

3440 Sandrock Road Project

Presented by Serra Mesa Community Council Sandrock Project Subcommittee, January 2025

Background

Community HousingWorks (CHW) was conditionally awarded RFP No. PSH021320, issued in 2020, to build 29 permanent supportive housing units at 3440 Sandrock Rd (old Serra Mesa Library site). Although the community had advocated for a senior/community center since 2006 this proposal had community support. Subsequently, the City decided to sell the property to CHW for \$15,000 and CHW increased the number of units to 60. For unknown reasons in late 2024 the City decided to lease the property instead.

Current Proposal

CHW's proposal is for a 5-story elevator building with 60 units (56, one-bedrooms; 4 two-bedrooms); 22 parking spaces. 30 units for veterans and 1 manager unit.

Community Concerns

Insufficient parking spaces

22 for 60 units. 27 units at 60%AMI in better position to own vehicle. Lack of street parking.

Photos taken of Hurlbut and Glenhaven show a lack of parking on adjacent streets.

This area, a “food desert”, is more than 2 miles from the nearest grocery store.



Setback – Too close to street - Doesn't match setback of other Sandrock properties, RS-1-7 with required 15' setback. RM-3-7, required min 10'.



5 Stories, solid wall appearing building - Too high, Too massive looking - Surrounding units 2-stories. This is the main entrance into Serra Mesa.



Landscaping – Insufficient - 11 trees and more than 50 shrubs will be removed with minimal replacement. If trees/shrubs aren't replaced at the site, suggest some developer money be used to plant trees in another area of Serra Mesa.



Financial Concerns

Affordability Mix – Does CHW meet the criteria to qualify for \$3.5 million?

The Bridge to Home Round Four, Affordable Housing, Notice of Funding Availability stipulated that “Applications for LMIHAF must reflect CRL requirements, be for new construction, and must provide the following 55-year rental affordability levels:

- o **At least 30 percent of the housing units affordable** to and occupied by households **earning 30 percent or less** of AMI per CRL definitions; and
- o **Not more than 20 percent of the housing units are affordable** to and occupied by households **earning between 60 percent** and 80 percent of AMI per CRL definitions.

Note, CRL definitions provide that 80% AMI households pay rents based on 30% of CRL 60% AMI household incomes.


This is the Affordability Mix chart that CHW provided:

Overall project summary					
Bedrooms					
TCAC AMI	0	1	2	Total	
30%	0	14	1	15	25%
50%	0	15	2	17	29%
60%	0	27	0	27	46%
Aff Units	0	56	3	59	100%
				49%	Av Project Affordability
MGR	0	0	1	1	
Total	0	56	4	60	

Requirements – 30% or less of AMI: 30% of 59 = 17; 60-80% AMI: 20% of 59 = 11

Assessment – CHW is providing too few **30% or less of AMI units, 15 instead of 17** and too many of **60-80% AMI, 27 instead of 11**.

City Bridge to Home NOFA Application




Economic Development Department

Serra Mesa Apartments

Development Costs*		Permanent Sources*	
Acquisition	\$4,200,000	Permanent Loan	\$10,412,000
Direct	\$25,742,876	Tax Credit Federal	\$22,497,750
Indirect	\$9,800,448	GP Equity Contribution	\$100
Financing	<u>\$4,296,387</u>	Housing Commission	\$3,000,000
Total	\$44,039,711	Ground lease + fee waiver	\$4,515,284
		Deferred Interest	\$114,577
		City Bridge to Home NOFA	<u>\$3,500,000</u>
		TOTAL	\$44,039,711

*Developer's NOFA submittal estimates and assumptions



Source: City Council Economic Development & Intergovernmental Relations Committee Meeting 12-11-2024
<https://sandiego.hylandcloud.com/211agendaonlinecomm/Documents/ViewDocument/Item%204%20Presentation.pptx.pdf?meetingId=6283&documentType=Agenda&itemId=240662&publishId=927532&isSection=false>, p. 24

Chart Questions

- Permanent Loan – Does this mean that CHW is obtaining a loan?
- Tax Credit Federal – Is this a permanent credit that can't be changed with future changes in government policies?
- Housing Commission – What type of funding is the \$3,000,000? What is the source of the funding? Is the funding source definite and is the Housing Commission obligated to allocate these funds? (Can't find any documentation on this specific funding.)
- Ground Lease + Fee Waiver – Does this mean that CHW will never be charged for lease and fees for the project? Does this mean the City loses a source of income?
- Deferred Interest – What does this mean?
- City Bridge to Home NOFA – Does this mean the City is loaning CHW \$3.5 million to build the project? If so, would this violate a term in the RFP No. PSH021320 which states "If debt financing is used, no financial risk or credit risk shall be imposed upon the City or City's fee interest in the particular Property."

Additional Financial Concerns

Project Costs Seem High – Project costs \$44,039,711, \$733,995/unit. Average cost to build a 1-bedroom unit is \$300,000.

Funds/Unit Seem High – From Bridge to Home Program's Recommended Funds/Unit cost per unit is \$58,333. Why is this project and the other CHW project (Swift Avenue Apartments) so much higher than the other projects listed in Round 4? This project will receive more than twice as much as the lowest project.

Bridge to Home Program – When this project was evaluated was it given points for Community Support and Benefits (15%)? The project doesn't have the community's support. CHW attended one community meeting, but the community's concerns haven't been addressed.

Additional Question

Calculations: Request that calculations for determining the number of allowable units (60 units) be provided. According to Municipal Code for Zoning RM-3-7 with lot size 14,810sf and maximum density 1,000sf, 15 units could be built.

Conclusion: Would you agree to pull this item from the agenda because of 1) unanswered financial concerns/questions regarding Financing and RFP and 2) inadequate time to review the materials? The delay shouldn't impact Round 4 which is scheduled February through June 2025.