



REPORT

DATE ISSUED: December 19, 2014

REPORT NO: HCR15-008

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 16, 2015

SUBJECT: Park Crest Senior Apartments – Property Rehabilitation

COUNCIL DISTRICT: 9

REQUESTED ACTION

Recommend the Housing Authority of the City of San Diego approve the revised rehabilitation plan for Park Crest Senior Apartments under the terms and conditions described in this report.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Ratify the addition of \$862,697 in Build America Bonds (BAB) funding to the Park Crest Senior Apartments (Park Crest) rehabilitation plan, as approved in the Housing Commission's Fiscal Year 2015 Budget;
- 2) Authorize the President & Chief Executive Officer (President & CEO), or designee, to substitute previously approved funding sources for the rehabilitation of Park Crest, contingent upon budget availability;
- 3) Authorize the President & CEO, or designee, to execute all documents and instruments necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals in connection with the completion of the rehabilitation of Park Crest; and
- 4) Authorize the President & CEO, or designee, to enter into contracts with (architectural, mechanical, civil engineering, other) contractors, as a result of a formal Invitation to Bid, [including the use of JOC contracts, as appropriate] without further approval of the Housing Authority or the Housing Commission Board, provided that the construction contracts do not exceed the revised budgeted costs of improvements of \$2,900,000, upon advice of General Counsel.

SUMMARY

On October 10, 2012, the Housing Commission acquired Park Crest, a 71-unit senior apartment complex located on a 0.652-acre site at 5330 Orange Avenue in the City Heights community.

The property was developed in 1985 and consists of one (1) three-story building, a laundry room, leasing office, elevator, and community room. The property has a conditional use permit recorded in

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1983 that restricts the occupancy of the units to seniors (ages 55 and above). All of the units are one-bedroom, one-bath, with an average size of 456 square feet.

Upon the acquisition of Park Crest, income restrictions at 80 percent area median income (AMI) were recorded against the property. After acquisition, a tenant relocation consultant provided analysis and support to conduct relocation of tenants whose incomes exceeded the 80 percent AMI level. This resulted in the permanent relocation of four households. The permanent relocation was completed by Epic Land Solutions, Inc.

Soon after the Housing Commission assumed ownership and management of Park Crest in October 2012, the roof of the property was replaced. Furthermore, four residential units were completely rehabilitated. The renovations included replacement of the kitchens, bathroom vanities, heating and air conditioning units, flooring, and plumbing fixtures.

The rest of the non-emergency capital work identified in a Building Condition Assessment Report performed during the due diligence phase of acquisition was delayed until capital projects underway at other Housing Commission properties were completed. Since acquisition, staff has continued to identify additional improvements (e.g., new windows and slider doors) to maintain the safety and physical integrity of the property.

The Housing Commission is ready to continue the remainder of the non-emergency capital work identified during the due diligence phase at acquisition and has a better understanding of the anticipated rehabilitation expenditures based on costs of other recent rehabilitation projects.

The scope of the proposed rehabilitation work includes:

- Complete renovation of unit interiors
 - New vinyl and carpet flooring throughout the unit
 - New kitchen appliances (range and hood, refrigerator, garbage disposal)
 - New kitchen and bathroom counters and cabinetry
 - New lighting fixtures
 - New paint, vertical blinds, and closet doors
- Unit windows and slider doors
- Balcony railings
- Renovation of elevator and stair tower
- Property-wide Americans with Disabilities Act and federal 504 requirements and life & safety upgrades, such as installation of ground fault circuit interrupter (GFCI) outlets

The rehabilitation work will be performed in four phases. Vacant units will be used to temporarily relocate residents while their unit is undergoing renovations. The anticipated construction time frame for the renovation (interior and exterior) work is approximately 60 days per phase.

