
| Legal | \$ 19,757 |
| Archeological Monitoring (net of savings) | \$ 73,996 |
| Arborist | \$ 7,104 |
| Construction Management | \$ 10,000 |
| | <u>\$ 417,361</u> |
| Security Monitoring System | \$ 13,948 |
| Security Wall | \$ 60,000 |
| Furnishings (net of \$56.7k budgeted) | \$ 27,300 |
| | <u>\$ 101,248</u> |
| Total Additional Funds Needed | \$ 518,609 |
| Total Estimated Project Cost | <u>\$ 5,300,643</u> |
| | \$ 14 |
| Per Unit | \$ 378,617 |

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ATTACHMENT 2

Development Summary

June 15, 2007

Name: Transitional Housing Development
 Location: Confidential Location
 Description: Transitional Housing for Victims Fleeing Domestic Violence
 Sponsor(s): The YWCA of San Diego County

Unit Affordability

Total # of units: 14
 Assisted units: 14
 Restricted rents: 14 - Two-bedroom @ \$474 (30%)

 Market rent: Two-bedroom @ \$1,500

 Percent of AMI: 14 units @ 30 percent

 Affordability: 55 years

| Development Cost | CURRENT | PROPOSED |
|---------------------------------------|----------------|-----------------------|
| Total development cost: | \$ 4,015,801 | \$5,300,643 |
| HC development cost: | \$ 1,686,000 | \$2,186,000 (Maximum) |
| Total development cost per unit: | \$ 286,843 | \$ 378,617 |
| HC cost per unit (14 units): | \$ 120,429 | \$ 156,143 |
| HC subsidy per bedroom @ 28 bedrooms: | \$ 60,214 | \$ 78,071 |

| Sources of Funds | | PROPOSED (Without AHP) |
|---|---------------------|-------------------------------|
| San Diego Housing Commission | \$ 1,686,000 | \$2,186,000 |
| EHAPCD State Shelter Grant* | \$ 1,000,000 | \$1,000,000 |
| City of San Diego CDBG Grant* | \$ 160,000 | \$ 160,000 |
| County of San Diego CDBG Grant* | \$ 50,000 | \$ 50,000 |
| County of San Diego HOME Loan* | \$ 761,234 | \$ 761,234 |
| County of San Diego Discretionary Funds | \$ 0 | \$ 100,000 |
| YWCA Land Equity* | \$ 825,000 | \$ 825,000 |
| YWCA Donations (1) | \$ 299,800 | \$ 218,409 (1) |
| Total Development Cost | \$ 4,782,034 | \$5,300,643 |

* = No Change

(1) Actual Donations to date are \$17,500

Pro Forma Summary (Year 1)

Estimated net annual income: \$ 70,189
 Estimated annual expense: \$ 52,120: \$3.22 square foot
 Estimated Net Operating Income: \$ 18,069
 Estimated Replacement Reserve: \$ 3,500
 Estimated Residual Receipts: \$ 14,569 (SDHC 50% Share = \$7,285)

**SAN DIEGO HOUSING COMMISSION
GENERAL APPLICATION FORM - Project Overview**

ATTACHMENT 3

NOFA 2004 (July 1, 2003 - June 30, 2004) - Last revised: June 30, 2003

DATE: May 19, 2007

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED IN SHADED CELLS (Check all boxes that apply)

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ \$500,000 Increase
 TECHNICAL ASSISTANCE PREDEVELOPMENT LOAN \$ _____
 _____ PROJECT SUPPORT GRANT \$ _____

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT CONDITION: UNIMPROVED SITE RESIDENTIAL COMMERCIAL
 YEAR BUILT: n/a EXISTING STRUCTURE OTHER (DESCRIBE) New Construction

