



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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First District

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DATE: May 2, 2017

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TO: Board of Supervisors

SUBJECT: AFFORDABLE HOUSING DEVELOPMENT, VISTA, RAMONA—
APPROVAL OF \$4,540,000 ALLOCATIONS TO WAKELAND HOUSING
AND DEVELOPMENT CORPORATION AND CHELSEA INVESTMENT
CORPORATION TO DEVELOP AFFORDABLE HOUSING (DISTRICTS: 2,
5)

Overview

The Health and Human Services Agency, Housing and Community Development Services (HCDS) is embarking on the development of a new comprehensive strategy to address the critical need for affordable housing within the County. It is anticipated that this strategy will strive to address the needs for a range of affordable housing development, while also evaluating regional collaboration scenarios. While the strategy is taking shape, HCDS has identified several affordable housing development opportunities for funding. In conjunction with the Housing Authority of the County of San Diego (HACSD), up to 261 units, including today's recommendations, are currently under evaluation for funding.

HCDS administers the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (HOME). HCDS, as the lead entity for the San Diego County HOME Consortium, receives an annual entitlement of HOME funds based on formula allocations using population, poverty rates, and housing conditions. HCDS received eight responses to a recent Notice of Funding Availability (NOFA) to construct affordable housing. Two of the eight proposals are being recommended for HOME funding today.

The Grove, a proposed affordable housing development for seniors, will consist of 81 residential rental units in the City of Vista. The development will provide affordable housing opportunities and supportive services for seniors. At least 75% of the units (60 units) will be rented to very-low income households whose income does not exceed 50% of area median income, and the remaining 25% (20 units) will be rented to households whose income does not exceed 60% of area median income. One unit will be reserved for an on-site manager.

The Ramona Senior Apartments, another proposed senior affordable housing development, will consist of 62 residential rental units in Ramona. The development will provide affordable housing opportunities and supportive services for seniors experiencing homelessness or at risk of

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homelessness. 100% of the units (61 units) will be rented to very-low income households whose income does not exceed 50% of area median income. One unit will be reserved for an on-site manager.

Today's requested actions will authorize an allocation of up to \$2,700,000 to Wakeland Housing and Development Corporation (Wakeland) for The Grove located in the City of Vista and an allocation of up to \$1,840,000 to Chelsea Investment Corporation (Chelsea) for the Ramona Senior Apartments located in unincorporated Ramona. HOME funds will serve as a critical piece of the financing package for the acquisition and construction of each development.

The two developments before you today, will result in the creation of 143 new units of affordable housing in our region. In addition to these units, HCDS in collaboration with the HACSD, is evaluating an additional 118 units of affordable housing to be assisted with Project Based Vouchers for a total of 261 units. Authority to award up to 500 Project Based Vouchers was previously approved by the Housing Authority Board of Commissioners on April 12, 2017 (1).

Today's actions support the countywide *Live Well San Diego* vision by ensuring low-income residents have access to suitable living environments as well as enhancing the quality of life for residents by encouraging decent and affordable housing, which promotes a healthy, safe and thriving region.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Authorize the allocation of up to \$2,700,000 in HOME funds to Wakeland Housing and Development Corporation for the acquisition and construction of The Grove, an affordable housing development, located in the City of Vista.
2. Authorize the allocation of up to \$1,840,000 in HOME funds to Chelsea Investment Corporation for the acquisition and construction of the Ramona Senior Apartments, an affordable housing development located in unincorporated Ramona.
3. Authorize the publication of any required "Notice to the Public of Request for Release of Funds" for the recommended developments; authorize the Agency Director, Health and Human Services Agency or designee, to execute such a Request and Certification following environmental processing; and direct staff to transmit the request to the U.S. Department of Housing and Urban Development upon completion of any mandatory waiting periods.
4. Authorize the Agency Director, Health and Human Services Agency or designee, to negotiate and execute, with County Counsel and Department of Purchasing and Contracting concurrence, all contracts, related documents and/or amendments, and to take all necessary actions for the submittal and/or regulatory processing for implementation of the above-referenced developments.

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5. In accordance with Section 401 et seq. of the County Administrative Code and where determined appropriate, authorize the Director, Department of Purchasing and Contracting, to issue future Health and Human Services Agency Notice of Funding Availability solicitations, and upon successful negotiations and determination of a fair and reasonable price, award contracts and amend contracts as required to reflect changes to scope, services and funding, subject to County Counsel concurrence, approval of the Agency Director, Health and Human Services Agency and contingent upon availability of U.S. Department of Housing and Urban Development funding.

