



**BACKGROUND:** Southern Towers was one of the property owners included in the Beauregard Small Area Plan and subsequent CDD rezoning. As part of the overall affordable housing solution in the Beauregard planning process, Southern Towers had initially agreed in 2012 to allow the City to buy down rents on ten percent (46) of the units located within the Berkley Building of the Southern Towers property for a period of 40 years. At the time this was negotiated, the cost for the City to buy down the 46 Southern Towers units was estimated to be approximately \$3.5 million, with the exact purchase amount to be determined at the time the actual buydown occurred.

As the Beauregard rezoning process was being finalized, Southern Towers' owners proposed an alternative plan to reduce the long term encumbrance of affordable units on their property while potentially providing 60 to 70 or more additional affordable units (beyond the 46) to the City in the early years of the Beauregard redevelopment for a ten-year term. The units were proposed to be provided at no cost to the City. As a result of Council's expressed interest in the alternative plan, Conditions 61 (d) and (e) in CDD#21 (Attachment 2) as approved by Council called for staff and the Applicant to explore these options and return to Council within one year with an alternative affordable housing plan for 100 to 135 units priced between 55% - 75% Area Median Income (AMI) in the Southern Towers neighborhood. City Council also requested that City staff develop a plan for a potential substitute to replace the pledged 46 long term affordable units that were contemplated in the approved Beauregard Small Area Plan.

**DISCUSSION:** Following approval of Beauregard rezoning CDD#21, Southern Towers submitted four alternative affordable housing plans to the City. The options included varying number of committed units ranging from 100 to 135 units, and a range of affordability levels from 55% of AMI to 75% of AMI.

After its review of the four options, City staff recommended to the Affordable Housing Advisory Committee (AHAC) that the option which included 105 units with affordability levels at 55% AMI and 60% AMI be selected. While staff would have liked to recommend the options that included the greatest number of units, both options that exceeded 105 units included affordability levels up to 75% AMI for which applicable rents would exceed current market rents at the property, yielding a *de minimis* economic value to the City over the 10-year commitment period (Attachment 3). At a special meeting on June 27, 2013, AHAC discussed the various options and voted to approve the staff recommendation (Attachment 4).

It should be noted that the recommended 105 units consist largely (56 units, 53% of total) of efficiencies, all affordable at 55% AMI, with the units at all other sizes affordable at 60% AMI. All four options proposed by Southern Towers contained a preponderance of efficiency and one-bedroom units which could be offered at little or no discount from current market rents, and contained considerably fewer two-bedroom and three-bedroom units, which would represent more substantial discounts. The only option with a lower percentage (but larger number) of efficiencies was a 135-unit option with all other unit sizes affordable at 75% AMI. Staff and AHAC selected the option with the greatest number of units at 55% and 60% AMI (no units were offered at lower income levels). This option has slightly more units (and more non-efficiency units) than a similar option at the 100-unit floor contained in the CDD condition.

The City and the Applicant have been working to draft principles and a legal agreement to guide and enforce the commitment of affordable units at Southern Towers. Under the proposed draft agreement, the Applicant will begin to make the short-term affordable units available for occupancy in May 2015 with the expectation that all 105 units can be occupied by income eligible Beauregard tenants by the end of 2015. The ten-year affordability period for each unit will begin on its lease start date. The proposed May 2015 initial occupancy date is intended to coincide with Home Properties' proposed issuance of 120-day notices to vacate for the first portion of its proposed redevelopment of the Seminary Hills apartment complex (impacting approximately 164 of the property's 296 households). This timing will allow the Southern Towers alternative affordable housing

plan to help address the relocation needs of these impacted households, only a fraction of whom will be able to have access to the planned long-term committed affordable units in the existing Seminary Towers property, which is not planned for demolition. At the City's discretion, an earlier start date may be approved than May 2015.

Housing staff expects to begin this month its preliminary survey of all Beauregard residents to establish a preliminary waitlist (subject to verification of information at the time each property redevelops). To the extent the 10-year Southern Towers units are not selected by Seminary Hills households (whose information will have been verified by the time the Southern Towers units are made available), the Southern Towers units would become available to prioritized waitlist households in properties planned for future demolition.

When Council requested that staff explore alternative affordable housing plans for Southern Towers, it also asked staff to develop replacement options for the 46 long-term units originally planned at that property that were originally pledged to be affordable for a period of 40 years. At this time, staff believes that a proposed plan by AHC, Inc. (currently in the development review process) to rezone and redevelop the St. James Methodist Church site located on Fillmore Street adjacent to the Beauregard Plan Area would be an ideal substitute. AHC has expressed a willingness to commit 46 of its proposed 92 affordable units in that project, if approved, as long-term affordable units to benefit Beauregard affordable housing goals. The remaining units in the project would also initially be made available as a Beauregard relocation resource, but would not be held to a 40-year commitment status for Beauregard residents.

**FISCAL IMPACT:** The cost to the City of the original affordable housing plan associated with the Southern Towers neighborhood was estimated to be approximately \$3.5 million in 2013 dollars. While the alternative plan reduces the affordability period of the Southern Towers units, it creates a 105-unit, 10-year housing resource at no cost to the City. The current net present value of these 105 Southern Towers units for the ten-year period is estimated at nearly \$1.1 million. The \$3.5 million affordable housing savings will be reprogrammed to address the affordable housing goals of the Beauregard Small Area Plan to be delivered and allow more units and/or to be delivered earlier than had been previously planned.

**ATTACHMENTS:**

- 1 Southern Towers Alternative Affordable Housing Plan
- 2 CDD#21 Conditions 61 (a) through (e)
- 3 Staff analysis of four housing options
- 4 Minutes of June 27, 2013 AHAC Special Meeting

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