PROJECT NAME: YWCA Transitional Housing Development
 ADDRESS: _____ San Diego CA _____
STREET CITY STATE ZIP
 LEGAL DESCRIPTION: 1788*PO _____
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) _____
 DWELLING UNITS: _____

| | | | | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|-------------|----------|
| 0-BEDROOM | 1-BEDROOM | 2-BEDROOM | 3-BEDROOM | 4-BEDROOM | 5-BEDROOM | TOTAL UNITS | BEDROOMS |
| | | 14 | | | | 14 | 28 |

 HC Assisted Units: _____

| | | | | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|-------------|----------|
| 0-BEDROOM | 1-BEDROOM | 2-BEDROOM | 3-BEDROOM | 4-BEDROOM | 5-BEDROOM | TOTAL UNITS | BEDROOMS |
| | | 14 | | | | 14 | 28 |

EXISTING USES OF PROPERTY: Counseling Center for related to domestic violer

DESCRIPTION OF PROPOSED PROJECT: Becky's House II will add 56 new beds (14 units) for victims of domestic violence in a transitional housing program. Recent unanticipated construction requirements have increased the construction contract by \$519,000.
 NO. OF BUILDINGS: 3

APPLICANT/BORROWER:
 NAME: YWCA of San Diego County CONTACT PERSON: Judith Case DiPasquale
 ADDRESS: 1012 C Street San Diego CA 92101
STREET CITY STATE ZIP
 TELEPHONE: (619) 239-0355 FAX NO. (619) 233-8545

LEGAL DESCRIPTION OF APPLICANT:
 FOR PROFIT CORPORATION NONPROFIT CORPORATION PARTNERSHIP INDIVIDUAL OWNER
 CHDO OTHER _____
DESCRIBE
 TAXPAYER IDENTIFICATION NUMBER: 95-1661119

CURRENT OWNER/SELLER INFORMATION:
 NAME: YWCA of San Diego County LEGAL DESCRIPTION: Nonprofit Corporation
 ADDRESS: 1012 C Street San Diego CA 92101
STREET CITY STATE ZIP
 TELEPHONE: (619) 239-0355 FAX NO. (619) 233-8545

ZONING: R-1-7 COMMUNITY PLAN AREA: Pacific Beach
 COUNCIL DISTRICT: 2 SCHOOL DISTRICT: San Diego

 SIGNATURE Judith Case DiPasquale PRINT NAME Executive Directo TITLE ##### DATE

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL NEW CONSTRUCTION REHABILITATION OWNERSHIP

NUMBER OF UNITS: 14

PROJECT NAME: YWCA Transitional Housing Development

ADDRESS: San Diego CA

STREET CITY STATE ZIP

SOURCES

| POSITION | TERMS | COMMITMENT | AMORTIZED | RESIDUAL RECEIPTS | GRANT | GRANT | EQUITY |
|--|--|--|--------------|-------------------|------------|--------------|--------------|
| 1ST SDHC | 55 YRS RATE | <input type="checkbox"/> Y/N 7/10/2007 DATE OR EXPECTED | \$ | 2,186,000 | | | |
| 2ND | (Select one) Residual Receipts <input checked="" type="checkbox"/> OF Amortized <input type="checkbox"/> | <input type="checkbox"/> Y/N | | | | | |
| | | Subsidy/Assisted Unit \$ 120,429 | | | | | |
| | | Subsidy/Assisted Bdrr \$ 60,214 | | | | | |
| 2ND County HOME Loan | 55 YRS RATE | <input checked="" type="checkbox"/> Y/N 2/21/2006 DATE OR EXPECTED | \$ | 761,234 | | | |
| GRAN State Shelter Grant | 10 YRS RATE | <input checked="" type="checkbox"/> Y/N 2/21/2006 DATE OR EXPECTED | \$ | | | 1,000,000 | |
| GRANTS CDBG Grant City(\$160k) County(\$50k) | | <input checked="" type="checkbox"/> Y/N 2/21/2006 DATE OR EXPECTED | \$ | 210,000 | | | |
| EQUITY YWCA land value&donations | | <input checked="" type="checkbox"/> Y/N DATE OR EXPECTED | | | | | 1,143,409 |
| TOTAL | | | \$ 5,300,643 | \$ 2,947,234 | \$ 210,000 | \$ 1,000,000 | \$ 1,143,409 |

