

REPLACEMENT HOUSING PLAN

VILLA SERENA II

CITY OF SAN MARCOS

LOCATED IN THE RICHMAR NEIGHBORHOOD AND IN THE
FORMER REDEVELOPMENT PROJECT AREA I

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Prepared By:

Affordable Housing Services Information, LLC

3830 Valley Centre Drive #705-641

San Diego, CA 92130

Prepared For:

City of San Marcos

Development Services Department

1 Civic Center Drive

San Marcos, CA 92069

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I. INTRODUCTION

This Replacement Housing Plan for the Villa Serena II Project in the City of San Marcos has been developed pursuant to Health and Safety Code 33413.5.

A continued goal of the City of San Marcos is the revitalization of the Richmar Neighborhood. The Villa Serena II project is a key component toward the initiative to create a family centered, safe environment in what was once an area of blight and underdevelopment in the City of San Marcos. Additionally, providing affordable housing is a commitment the City of San Marcos continues to foster through alliances with affordable housing developers that have proven themselves to be capable of providing affordable housing developments acceptable to the public, meeting sustainability standards and serving very low, low and moderate income families.

The current Villa Serena project, originally an acquisition/rehabilitation family project by National CORE (formerly SoCal Housing) in the year 1997, combined two separate market-rate entities – the Lido and Imperial Apartments. The current Villa Serena Project is a mix of 1, 2, and 3-bedroom units that serves 136 households.

II. EXECUTIVE SUMMARY

All demolition of affordable units and subsequent replacement of those units will be done on site within the Project boundaries. The project will consist of two phases. In the first phase, existing units lying to the west of Marcos Street will be demolished and replaced with 85 units along with the creation of a new multi-story parking garage. The second phase will witness demolition of the units to the east of Marcos Street, to be replaced with 63 units. A total of 148 units will replace the existing 136 unit complex. A map depicting the project site is provided in Appendix A.

III. PROJECT DESCRIPTION

The Villa Serena II affordable housing project will demolish and replace, within the same project footprint, twelve buildings that previously underwent moderate rehabilitation. The Villa Serena I project was placed in service in 1998. Two of the original buildings were built in 1965, and the remaining buildings date back to 1972. The rehabilitated development, now passing 20 years of operation as an affordable housing project, is beyond the original projected service life of the buildings. The developer, National Community Renaissance, will be applying for additional funding to demolish and replace the structures. Villa Serena II is one of the few remaining traditional “redevelopment” projects in the previously distressed, blighted and underdeveloped Richmar neighborhood. The demolition and construction of a new multi-family residential project will serve to further enhance the continuing revitalization of the Richmar neighborhood.

The project also serves to support the goals of the City’s General Plan to preserve the affordable housing stock and using Smart growth principles, locate affordable housing in areas that are within walking distance to parks, schools, commercial retail, and transit facilities.

The new project will consist of 148 units. The development will occur in two phases. Of the 148 units total units developed, two will be unrestricted manager units, and the rest of the units shall be restricted at or below sixty percent of the area median income. Phase I will consist of 85 units with one unrestricted manager unit, and Phase II will consist of 63 units with one unrestricted manager unit.

IV. LOCATION

The Property is located at 339 and 340 Marcos Street in the City of San Marcos and is

located within the boundaries of what was previously designated as the City of San Marcos Redevelopment Project Area I. Appendix A contains a map of the project and its surroundings.

The property is more specifically described as: Parcels 1, 3, 5, 6, 7, & 8, Portion of Lots 1 & 2, Block 50 of Rancheros Los Vallecitos de San Marcos, in the City of San Marcos, County of San Diego, State of California, according to Map No. 806 filed in the County Records of San Diego County, December 21, 1895. Assessor's Parcel No.: 220-100-65-00, 220-100-69-00, 220-112-09-00 & 220-112-10-00 (City of San Marcos, 2016a).

V. FINANCING

At present, the project cost for Phase I is estimated to be \$52,642,196 and the project cost for Phase II is estimated to be \$40,680,810. Therefore, the total project cost is estimated to be approximately \$93,323,006.

The City of San Marcos in its capacity as the Successor Housing Agency (SHA) to the former Redevelopment Agency (RDA) to the City of San Marcos elected to retain the housing assets of and select functions of the RDA.

To fully fund the construction, the developer anticipates that Villa Serena II (Phase I) will be applying for 4% low income housing tax credits as early as March 2020. Multiple funding sources are integrated into the Developer's funding plan for Phase I. They include, but are not limited to, State of California Multifamily Housing Program (MHP), County of San Diego Innovative Housing Trust Fund, Mental Health Services Act (MHSA), Affordable Housing Program grants from the Federal Home Loan Bank, National CORE equity and the roll-over of a portion of the existing debt from the legacy RDA loan extended to the original Villa Serena. Following a successful application by Phase I, Villa Serena II (Phase II) will likewise apply for low housing tax credits as soon as feasible. Multiple funding sources are integrated into the Developer's funding plan for Phase II. In addition to the low income housing tax credits, other

anticipated funding sources are very similar to those for Phase I, including a portion of the roll-over of existing debt from the legacy RDA loan extended to the original Villa Serena. Permanent financing will also include a conventional bank loan.