Fiscal Impact

Funds for this request are not included in the Fiscal Year 2016-18 Operational Plan but will be included in the Fiscal Year 2017-19 CAO Recommended Operational Plan in the Health and Human Services Agency. If approved, this request will have no fiscal impact in Fiscal Year 2016-17 and will result in allocations of up to \$2,700,000 and \$1,840,000 of HOME funds in Fiscal Year 2017-18 to finance the development of The Grove and the Ramona Senior Apartments, respectively. The loans will be secured by a deed of trust recorded against each property and repaid over a period of 55 years. The funding source for these loan agreements is revenue from U.S. Department of Housing and Urban Development. County costs for environmental review and long-term compliance monitoring of the development, estimated at up to \$25,000 in Fiscal Year 2017-18, will be recovered from the developers. There will be no change in net General Fund cost and no additional staff years.

Business Impact Statement

This request will have a positive impact on the business community as the recommended developments involve construction work to be performed at each property. Contracts resulting from these recommendations will be executed with nonprofit and private sector firms and will involve a competitive procurement process.

Advisory Board Statement

N/A

Background

The County of San Diego (County) is embarking on a new comprehensive affordable housing strategy to address the needs of affordable housing within the County. While the strategy is underway, the Health and Human Services Agency, Housing and Community Development Services (HCDS) has already identified numerous potential affordable housing development opportunities for funding. In conjunction with the Housing Authority of the County of San Diego, the Health and Human Services Agency, HCDS is currently evaluating three affordable housing proposals for allocations of Section 8 Project Based Vouchers (PBV). These three developments combined with the two projects before you today, will provide for a total of up to 261 units of new affordable housing.

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HCDS administers the HOME program, funded by the U.S. Department of Housing and Urban Development (HUD). HCDS, as the lead entity for the San Diego County HOME Consortium, receives an annual entitlement of HOME funds based on formula allocations using population, poverty rates, and housing conditions. The HOME Consortium’s jurisdiction includes the Urban County, which consists of the unincorporated area of San Diego county and the cities of Coronado, Del Mar, Imperial Beach, Lemon Grove, Poway, and Solana Beach; and the HOME Consortium member cities of Carlsbad, Encinitas, La Mesa, San Marcos, Santee, and Vista.

As funding becomes available, a NOFA is released to make HOME and/or other funds available on a competitive basis for the development of affordable housing. Proposals are reviewed for consistency with the County of San Diego Consortium’s 2015–2019 Consolidated Plan, community support, development location, affordability, development readiness, ability to combine other funding sources, and the capability of the developer to successfully implement the development.

Proposal Summary

In response to a recent NOFA solicitation, the County received eight proposals from developers to partially finance the acquisition and construction of affordable rental housing. The chosen developers have extensive experience in affordable housing and each has developed hundreds of units funded with tax credits and other public financing sources throughout the county.

The Grove

The 29 units currently occupying the proposed site will be replaced with 81 new affordable rental units for seniors, and a community room, on a 2.41 acre site near the intersection of Civic Center Drive and South Santa Fe Drive in the City of Vista. Residential unit mix for the 81-unit development will be comprised of 66 one-bedroom units and 15 two-bedroom units; of these, 80 will be rent restricted and 1 unit will be reserved for an onsite manager. The residential units will be subject to long-term income and affordability restrictions at 50% and 60% of area median income. At least 75% of the units (60 units) must be rented to households whose income does not exceed 50% of area median income, and the remaining 25% (20 units) will be rented to households whose income does not exceed 60% of area median income. The current area median income for a family of four is \$73,500. The County’s HOME restrictive covenants on the development will remain in effect for a term of 55 years.

Relocation of the households currently occupying the existing 29 units is part of the development’s scope and will follow a formal plan in accordance with federal regulations, providing displaced households with fair compensation and relocation assistance.

The Grove will provide affordable housing opportunities for income-qualified seniors, consistent with the County of San Diego Consortium’s 2015–2019 Consolidated Plan. The developer will provide a range of resident services, assisting residents with successfully aging in place. Additionally, the developer will be encouraged to participate in the County’s Project One for All

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which provides housing and support services for persons with a serious mental illness who are experiencing homelessness.

Energy Efficiency

The Grove will be built to a minimum of Title 24 building code standards with respect to energy efficiency. The development’s energy-efficient components include: Energy-Star appliances, high efficiency HVAC systems, low flow water fixtures, and native and drought tolerant landscaping with drip irrigation.

Financing

Development costs total up to \$27,828,035. In addition to the requested HOME loan of up to \$2,700,000, the proposed permanent financing plan for the acquisition and new construction of the development will also include: private construction and permanent loans, funding from the City of Vista Successor Housing Agency bonds, and Tax Credit Equity. Funding from the City of Vista was approved by the Vista City Council on November 15, 2016. Based on the proposed development costs and financing, the HOME loan is equal to approximately 9.7% of costs. Additionally, the development will receive 24 Section 8 Project Based Vouchers issued by the Housing Authority of the County of San Diego, which will provide rental assistance to individuals occupying those units.