FUNDING SCHEDULE FOR SOURCES

| TOTAL | CLOSING | CONSTRUCTION PERIOD | | | COMPLETION 4TH QUARTER | RENT UP QTRS 5 & 6 |
|--|--------------|---------------------|--------------|-------------|------------------------|--------------------|
| | | 1ST QUARTER | 2ND QUARTER | 3RD QUARTER | | |
| SDHC * \$ 500,000 | \$ | \$ | \$ | \$ | \$ 500,000 | \$ |
| #REFI # \$ 1,686,000 | \$ 250,000 | \$ 500,000 | \$ 500,000 | \$ 250,000 | \$ 186,000 | \$ |
| \$ 761,234 | \$ 204,994 | \$ 139,060 | \$ 139,060 | \$ 139,060 | \$ 139,060 | \$ |
| State Shelter Grant \$ 1,000,000 | \$ | \$ | \$ 750,000 | \$ 150,000 | \$ 100,000 | \$ |
| CDBG Grant City(\$160k) County(\$50k) \$ 210,000 | \$ 210,000 | \$ | \$ | \$ | \$ | \$ |
| YWCA land value&donations \$ 1,143,409 | \$ 925,000 | \$ 59,909 | \$ | \$ 79,000 | \$ 79,500 | \$ |
| \$ 5,300,643 | \$ 1,589,994 | \$ 698,969 | \$ 1,389,060 | \$ 618,060 | \$ 1,004,560 | \$ - |

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: not applicable

CONSTRUCTION TIME: 22 (MONTHS)

CONSTRUCTION INTEREST: %

COMMITTED: YES NO

DATE OF COMMITMENT/EXPECTED:

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - PRO FORMA - PF**

NOFA 2004 (July 1, 2003 - June 30, 2004) - Last revised: June 30, 2003

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: May 19, 2007

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: YWCA Transitional Housing Development

ADDRESS: San Diego CITY CA STATE ZIP

| | | | | | |
|-------------------------|-----------|-------------------------|---------|----------------------------|-------------------|
| Replacement Reserve | \$ 3,500 | LP Asset Mgmt Fee | \$ | GP Management Fee | \$ |
| Rental Income | \$ 77,448 | Project Income Increase | 2.50 % | Mortgage Amount | \$ 2,186,000 % |
| Other Income | \$ 540 | Operating Exp. Increase | 3.50 % | Mortgage Rate | residual receipts |
| Operating Expenses | \$ 52,120 | Vacancy Loss | 10.00 % | Mortgage Term (Years) | 55 |
| LP & GP Annual Increase | % | Deferred Dev. Fee | \$ | Interest on Deff. Dev. Fee | % |

| | | | | | |
|---------------------------|----------|----------------------|-------------------------------------|---------------|----|
| SDHC Participation | \$ #REF! | Residual Receipts or | <input checked="" type="checkbox"/> | Interest Rate | % |
| Percent of Residual to HC | 50% | Amortize | <input type="checkbox"/> | Term (Years) | 55 |