VI. INAPPLICABILITY OF ARTICLE XXXIV

Article XXXIV of the California Constitution states that “No low rent housing project shall hereafter be developed, constructed, or acquired in any manner by any state public body until, a majority of the qualified electors of the city, town or county, as the case may be, in which it is proposed to develop, construct, or acquire the same, voting upon such issue, approve such project by voting in favor thereof at an election to be held for that purpose, or at any general or special election.”

To clarify the requirements of Article XXXIV, the Legislature enacted the Public Housing Election Implementation Law (California Health and Safety Code Sections 37000-37002). The Villa Serena II Project is excluded from the definition of “low-rent housing project” as defined in Section 1 of Article XXXIV of the California Constitution, and therefore does not trigger the voting requirement, because it meets the criteria defined in Health and Safety Code Section 37001(f), that is, the Villa Serena II project consists of the replacement of dwelling units of two previously existing low-rent housing projects.

Additionally, the project may also be excluded from the definition of “low-rent housing project” pursuant to Health and Safety Code section 37001(g), which excludes developments consisting of “acquisition, rehabilitation, reconstruction, improvement, or any combination thereof, of a rental housing development which, prior to the date of the transaction to acquire, rehabilitate, reconstruct, improve, or any combination thereof, was subject to a contract for federal or state public body assistance for the purpose of providing affordable housing for low-

income households and maintains, or enters into, a contract for federal or state public body assistance for the purpose of providing affordable housing for low-income households.”

As noted above, this project involves the acquisition, demolition and reconstruction of existing affordable housing units which received public assistance and were subject to regulatory agreements relating to maintenance of affordable housing, and the project will apply for low income housing tax credits for the purpose of providing and maintaining affordable housing for low income households.

Accordingly, based on the foregoing, the proposed replacement housing is excluded by Health and Safety Code section 37001 from the definition of “low-rent housing” and therefore does not require the approval of voters pursuant to Article XXXIV of the California Constitution.

VII. RESIDENTIAL UNITS TO BE REMOVED AND REPLACED

As the City of San Marcos currently monitors the existing 136-unit Villa Serena complex, the unit bedroom size and restrictions by unit were readily available for analysis.

An analysis of the unit composition revealed the following data:

	VL	L	M	Total
Units to Be Destroyed	82	54		136
Bedrooms to Be Destroyed	143	95		238

The Villa Serena II Project will replace 100% of the units/bedrooms destroyed. The plan increases the current development unit/bedroom counts with 10 additional units and 69 additional bedrooms. The following is a table showing the unit composition of the proposed project for Phase I and Phase II:

	VL	L	M	Total
Units to Be Built	88	58		146

Bedrooms to Be Built	183	124	307
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These numbers do not include the two 3-bedroom unrestricted manager units that bring the totals to the 148 unit development (i.e. 146 plus 2 manager units) consisting of 313 bedrooms (i.e. 307 plus 6 bedrooms, 2 3-bedroom units).

Phase I will consist of the following new construction unit/bedroom counts by income category:

	VL	L	M	Total
Units to Be Built	52	32		84
Bedrooms to Be Built	106	69		175

Phase II will consist of the following new construction unit/bedroom counts by income category:

