



## REPORT

**DATE ISSUED:** November 12, 2015

**REPORT NO:** HCR15-095

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of November 20, 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 funds request for the San Diego Housing Commission's rehabilitation plan of its Park Crest Senior Apartments property 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) Approve the addition of \$914,192 in Build America Bond (BAB) loan proceeds and \$238,096 in Housing Commission local funds (bond, lease, and rental revenue) to the Park Crest Senior Apartments (Park Crest) revised rehabilitation plan totaling \$1,152,288;
- 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; and
- 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 as are necessary and/or appropriate to implement these approvals in connection with the completion of the rehabilitation of Park Crest provided that the construction contracts do not exceed the revised budgeted costs of improvements of \$3,731,775 upon the advice of General Counsel.

### **SUMMARY**

On August 31, 2012, the Housing Commission approved the acquisition and rehabilitation of the Park Crest Senior Apartments in the total amount of \$8,915,520 of which \$1,915,210 was apportioned to initial construction cost improvements. 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.

Following this approval, the Housing Commission engaged the services of two architectural firms to develop building information modeling and design/build construction documents. By the end of Fiscal

Year 2013 (July 1, 2012 – June 30, 2013), a new thermoplastic polyolefin (TPO) roof was installed and three units in need of immediate repairs were rehabilitated.

On January 16, 2015, and February 10, 2015, respectively, the Housing Commission and Housing Authority approved the addition of \$862,697 in BAB funding for the Park Crest rehabilitation plan. The President & CEO, or designee, was authorized to enter into contracts for the rehabilitation of Park Crest, provided that the construction contracts did not exceed the revised budgeted costs of improvements of \$2,900,000, upon advice of General Counsel.

On March 5, 2015, the Housing Commission entered into a contract with ABC Construction to rehabilitate 14 dwelling units in phase I. To expedite construction, the project was solicited under the Job Order Contracts procurement methodology. The Notice of Completion of phase I was filed with the City of San Diego on September 9, 2015.

On May 28, 2015, the Housing Commission issued an Invitation for Bids (IFB) seeking qualified and capable contractors for phase II, the remaining rehabilitation work at Park Crest (project no. CS-15-14). The scope of work under the technical specifications included the comprehensive rehabilitation of 54 units, four of which are to be converted into fully accessible units, with American with Disabilities Act (ADA) code compliant upgrades to the main entrance, parking area, common areas, corridors, office, laundry, and courtyard areas. The modification and repairs of two stair towers, heating, ventilation and air conditioning improvements, addition of dedicated ventilating systems in bathrooms/laundry room, installation of exhaust fans, plumbing restoration in kitchens and bathrooms throughout the complex, and repairs of damaged wood beams.

On July 16, 2015, the Housing Commission received a total of one bid from LDCO Inc., for Park Crest phase II construction in the amount of \$2,402,520 to complete the interior rehabilitation of the 54 remaining units and common area upgrades. The bid received was \$650,000 more than budgeted by staff through the in-house cost estimate.

The additional funds requested by staff will also allow for additional rehabilitation work to be completed as part of the comprehensive renovation, including: exterior paint (Exhibit 1), fence removal and replacement, site and hallway light fixture replacement, modernization of the community room and additional elevator repairs. With the additional BAB loan proceeds and local funds, the total additional funds allocated to the Park Crest rehabilitation will be \$1,152,288, divided among the following line item expense categories (Exhibit 2):

<b>Expense Category</b>	<b>Original Budget</b>	<b>Revised Budget No. 1</b>	<b>Revised Budget No. 2</b>
Acquisition and Closing Costs	\$ 6,405,000	\$ 6,405,000	\$ 6,384,266
Housing Commission's Broker's Fees	\$ 141,000	\$ 141,000	\$ 140,700
Due Diligence	\$ 78,670	\$ 78,670	\$ 74,537
Architecture and Engineering Fees	\$ 191,521	\$ 250,000	\$ 255,130
Plan Check and Permit Fees	\$ 60,000	\$ 70,000	\$ 70,000
Other Technical Reports	\$ -	\$ -	\$ 9,590
Construction Costs	\$ 1,915,210	\$ 2,702,500	\$ 3,731,775
Other Soft Costs	\$ 54,119	\$ 61,047	\$ 264,507
Relocation Expenses	\$ 70,000	\$ 70,000	\$ -
<b>Grand Total</b>	<b>\$ 8,915,520</b>	<b>\$ 9,778,217</b>	<b>\$ 10,930,505</b>

The total expenditures as of October 30, 2015:

<b>Park Crest Capital Improvements Budget (Revised)</b>	
Total Revised Budget	10,930,505
Total Expenditures to Date (as of October 30, 2015)	7,383,192
<b>Balance</b>	<b>\$ 3,547,313</b>

A notice to proceed was issued on October 27 to begin work on 32 units based on the Revised Budget that was approved by the Housing Authority on February 10, 2015. Upon approval of this action, the remaining 22 units will be completed, as well as the additional rehabilitation work (exterior repairs, fence repair and replacement, modernization of community room, etc.). Construction completion is expected during the spring of 2016.