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Gross Project Income | \$ 77,988 | \$ 79,938 | \$ 81,936 | \$ 83,985 | \$ 86,084 |
| Vacancy | \$ 7,799 | \$ 7,994 | \$ 8,194 | \$ 8,398 | \$ 8,608 |
| Effective Gross Income | \$ 70,189 | \$ 71,944 | \$ 73,743 | \$ 75,586 | \$ 77,476 |
| Operating Expense | \$ 52,120 | \$ 53,944 | \$ 55,832 | \$ 57,786 | \$ 59,809 |
| Net Operating Income | \$ 18,069 | \$ 18,000 | \$ 17,910 | \$ 17,800 | \$ 17,667 |
| Debt Service (1st) | \$ | \$ | \$ | \$ | \$ |
| Coverage (1st) | | | | | |
| Replacement Reserve | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 |
| Cash Flow | \$ 14,569 | \$ 14,500 | \$ 14,410 | \$ 14,300 | \$ 14,167 |
| LP Asset Management Fee | \$ - | \$ | \$ | \$ | \$ |
| GP Management Fee | \$ - | \$ | \$ | \$ | \$ |
| Deffered Dev. Fee Pmt. | \$ | \$ | \$ | \$ | \$ |
| SDHC Residual Receipts | \$ 7,285 | \$ 7,250 | \$ 7,205 | \$ 7,150 | \$ 7,083 |
| Net Cash Flow | \$ 7,285 | \$ 7,250 | \$ 7,205 | \$ 7,150 | \$ 7,083 |

| | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Gross Income | \$ 88,236 | \$ 90,442 | \$ 92,703 | \$ 95,021 | \$ 97,396 |
| Vacancy | \$ 8,824 | \$ 9,044 | \$ 9,270 | \$ 9,502 | \$ 9,740 |
| Effective Gross Income | \$ 79,413 | \$ 81,398 | \$ 83,433 | \$ 85,519 | \$ 87,657 |
| Operating Expense | \$ 61,902 | \$ 64,069 | \$ 66,311 | \$ 68,632 | \$ 71,034 |
| Net Operating Income | \$ 17,510 | \$ 17,329 | \$ 17,122 | \$ 16,887 | \$ 16,622 |
| Debt Service (1st) | \$ | \$ | \$ | \$ | \$ |
| Coverage (1st) | | | | | |
| Replacement Reserve | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 |
| Cash Flow | \$ 14,010 | \$ 13,829 | \$ 13,622 | \$ 13,387 | \$ 13,122 |
| LP Asset Management Fee | \$ | \$ | \$ | \$ | \$ |
| GP Management Fee | \$ | \$ | \$ | \$ | \$ |
| Deffered Dev. Fee | \$ | \$ | \$ | \$ | \$ |
| SDHC Residual Receipts | \$ 7,005 | \$ 6,915 | \$ 6,811 | \$ 6,693 | \$ 6,561 |
| Net Cash Flow | \$ 7,005 | \$ 6,915 | \$ 6,811 | \$ 6,693 | \$ 6,561 |

| | YEAR 11 | YEAR 12 | YEAR 13 | YEAR 14 | YEAR 15 |
|-------------------------|-----------|------------|------------|------------|------------|
| Gross Income | \$ 99,831 | \$ 102,327 | \$ 104,885 | \$ 107,507 | \$ 110,195 |
| Vacancy | \$ 9,983 | \$ 10,233 | \$ 10,489 | \$ 10,751 | \$ 11,020 |
| Effective Gross Income | \$ 89,848 | \$ 92,094 | \$ 94,397 | \$ 96,757 | \$ 99,176 |
| Operating Expense | \$ 73,520 | \$ 76,094 | \$ 78,757 | \$ 81,513 | \$ 84,366 |
| Net Operating Income | \$ 16,328 | \$ 16,001 | \$ 15,640 | \$ 15,243 | \$ 14,809 |
| Debt Service (1st) | \$ | \$ | \$ | \$ | \$ |
| Coverage (1st) | | | | | |
| Replacement Reserve | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 3,500 |
| Cash Flow | \$ 12,828 | \$ 12,501 | \$ 12,140 | \$ 11,743 | \$ 11,309 |
| LP Asset Management Fee | \$ | \$ | \$ | \$ | \$ |
| GP Management Fee | \$ | \$ | \$ | \$ | \$ |
| Deffered Dev. Fee | \$ | \$ | \$ | \$ | \$ |
| SDHC Residual Receipts | \$ 6,414 | \$ 6,250 | \$ 6,070 | \$ 5,872 | \$ 5,655 |
| Net Cash Flow | \$ 6,414 | \$ 6,250 | \$ 6,070 | \$ 5,872 | \$ 5,655 |