	VL	L	M	Total
Units to Be Built	36	26		62
Bedrooms to Be Built	77	55		132

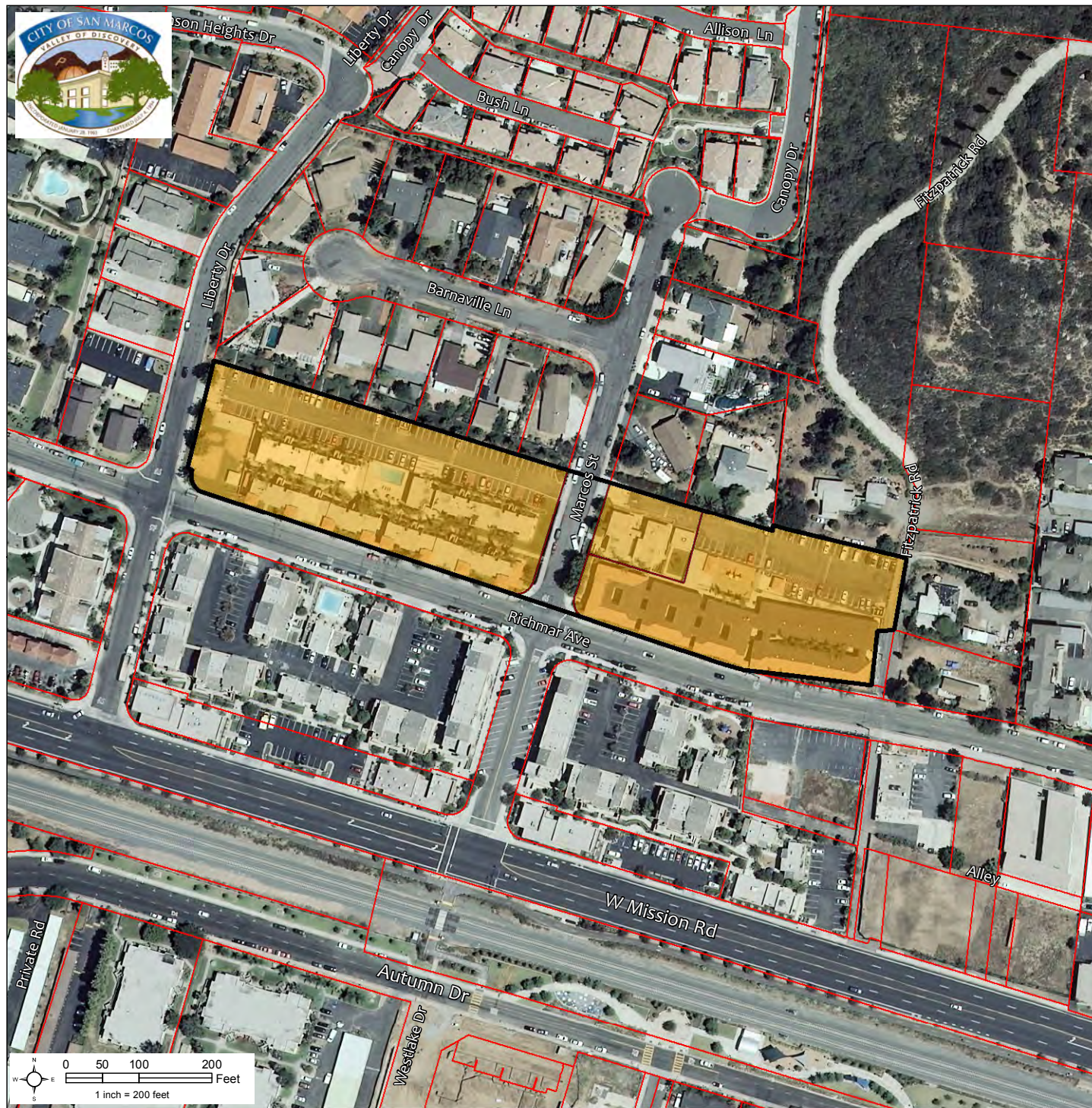
These numbers assume that the project is awarded 4% low income housing tax credits. If this is not the case, the distribution may change. However, all units will be at or below 60%AMI.

The project developers shall contract with a company expert in relocation to create and implement a relocation plan that best serves the tenants currently occupying units that will be demolished.

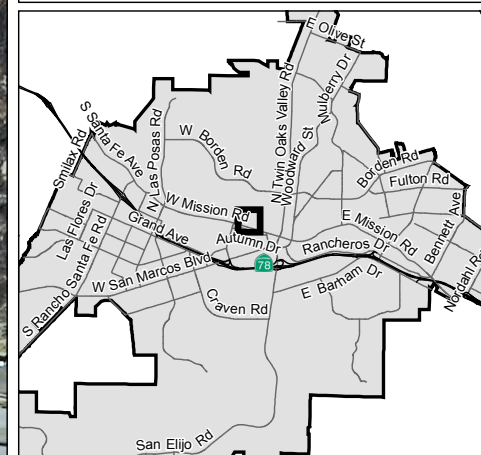
VIII. TIMETABLE

For the Project's timetable, please refer to Appendix B.

APPENDIX A – GIS Exhibit



Site of Villa Serena affordable housing community owned by National CORE



- Current and proposed redeveloped Villa Serena project site
- Villa Serena parcels owned by National CORE
- + Parcels

Source of Data: SanGIS, 06/14, USGS, 05/12, and City of San Marcos, 07/14

Created By: City of San Marcos GIS

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APPENDIX B - Timetable

TIMETABLE

<u>Date</u>	<u>Event</u>
10 Jan 2012	City Council appoints itself as the Successor Housing Agency (SHA) to the former San Marcos RDA with Resolution No. 2012-7607
1 Feb 2012	RDA dissolved by the State of California
9 Sep 2014	SHA authorized Exclusive Negotiating Agreement and \$750,000 predevelopment loan with Resolution No. SHA 2014-009
9 Dec 2014	SHA authorized Supplemental Housing Support Agreement with Resolution No. SHA 2014-011
14 Jun 2016	SHA approval of California Debt Limit Allocation Committee approval letter for future bond funding application with Resolution No. RDA 2016-019
Feb 2017	Villa Serena II receives entitlements from the City Council. Developer begins assembling funding commitments from other sources external to the SHA
Mar 2020	Projected date for Developer to apply at TCAC for Phase I 4% low income housing tax credits. A successful award of the tax credits will trigger demolition of existing buildings on the Phase I project site.
June 2020	Projected date for Developer to close finance and commence construction of Phase I.
TBD	Projected date for the Developer to apply at TCAC for Phase II 4% low income housing tax credits. A successful award of the tax credits will trigger demolition of existing buildings on the Phase II project site.
TBD	Projected date for Developer to close finance and commence construction of Phase II.