The funding sources originally approved for the acquisition and initial improvements at Park Crest were \$8,827,170 of Federal Housing Administration BAB loan proceeds, and \$88,350 of locally generated revenue (lease or rental). The BAB funds were limited to capital expenses; the local generated revenue was anticipated to be used for tenant relocation expenses, including a tenant relocation consultant. The original approval allowed for the substitution of up to \$21,650 of BAB funds for locally generated revenue, if relocation expenses were higher than originally anticipated. It is requested that the Housing

Commission recommend the Housing Authority delegate to the CEO the authority to substitute additional BAB funds in place of locally generated revenue in the event relocation costs are higher than originally anticipated.

The total originally approved budget was \$8,915,520. As of the end of Fiscal Year 2014 (June 30, 2014), a total of \$6,878,291 in expenditures were incurred, leaving a remaining balance of \$2,037,229 of the original budget.

BAB funds are loan proceeds from the equity refinance of the former Public Housing properties under the Housing Commission’s 2009 Finance Plan for the Acquisition of New Affordable Housing Units (Finance Plan). After costs and expenditures were settled from all previous Finance Plan related projects, an additional \$862,697 of BAB funding remained available. During preparation of the Fiscal Year 2015 Housing Commission Budget, approved by the Housing Authority on June 10, 2014, the additional BAB funding was allocated to Park Crest to address the rehabilitation needs originally identified at acquisition, as well as any additional rehabilitation needs identified since the Housing Commission assumed ownership of the property. Park Crest was the final property acquisition of the Finance Plan, which leveraged the equity from the Housing Commission’s former public housing units to create or preserve 810 additional affordable housing units in the City of San Diego. This Housing Commission project stemmed from a September 10, 2007, landmark agreement between the Housing Commission and the U.S. Department of Housing and Urban Development (HUD), in which HUD transferred full ownership and operating authority for 1,366 public housing units at 137 sites to the Housing Commission. The transfer was the largest public housing conversion at that time.

With the additional BAB funding, total funds allocated to the Park Crest project will be \$9,778,217 divided among the following expense categories.

Expense Category	Original Budget	Revised Budget
Land and Building Acquisition	\$ 6,405,000	\$6,405,000
Initial Capital Improvements	1,915,210	\$2,702,500
Architecture and Engineering Fees	191,521	\$250,000
Housing Commission’s Broker Commission	141,000	\$141,000
Due Diligence	78,670	\$78,670
Relocation Expenses	70,000	\$70,000
Plan Check and Permitting Fees	60,000	\$70,000
Soft Cost Contingency	54,119	\$61,047
Totals	\$ 8,915,520	\$ 9,778,217

After the \$6,878,291 in expenditures (as of June 30, 2014), a total of \$2,899,926 remains available for the capital improvements of the property. A revised Pro Forma is included in this report as Attachment 1.

Park Crest Capital Improvements Budget (Revised)	
Total Revised Budget	\$ 9,778,217
Total Expenditures to Date (as of June 30, 2014)	6,878,291
Total Remaining Balance Available for Rehab	\$ 2,899,926

FISCAL CONSIDERATIONS

The proposed sources and uses requested in this report were approved by the Housing Authority in the Fiscal Year 2015 Housing Commission Budget. Approving this action will not change the Fiscal Year 2015 Budget.

EQUAL OPPORTUNITY/CONTRACTING

It is anticipated that a Job Order Contract (JOC) will be utilized for some of the renovation and modernization work at Park Crest. Three multiyear Job Order Contracts were approved by the Housing Commission Board at the September 12, 2014, Housing Commission Board meeting. Certificates of Compliance and Workforce Reports have been provided and show that the contractors are in compliance with the Housing Commission Equal Opportunity Program, and demonstrate no issues with diversity. It also is anticipated that formal contracting procedures may be required for the balance of the work beyond the limits of the JOC, except that as referenced within recommendation 4, above, the President & CEO, or designee will be authorized to enter into such contracts, [without further approval by either the Housing Authority Board or the Housing Commission Board] provided that the aggregate amount of the contracts do not exceed the revised capital improvement budget referenced above.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On September 12, 2014, the Housing Commission Board approved the award of three multiyear Job Order Contracts for maintenance, renovation, modernization and alteration at properties owned and/or managed by the Housing Commission (HCR14-081).