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ATTACHMENT 4

- ♦ 1625 Newton Avenue
- ♦ San Diego, California 92113-1038
- ♦ 619.231.9400
- ♦ FAX: 619.544.9193
- ♦ www.sdhc.net



Good Neighbors

San Diego
Housing Commission

REPORT

DATE ISSUED: November 15, 2004

ITEM 104

REPORT NO.: HCR 04-95
For the Agenda of November 19, 2004

SUBJECT: Proposed Loan to the YWCA of San Diego County for the Construction of a Transitional Housing Development (Confidential Address)

SUMMARY

Issue: Should the San Diego Housing Commission recommend approval of a plan to facilitate the construction of a 14-unit transitional housing development for families fleeing domestic violence?

Recommendation: That the San Diego Housing Commission recommend Housing Authority approval by the following actions:

- Approve a 0% percent interest residual receipts loan of up to \$1,686,000 to the YWCA of San Diego County as outlined in this report; and,
- Authorize the Chief Executive Officer of the Housing Commission, or designee, to execute all documents necessary to facilitate the financing.

Fiscal Impact: Approval of this recommendation would result in the expenditure of up to \$843,000 in San Diego Housing Trust Fund (HTF) and \$843,000 in State of California Local Housing Trust Fund Program (LHTFP) matching funds. (Note: the Housing Commission allocation of \$843,000 would be contingent upon the approval of equal funding by the LHTFP.)

Certificate of Funding Availability:

| | |
|-----------------|-------------------------------|
| Certificate No: | 05-071 |
| Amount: | \$1,686,000 |
| Revenue Source: | HTF and CalLHTFP |
| Division: | Housing Finance & Development |
| Line Item: | Loans & Grants |



Affordable Housing Impact: This project will create fourteen (14) two-bedroom units for victims fleeing domestic violence. The State of California financing program that has approved this project for state funds require that 30% of the units are to provide affordability to extremely low income families and the remaining 70% of the units are to be affordable to very-low income families. This requirement would result in five units affordable at 30% or less of the AMI (\$16,450 for a family of two) and nine units affordable at 50% or less of the AMI (\$27,400 for a family of two).

| Household Affordability | Number of Units (% of Total) | Unit Type | Restricted Rent (net of utility allow.) | Market Rent (net of utility allowance) | Annual Savings |
|-------------------------|-------------------------------|-----------|---|--|----------------|
| 30% | 5 (30%) | 2 br | \$399 | \$1,200 | \$48,060 |
| 50% | 9 (70%) | 2 br | \$684 | \$1,200 | \$55,728 |
| TOTAL | 14 (100%) | | | | \$103,788 |

However, the YWCA intends to provide an even greater affordability with all 14 units affordable at 30% of the Area Median Income (AMI). Therefore, the Rental Income sheet (Page 3 of Attachment 3) and the Pro Forma sheet (Page 7 of Attachment 3) have been calculated to reflect all 14 units affordable at 30% AMI for a more realistic analysis.

| Household Affordability | Number of Units (% of Total) | Unit Type | Restricted Rent (net of utility allow.) | Market Rent (net of utility allowance) | Annual Savings |
|-------------------------|------------------------------|-----------|---|--|----------------|
| 30% | 14 (30%) | 2 br | \$399 | \$1,200 | \$134,568 |

Environmental Review: The proposed development is currently under review by the City under the California Environmental Quality Act (CEQA) pursuant to Section 5061(b)(3) of the CEQA guidelines. It has been found to be exempt under the National Environmental Policy Act (NEPA) pursuant to 24CFR58, Section 58.34(a). It is anticipated that the CEQA review will be complete prior to consideration of this proposal by the San Diego Housing Authority.