### **FISCAL CONSIDERATIONS**

The proposed sources and uses requested in this report were not approved by the Housing Authority in the Fiscal Year (FY) 2016 Housing Commission Budget. Approving this action will increase FY 2016 budgeted property capital improvements by \$1,152,288.

Funding sources approved by this action will be as follows:

SDHC Local Funds (bond and lease revenue) - \$238,096

BAB loan proceeds - \$914,192

Total: \$1,152,288

Funding uses approved by this action will be as follows:

Capital improvements - \$1,152,288

### **EQUAL OPPORTUNITY/CONTRACTING**

LDCO, a local business, has submitted the required EOC forms and Workforce Report.

### **PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On January 16, 2015, the Housing Commission ratified the addition of \$862,697 in BAB funding to the Park Crest rehabilitation plan and authorized construction contracts not to exceed \$2,900,000.

On February 10, 2015, the Housing Authority ratified the addition of \$862,697 in BAB funding to the Park Crest rehabilitation plan and authorized construction contracts not to exceed \$2,900,000.

### **KEY STAKEHOLDERS and PROJECTED IMPACTS**

Key stakeholders for these actions include the Housing Commission, General Contractor, Sub-contractors, 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. Approval of supplemental assistance to a previously approved project is

categorically excluded from the National Environmental Policy Act pursuant to Part 58.35(b)(7) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

*Michael Pavco*

Michael Pavco  
Vice President Real Estate  
Development Services

Approved by,

*Deborah N. Ruane*

Deborah N. Ruane  
Senior Vice President  
Real Estate Division

Attachments: 1) Pro forma  
2) Rendering

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](http://www.sdhc.org).

### Park Crest Senior Apartments

Draft Date: 11/04/2015 - 1:12 PM

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	Commercial / Retail / Office Rentable SF	sf
Density / Acre	109.23	Commercial / Retail / Office Non-Rentable SF	-
Owner	San Diego Housing Commission	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
<b>Total/Average</b>	<b>71</b>	<b>71</b>	<b>100.0%</b>	<b>456</b>	<b>32,376</b>	<b>\$1,304</b>	<b>\$690</b>	<b>\$1.51</b>		<b>\$49,000</b>

##### 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
<b>Total other income/month</b>			<b>\$35,380</b>

##### Income Summary

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

##### Occupancy Assumptions

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

#### Expense Assumptions

#### EXPENSE ASSUMPTIONS

Category	Per Unit Per Year	Per Unit Per Month	Total Annual
Managers Salary & Benefits	\$630	\$53	\$44,730
Operating Expense	\$889	\$74	\$63,119
Management Fee	\$490	\$41	\$34,790
Water/Sewer	\$575	\$48	\$40,825
Electrical & Gas	\$213	\$18	\$15,123
Operating & Maintenance	\$917	\$76	\$65,107
Bad Debt	\$55	\$5	\$3,905
<b>SDHC Total Operating Costs</b>	<b>\$3,769</b>	<b>\$314</b>	<b>\$267,599</b>
Property Management & RED Overhead	\$358	\$30	\$25,418
Operations Overhead	\$508	\$42	\$36,068
Replacement Reserve	\$300	\$25	\$21,300

<b>TOTAL OPERATING EXPENSES</b>	<b>\$4,935</b>	<b>\$700</b>	<b>\$350,385</b>
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#### Capital Transaction and Timing Assumptions

#### CAPITAL TRANSACTION ASSUMPTIONS

##### Transaction & Building Costs

	Total	Per Unit
ACQUISITION & CLOSING COSTS	\$6,384,266	\$89,919
PERMITS & FEES	\$70,000	\$986
ARCHITECTURE & ENG	\$255,130	\$3,593
DUE DILIGENCE COSTS	\$74,537	\$1,050
CONSTRUCTION COSTS	\$3,731,775	\$52,560
OTHER SOFT COSTS	\$405,207	\$5,707
OTHER TECHNICAL REPORTS	\$9,590	\$135
<b>Total Costs</b>	<b>\$10,930,505</b>	<b>\$153,951</b>

#### Input Financing Assumptions

#### FINANCING ASSUMPTIONS

#### Review Summary

#### QUICK LOOK SUMMARY

##### Operating Summary

	TOTAL	PER UNIT
Effective Gross	\$561,042	\$7,902
Expenses	(\$350,385)	(\$4,935)
<b>NOI</b>	<b>\$210,657</b>	<b>\$2,967</b>
Debt Service	\$0	\$0
<b>Net Cash Flow</b>	<b>\$210,657</b>	<b>\$2,967</b>