On June 10, 2014, the Housing Authority approved the proposed Fiscal Year 2015 Housing Commission Budget (HAR14-010).

On April 11, 2014, the Housing Commission Board recommended adoption by the Housing of the proposed Fiscal Year 2015 Housing Commission Budget (HCR14-018).

On September 14, 2012, the Housing Commission Board approved Acquisition of the Park Crest Senior Apartments (HCR12-107).

On October 13, 2008, the Housing Authority approved the Finance Plan for Acquisition of New Affordable Housing Units (HAR09-030).

On September 11, 2009, the Housing Commission Board approved the Finance Plan for Acquisition of New Affordable Housing Units (HCR09-085).

KEY STAKEHOLDERS and PROJECTED IMPACTS

Key stakeholders for these actions include the Housing Commission, prospective rehabilitation and construction contractor(s), and the residents of Park Crest.

ENVIRONMENTAL REVIEW

The proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because Park Crest is an existing facility and the proposed actions do not involve expansion of the existing use. The project meets the criteria set forth in CEQA Section 15301(a), which allows for exterior and interior alterations of existing facilities. The activities described herein are categorically excluded from the National Environmental Policy Act pursuant to Section 58.35(a)(3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Director, Portfolio Management
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Attachments: 1) Park Crest – Rehabilitation Pro Forma

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

Park Crest Senior Apartments

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Primary Data

PROJECT SUMMARY

Project Name	Park Crest Senior Apartments	New Construction or Rehab	Rehab
Project Address	5330 Orange Ave., San Diego, CA 92115	Residential Rental SF	32,376 sf
Year Built	1985	Residential Non-Rentable SF	2,375
Number of Units	71	Subtotal Residential SF	34,751 sf
Site Acreage	0.65		
Density / Acre	109.23	Commercial / Retail / Office Rentable SF	sf
Owner	San Diego Housing Commission	Commercial / Retail / Office Non-Rentable SF	-
		Subtotal Commercial SF	-

Income and Unit Mix Assumptions

INCOME ASSUMPTIONS

UNIT MIX & RENTAL INCOME

Unit Type Beds/Baths	Quantity of Bedrooms	Quantity of Units	Percentage of Total	Net Area (SF)	Total Area (SF)	Gross 80% Rent	Avg Rents	Utility Allowance	Net Rent	Monthly Income
Studio	0	0	0.0%	0	-	\$0	\$0	\$0	\$0	\$0
1/1	70	70	98.6%	456	31,920	\$1,323	\$700	\$17	\$700	\$49,000
1/1	0	0	0.0%	0	-	\$0	\$0	\$0	\$0	\$0
1/1	0	0	0.0%	0	-	\$0	\$0	\$0	\$0	\$0
1/1	0	0	0.0%	0	-	\$0	\$0	\$0	\$0	\$0
1/1	0	0	0.0%	0	-	\$0	\$0	\$0	\$0	\$0
MGR (Non Rev)	1	1	1.4%	456	456	\$0	\$0	\$0	\$0	\$0
Total/Average	71	71	100.0%	456	32,376	\$1,304	\$690	\$1.51		\$49,000

Other Income

Item	Per Unit Per Month	Per Unit Per Year	Total Annual
Laundry Income	\$3	\$32	\$2,240
Utility Tower	\$28.33	\$340	\$24,140
Parking Income	\$10.56	\$127	\$9,000
Total other income/month			\$35,380

Income Summary

Annual Gross Income	\$588,000
Other Income	\$35,380
Gross Income	\$623,380
Vacancy 10.0%	\$62,338
Effective Gross Income	\$561,042