Community Planning Group Review: This project was presented to the local community planning group where it was approved by a vote of 13-1-0.

Previous Related Action: This project has received a \$10,000 Predevelopment Project Support Grant. On October 26, 2004, the Loan Committee recommended approval of a loan up to \$1,686,000.

Future Related Action(s): Approval of this recommendation for a loan agreement will be sought from the Housing Authority.

BACKGROUND

The YWCA of San Diego County submitted an application for construction financing of a Transitional Housing Development under the Housing Commission's current Notice of Funding Availability (NOFA) for the Construction, Acquisition, and Operation of Affordable Rental Housing. Due to the nature of the special purpose housing and its anticipated population group, the applicant has requested that the location and address remain confidential and that the proposed development be referred to as the YWCA Transitional Housing Development.

DISCUSSION

THE DEVELOPER

The YWCA of San Diego County, a 501(C)(3) organization, was founded in 1907 and incorporated in 1908. It has been administering federal grants and operating programs funded by federal, state, county and city sources for over forty years and has an annual budget of \$5,000,000.

The YWCA operates programs for victims of domestic violence, homeless women, homeless families, youth leadership, and juvenile diversion. In 1978 the YWCA opened the first battered women's shelter in San Diego County. The YWCA's domestic violence program currently includes Becky's House, a nine-unit domestic violence transitional housing project and Cortez Hill Family Center, which provides 150 beds and related services to homeless families. The San Diego Housing Commission provided financial assistance to these two facilities. The proposed facility will expand the YWCA's domestic program by 14 units.

Judith Case DiPasquale, the Executive Director of the YWCA of San Diego County, will lead this project. Gary Lynn, the Director of Finance for the YWCA, will oversee all fiscal operations involved in this project. Financial consulting and planning services are being provided by Pat Getzel & Associates. Charles Davis of Urban West Development will provide construction project management. Timothy Golba, Principal of Golba Architecture is providing architectural design services; Golba won the Golden Nugget, Grand Award Best in the West for Becky's House when it opened in 2001.

THE PROPERTY

The proposed development is to be constructed on a .63-acre site currently owned by the YWCA and operated as office space and a counseling center. Based on a February 2004 appraisal, the market value of the property is \$825,000. It consists of two single-story structures. The proposed development will consist of 14 two-bedroom townhouse style units sited around a multi-function courtyard. It will provide 56 beds for victims of domestic violence and their families and there will be one fully accessible, ADA compliant unit. There will be additional space for office, counseling, laundry and two flexible space rooms. The design will be a highly

complementary residential structure in this existing, mature residential neighborhood. Sufficient off-street parking will be included on the site. The units will be designed to meet or exceed the requirements for energy efficiency through insulation, high performance windows and doors and passive solar compliments.

THE YWCA TRANSITIONAL HOUSING PROGRAM

The proposed development will provide services typically offered in the YWCA’s continuum of services to its clients. This would include: counseling and therapy, case management, career counseling, parenting skills training and anger management sessions, group counseling, legal advocacy and health care for mothers and children. Almost all of the families that the YWCA assists have limited income and resources and are at risk of becoming homeless. The typical family assisted consists of a mother and three to four children. The transitional housing program is based on a two-year stay.