##### Sources and Uses

	TOTAL	PER UNIT
<b>Sources:</b>		
SDHC Funds	\$9,778,217	\$137,721
Additional BABS Funds	\$914,192	\$12,876
Additional Local Funds	\$238,096	\$3,353
<b>Total Sources</b>	<b>\$10,930,505</b>	<b>\$153,951</b>
<b>Uses:</b>		
ACQUISITION & CLOSING	\$6,384,266	\$89,919
PERMITS & FEES	\$70,000	\$986
ARCHITECTURE & ENG	\$255,130	\$3,593
DUE DILIGENCE COSTS	\$74,537	\$1,050
CONSTRUCTION COSTS	\$3,731,775	\$52,560
OTHER SOFT COSTS	\$414,797	\$5,842
<b>Total Uses</b>	<b>\$10,930,505</b>	<b>\$153,951</b>

## PARK CREST PHASE I & PHASE II

### DEVELOPMENT COST DETAIL

	Budget	Contract Type	Spent to Date	Remaining
<b>ACQUISITION &amp; CLOSING COSTS</b>				
Title Escrow Recording	4,266	Fixed	4,266	-
Residential Building Acquisition	6,380,000	Fixed	6,380,000	-
<b>ACQUISITION COSTS</b>	<b>6,384,266</b>		<b>6,384,266</b>	<b>-</b>
<b>PERMITS &amp; FEES</b>				
Plan Check Fees	15,000	Fixed	8,725	6,275
Building Permits	55,000	Fixed	1,668	53,332
<b>PERMITS &amp; FEES</b>	<b>70,000</b>		<b>10,393</b>	<b>59,607</b>
<b>ARCHITECTURE &amp; ENGINEERING - SOFT COSTS</b>				
Architect Fees	255,130	Fixed	186,895	68,235
<b>ARCHITECTURE &amp; ENG</b>	<b>255,130</b>		<b>186,895</b>	<b>68,235</b>
<b>DUE DILIGENCE COSTS</b>				
Legal	30,000	Fixed	10,425	19,575
Appraisal	3,500	Fixed	3,500	-
Alta Survey	11,000	Fixed	5,500	5,500
Environmental Phase I and Phase II	2,350	Fixed	2,350	-
Building Condition Report - PNA	27,687	Fixed	27,687	-
<b>DUE DILIGENCE COSTS</b>	<b>74,537</b>		<b>49,462</b>	<b>25,075</b>
<b>OTHER TECHNICAL REPORTS</b>				
Construction Cost Estimate	3,720	Fixed	720	3,000
Operating Study	2,000	Fixed	2,000	-
Other Reports - Miscellaneous	2,820	Fixed	2,820	-
Electrical Meter Reading	1,050	Fixed	1,050	-
<b>OTHER TECHNICAL REPORTS COSTS</b>	<b>9,590</b>		<b>6,590</b>	<b>3,000</b>
<b>CONSTRUCTION COSTS</b>				
Previous Construction	303,611	Fixed	303,611	-
Strong Arm	13,300	Fixed	13,300	-
Hard Cost Phase I - ABC Construction, Inc.	373,049	Fixed	243,765	129,284
Hard Cost Phase II - LDCO Inc.	2,402,528	Fixed	-	2,402,528
Hard Cost Phase II - Wish List Items	362,758	Fixed	-	362,758
Hard Cost Contingency	276,529	Fixed	-	240,253
<b>CONSTRUCTION COSTS</b>	<b>3,731,775</b>		<b>560,676</b>	<b>3,134,823</b>
<b>OTHER SOFT COSTS</b>				
Permanent Relocation (Acquisition of Site)	59,278	Fixed	59,278	-
Broker Fees	140,700	Fixed	140,700	-
Moving Company - Bekins	32,320	Fixed	-	32,320
Relocation Study and Noticing (OPC)	21,300	Fixed	15,431	5,869
Special Inspections (Ninyo & Moore)	15,343	Fixed	-	15,343
Springline Associates / Survey	21,822	Fixed	21,822	-
Construction Management Services	85,000	Fixed	-	85,000
Soft Cost Contingency	29,445	Fixed	-	29,445
<b>OTHER SOFT COSTS</b>	<b>405,207</b>		<b>237,230</b>	<b>167,977</b>
<b>GRAND TOTAL COSTS</b>	<b>10,930,505</b>		<b>7,428,922</b>	<b>3,455,718</b>



SOUTH-WEST PERSPECTIVE - OPTION 6B



SOUTH-EAST PERSPECTIVE - OPTION 6B

OPTION 6B

NO.	REVISIONS	DATE

The user of any architectural drawings is advised that they are not to be used for any purpose other than that intended by the architect. The architect is not responsible for any errors or omissions in these drawings. The user of any architectural drawings is advised that they are not to be used for any purpose other than that intended by the architect. The architect is not responsible for any errors or omissions in these drawings.

<b>MARCA TECTS</b>	
<b>PARK CREST CONDOMINIUMS</b>	
3332 ORANGE AVE. SAN DIEGO, CA 92116	
PROJECT NO.	PROJECT NUMBER
SCALE	DATE
DESIGN BY	AUTHOR
CHECKED BY	DATE
DRAWING NO.	REVISIONS

A7.1.2