Occupancy Assumptions

Construction Period Occupancy	90.0%
Stabilized occupancy	95.0%
Monthly Ramp Up	
Annual Turnover Ratio	
Escalator for income yrs 1-5:	2.0%
Escalator for income yrs 6-15:	2.0%
Escalator for Expenses	3.0%

Expense Assumptions

EXPENSE ASSUMPTIONS

Category	Per Unit Per Year	Per Unit Per Month	Total Annual
Managers Salary & Benefits	\$523	\$44	\$37,156
Operating Expense	\$317	\$26	\$22,522
Management Fee	\$342	\$28	\$24,258
Water/Sewer	\$342	\$29	\$24,300
Electrical & Gas	\$180	\$15	\$12,815
Operating & Maintenance	\$1,461	\$122	\$103,697
Bad Debt	\$66	\$6	\$4,711
SDHC Total Operating Costs	\$3,232	\$269	\$229,458
Property Management & RED Overhead	\$588	\$49	\$41,780
Operations Overhead			
Replacement Reserve	\$300	\$25	\$21,300

TOTAL OPERATING EXPENSES \$4,120 \$588 \$292,538

Capital Transaction and Timing Assumptions

CAPITAL TRANSACTION ASSUMPTIONS

Transaction & Building Costs

	Total	Per Unit
ACQUISITION COSTS	\$6,405,000	\$90,211
PERMITS & FEES	\$70,000	\$986
ARCHITECTURE & ENG	\$250,000	\$3,521
DUE DILIGENCE COSTS	\$78,670	\$1,108
CONSTRUCTION COSTS	\$2,702,500	\$38,063
PERMANENT RELOCATION	\$70,000	\$986
LAND ACQUISITION COMMISSION	\$141,000	\$1,986
SOFT COST CONTINGENCY	\$61,047	\$860
Total Costs	\$9,778,217	\$137,721

Input Financing Assumptions

FINANCING ASSUMPTIONS

N/A - FUNDS ARE PUBLIC HOUSING REFINANCE

Review Summary

QUICK LOOK SUMMARY

Operating Summary	TOTAL	PER UNIT
Effective Gross	\$561,042	\$7,902
Expenses	(\$292,538)	(\$4,120)
NOI	\$268,504	\$3,782
Debt Service	\$0	\$0
Net Cash Flow	\$268,504	\$3,782

Sources and Uses

Sources:	TOTAL	PER UNIT
SDHC Funds	\$9,778,217	\$137,721
GAP	\$0	\$0
Total Sources	\$9,778,217	\$137,721
Uses:	TOTAL	PER UNIT
ACQUISITION COSTS	\$6,405,000	\$90,211
PERMITS & FEES	\$70,000	\$986
ARCHITECTURE & ENG	\$250,000	\$3,521
DUE DILIGENCE COSTS	\$78,670	\$1,108
CONSTRUCTION COSTS	\$2,702,500	\$38,063
OTHER SOFT COSTS	\$272,047	\$3,832
Total Uses	\$9,778,217	\$137,721