THE FUNDING REQUEST

The borrower has successfully obtained approval for a State Shelter Grant; a City of San Diego Community Development Block Grant; a County Community Development Block Grant and private donations. The YWCA has agreed to place the \$825,000 full value of the property into the project and not request a land draw. Anticipated funding is as follows:

| FUNDING SOURCE | AMOUNT |
|--|------------------------|
| Owner Equity | \$ 825,000 |
| EHAPCD State Shelter Grant | 1,000,000 |
| County CDBG | 50,000 |
| City of San Diego CDBG | 155,000 |
| San Diego Housing Commission | |
| Housing Trust Fund Linkage | \$843,000 |
| State Local Housing Trust Fund Program | <u>843,000</u> |
| Private Donations | <u>299,801</u> |
| TOTAL FUNDING SOURCES | \$4,051,801 |

The borrower is requesting approval of a 55-year, 0%interest residual receipts loan in the amount of \$1,686,000, secured by a first trust deed against the property. The source of funds for this loan will be \$843,000 from the San Diego Housing Commission Housing Trust Fund and \$843,000 from the State’s Local Housing Trust Fund Program (LHTFP). Debt service on the Commission’s first position loan will be 50% of residual receipts (cash flow). However, it should be noted that special purpose housing generally has minimal cash flow due to the very low rents charged and the costs associated with operating service-enriched housing.

The State of California Department of Housing and Community Development (HCD) administers the LHFTP which is funded through the State Proposition 46. Funds awarded by this program must be used for the development of affordable multifamily rental housing and must be matched dollar for dollar by the Housing Commission using HTF Linkage Fees. The LHFTP guidelines give grant recipients (San Diego Housing Commission) flexibility in structuring loans and provide that loan repayments shall accrue to the grantee's housing trust fund. However, the LHFTP stipulated that if the grantee's housing trust fund ceases operation within five years from the date of award (6/10/2004), any Promissory Notes, regulatory agreements or other lien documents related to the use of the LHFTP funds shall be assigned to HCD. These funds must be awarded/encumbered to specific projects within thirty months of award and must be expended no later than thirty months after the date of encumbrance.

The State also requires that a minimum of ten per cent of the annual rent collected be set aside for the residents in Individual Development Accounts. This amount is identified as a negative value in Attachment 3 on the Rental Income page and on the Pro forma page.

The YWCA owns and operates the property, which has been appraised at \$825,000. The Total Development Cost is \$4,015,801, with a per-unit cost of \$286,843. The current estimated cost is based on applicable state prevailing wages. The cost has also been impacted due to the relatively small size of the development that has made getting many estimates difficult due to the current positive construction market for contractors. The increased construction material price hikes that appear to be leveling out at this time have also impacted the development costs.

The per-unit cost to the San Diego Housing Commission (including the state LHFTP funds) is \$120,429. The proposed San Diego Housing Commission \$1,686,000 loan would be in first position.

The Financial Plan

| | |
|-----------------------------------|--|
| Total Development Cost (TDC): | The total development cost is \$4,015,801, which includes all development costs. |
| Appraised Value: | The "as-is" value is \$825,000. The completed value will exceed the amount of the first position loan. |
| Security: | The loan will be secured by a first trust deed against the property. |
| First Trust Deed: | \$1,686,000 in Housing Commission funds; 0% simple interest. |
| Payments on the First Trust Deed: | 50% of Residual Receipts. |

- Rent Restrictions: A Declaration of Covenants and Restrictions with a 55-year term will be recorded against the property. 30% or five of the 14 units will be affordable to households earning 30% of area median income (AMI) or less. 70% or nine of the units will be affordable to households earning 50% of area median income (AMI) or less.
- Occupancy Restrictions: Occupancy of 30% or five of the units will be restricted to families earning no more than 30% of AMI. Occupancy of nine units will be restricted to families earning no more than 50% of AMI.
- Recourse: The loan will be a recourse loan to the YWCA of San Diego County.
- Term: Fifty-five years.
- Management Plan: A Management Plan has been approved.
- Operating Expense: Average operating expense of \$310 per unit per month.
- Pro Forma Assumptions: Income increases are projected at 2.5 percent per year; expense increases are projected at 3.5 percent per year; vacancy is projected at 10.0 percent per year due to the nature of the transitional housing population group.

Risks and Mitigations

This loan has risk because long term operating funds for special purpose housing are not guaranteed. However, the Housing Commission's loan for this project is well secured in first position and there is no debt service required. These factors mitigate the risk of foreclosure. This potential development is strengthened by the applicant's portfolio record with similar types of projects.