The proposed HOME loan will be a three percent (3%) simple interest loan that will be secured by a deed of trust recorded against the property and repaid over a period of 55 years.

The Ramona Senior Apartments

The Ramona Senior Apartments will be a new construction, affordable housing development for seniors, consisting of 62 residential rental units and a community room, on a 2.87 acre site near the intersection of 16th and Main Street in the unincorporated area of Ramona. Residential unit mix for the 61 rent-restricted units will be comprised of 50 one-bedroom units and 11 two-bedroom units, and 1 unit will be reserved for an on-site manager. All of the units will be rented to households whose income does not exceed 50% of area median income. The current area median income for a family of four is \$73,500. The County’s HOME restrictive covenants on the development will remain in effect for a term of 55 years.

The Ramona Senior Apartments will provide affordable housing opportunities for homeless seniors or seniors at risk of homelessness, consistent with the County of San Diego Consortium’s 2015–2019 Consolidated Plan. The developer is partnering with a non-profit organization, Serving Seniors, to provide outreach and supportive services to all residents. Additionally, the developer will be encouraged to participate in the County’s Project One for All, which provides housing and support services for persons with a serious mental illness who are experiencing homelessness.

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Energy Efficiency

The Ramona Senior Apartments development will be built to a minimum of Title 24 building code standards with respect to energy efficiency. The development’s energy-efficient components include: Energy-Star appliances, high efficiency HVAC systems, low flow water fixtures, and native and drought tolerant landscaping with drip irrigation.

Financing

Development costs total up to \$19,328,921. In addition to the requested HOME loan of up to \$1,840,000, the proposed permanent financing plan for the acquisition and new construction of the development will also include: private construction and permanent loans, a Deferred Developer Fee, and Tax Credit Equity. Based on the proposed development costs and financing, the HOME loan is equal to approximately 9.5% of the development costs. Additionally, the development will receive 61 Section 8 Project Based Vouchers issued by the Housing Authority of the County of San Diego, which will provide rental assistance to individuals occupying those units.

The proposed HOME loan will be a three percent (3%) simple interest loan that will be secured by a deed of trust recorded against the property and repaid over a period of 55 years.

Cost Recovery

The developers will reimburse the County for costs associated with the National Environmental Policy Act (NEPA) requirements. Additionally, ongoing annual compliance monitoring fees will be collected from the developers throughout the development term as specified in the contractual agreements.

Affordable Housing Contractual Agreements

The requested actions will authorize the Agency Director, Health and Human Services Agency or designee, to negotiate and execute, with County Counsel and Department of Purchasing and Contracting concurrence, all contracts, related documents and/or amendments, and to take all necessary actions for the submittal and/or regulatory processing for implementation of the above-referenced developments.

In addition, where determined appropriate, today’s actions will authorize the Director, Department of Purchasing and Contracting to issue future HHS NOFA solicitations for affordable housing development, contingent upon availability of funding.

Linkage to the County of San Diego Strategic Plan

Today’s actions support the Healthy Families, Safe Communities, Sustainable Environments, and Operational Excellence Strategic Initiatives in the County of San Diego’s 2017-2022 Strategic Plan by providing funding for the development of safe and affordable housing for low-income families in the region. HUD funds are used to leverage private, County, State, and other

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federal program funds to bring these benefits to County residents. In addition, the developments' energy efficiency features support the Sustainable Environment Strategic Initiative.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Helen N. Robbins-Meyer". The signature is fluid and cursive, with a period at the end.

HELEN N. ROBBINS-MEYER
Chief Administrative Officer

ATTACHMENT(S)
N/A

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: Yes No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED
 Yes No

PREVIOUS RELEVANT BOARD ACTIONS:
N/A

BOARD POLICIES APPLICABLE:
B-29, Fees, Grants, Revenue Contracts – Department’s Responsibility for Cost Recovery

BOARD POLICY STATEMENTS:
In accordance with Board Policy B-29, the Health and Human Services Agency certifies that HOME funded activities would be worthy of funding with County resources if external financing were unavailable. These HUD programs will help to revitalize lower-income communities and provide affordable housing and services to low-income residents and person with special needs.

MANDATORY COMPLIANCE:
N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION
NUMBER(S):**
N/A

ORIGINATING DEPARTMENT: Health and Human Services Agency

OTHER CONCURRENCES(S): Department of Purchasing and Contracting

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