Park Crest Senior Apartments

Annual Cash Flow
San Diego Housing Commission

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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
INCOME										
Gross Rental Income	588,000	590,478	584,584	578,797	590,373	602,180	614,224	626,508	639,039	651,819
Other Income	35,380	36,087	36,809	37,545	38,296	39,062	39,843	40,640	41,453	42,282
Total Gross Income	623,380	626,565	621,393	616,342	628,669	641,242	654,067	667,149	680,492	694,101
Vacancy Loss	(58,800)	(34,272)	(34,944)	(35,664)	(62,867)	(64,124)	(65,407)	(66,715)	(68,049)	(69,410)
Rehab Turnover Loss	(2,940)	(3,838)	(3,800)	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	561,640	588,455	582,649	580,678	565,802	577,118	588,661	600,434	612,442	624,691
EXPENSES										
Managers Salary & Benefits	(37,156)	(38,270)	(39,418)	(40,601)	(41,819)	(43,074)	(44,366)	(45,697)	(47,068)	(48,480)
Operating Expense	(22,522)	(23,198)	(23,894)	(24,611)	(25,349)	(26,109)	(26,893)	(27,700)	(28,531)	(29,386)
Management Fee	(24,258)	(24,986)	(25,735)	(26,507)	(27,303)	(28,122)	(28,965)	(29,834)	(30,729)	(31,651)
Water/Sewer	(24,300)	(25,029)	(25,780)	(26,554)	(27,350)	(28,171)	(29,016)	(29,886)	(30,783)	(31,707)
Electrical & Gas	(12,815)	(13,199)	(13,595)	(14,003)	(14,423)	(14,856)	(15,301)	(15,760)	(16,233)	(16,720)
Operating & Maintenance	(103,697)	(106,808)	(110,012)	(113,312)	(116,712)	(120,213)	(123,819)	(127,534)	(131,360)	(135,301)
Bad Debt	(4,711)	(4,852)	(4,997)	(5,147)	(5,302)	(5,461)	(5,625)	(5,793)	(5,967)	(6,146)
	0	0	0	0	0	0	0	0	0	0
Property Management & RED Overhead	(41,780)	(43,033)	(44,324)	(45,654)	(47,024)	(48,434)	(49,887)	(51,384)	(52,925)	(54,513)
Operations Overhead	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	(21,300)	(21,939)	(22,597)	(23,275)	(23,973)	(24,693)	(25,433)	(26,196)	(26,982)	(27,792)
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	(292,538)	(301,314)	(310,354)	(319,664)	(329,254)	(339,132)	(349,306)	(359,785)	(370,578)	(381,696)
NET OPERATING INCOME	269,102	287,141	272,296	261,014	236,548	237,986	239,355	240,649	241,864	242,995
HARD DEBT SERVICE	0	0	0	0	0	0	0	0	0	0
Net Cash Available For Distribution	269,102	287,141	272,296	261,014	236,548	237,986	239,355	240,649	241,864	242,995
CAPITAL TRANSACTION										
ACQUISITION COSTS	(6,405,000)	-	-	-	-	-	-	-	-	-
PERMITS & FEES	(70,000)	-	-	-	-	-	-	-	-	-
ARCHITECTURE & ENG	(250,000)	-	-	-	-	-	-	-	-	-
DUE DILIGENCE COSTS	(78,670)	-	-	-	-	-	-	-	-	-
CONSTRUCTION COSTS	(2,702,500)	-	-	-	-	-	-	-	-	-
PERMANENT RELOCATION	(70,000)	-	-	-	-	-	-	-	-	-
LAND ACQUISITION COMMISSION	(141,000)	-	-	-	-	-	-	-	-	-
SOFT COST CONTINGENCY	(61,047)	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL COSTS	(9,778,217)	-	-	-	-	-	-	-	-	-
Total Net Cash Flow	(9,509,115)	287,141	272,296	261,014	236,548	237,986	239,355	240,649	241,864	242,995
SDHC Operating Overhead Cost	-	-	-	-	-	-	-	-	-	-
Net Cash Available After SDHC Overhead	(9,509,115)	287,141	272,296	261,014	236,548	237,986	239,355	240,649	241,864	242,995
Cumulative Cash Flow	(9,509,115.37)	(9,221,974.40)	(8,949,678.80)	(8,688,664.83)	(8,452,116.85)	(8,214,130.45)	(7,974,775.64)	(7,734,126.79)	(7,492,262.81)	(7,249,267.34)
Cumulative Cash Flow after SDHC Overhead	(9,509,115.37)	(9,221,974.40)	(8,949,678.80)	(8,688,664.83)	(8,452,116.85)	(8,214,130.45)	(7,974,775.64)	(7,734,126.79)	(7,492,262.81)	(7,249,267.34)