The applicant has already raised approximately half of the projected \$299,801 private donations that have been identified in the sources and uses. These funds will be applied directly to the project development costs. A nearly sold out, major fund raising event scheduled for December is anticipated to provide the balance. Additional annual on-going fundraising events are planned in order to assure successful operations. A large donor sponsor is currently being considered for this specific project. (The YWCA operates a comparable project that has been in successful operation for three years based on a similar source of financing model with a large sponsor.)

ALTERNATIVES

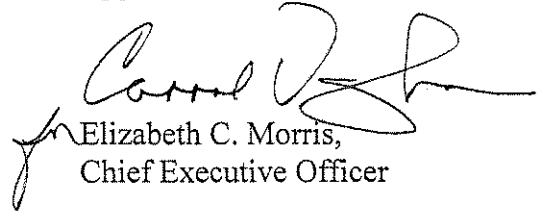
1. The Housing Commission could deny this request for financing. However, the project is consistent with the Housing Trust Fund's Transitional Housing/Special Purpose housing program criteria and provides an opportunity to benefit from \$843,000 in State LHFP program funds; and, leverage an additional \$2,329,801(58%) in resources for affordable housing development.
2. Charge 3% percent interest on this loan. This alternative is standard practice on rental housing loans but would burden this very low-income project with an expense of over \$50,000 per year.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance & Development

Approved by,



Elizabeth C. Morris,
Chief Executive Officer

INFORMATION: C. C.de Baca, 619-578-7586

- Attachment(s):
1. Development Timeline
 2. Development Summary
 3. SDHC Application Form
 4. Disclosure Statement*
 5. Financial Statements*
 6. Appraisal*

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission office at 1625 Newton Avenue.

ATTACHMENT 1

YWCA TRANSITIONAL HOUSING DEVELOPMENT ESTIMATED DEVELOPMENT TIMELINE

| | |
|-----------------------------------|-------------------|
| Loan Committee Approval | October 26, 2004 |
| Housing Commission Consideration* | November 19, 2004 |
| Housing Authority Consideration* | December 7, 2004 |
| SDHC Loan Closing Date | January 2005 |
| Construction Start | February 2005 |
| Estimated Full Occupancy | December 2005 |

* Each subsequent consideration is contingent on affirmation of the project from the prior recommending or approval body.

**ATTACHMENT 2
Development Summary
November 19, 2004**

Name: Transitional Housing Development
Location: Confidential Location
Description: Transitional Housing for Victims Fleeing Domestic Violence
Sponsor(s): The YWCA of San Diego County

Unit Affordability

Total # of units: 14
Assisted units: 14
Restricted rents: 5 - Two-bedroom @ \$425 (30%)
9 - Two-bedroom @ \$735 (50%)

Market rent: Two-bedroom @ \$1,200

Percent of AMI: Five units @ 30 percent
Nine units @ 50 percent

Affordability: 55 years

Development Cost

Total development cost: \$4,015,801: \$248 square foot
HC development cost: \$ 1,686,000
Total development cost per unit: \$ 286,843
HC cost per unit (14 units): \$ 120,429
HC subsidy per bedroom @ 56 bedrooms: \$ 30,107

Sources of Funds

San Diego Housing Commission \$ 1,686,000
EHAPCD State Shelter Grant \$ 1,000,000
City of San Diego CDBG \$ 155,000
County of San Diego CDBG \$ 50,000
YWCA Land Equity \$ 825,000
YWCA Donations \$ 299,801
Total Development Cost \$ 4,015,801

Pro Forma Summary

Estimated net annual income: \$ 61,215 (year 1)
Estimated annual expense: \$ 52,120 (year 1): \$3.22 square foot
Estimated residual receipts: \$ 8,843(year 1)