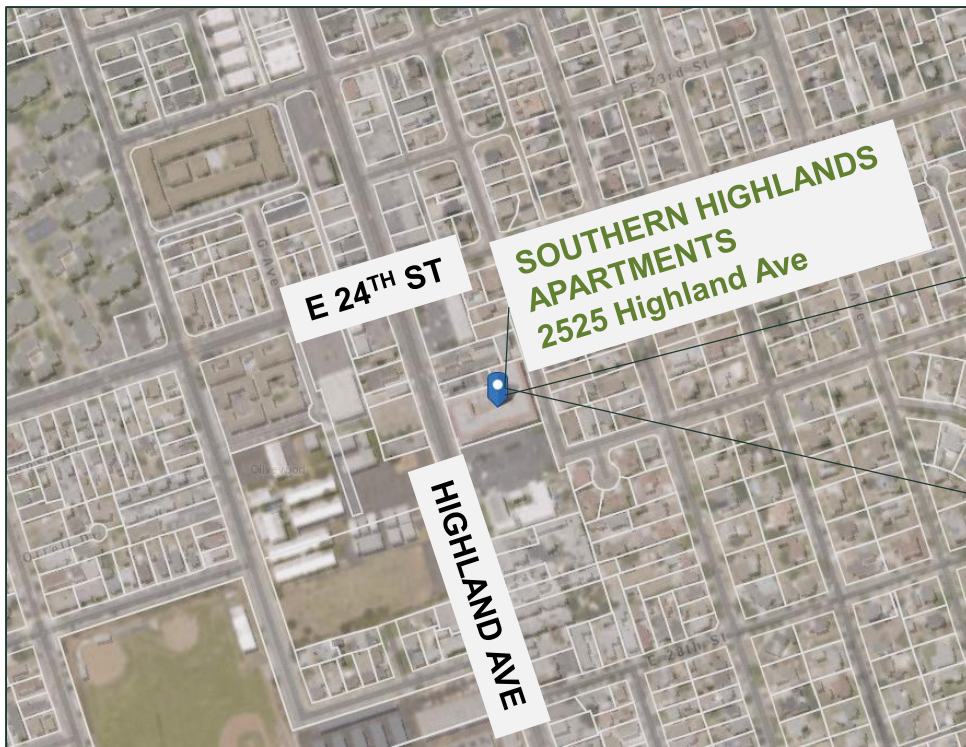


SOUTHERN HIGHLANDS

City Council Meeting June 21, 2022



Southern Highlands - Location & Photos



Southern Highlands - Project Overview

PROJECT SUMMARY

- **Parcel Size | Location:** +/- 1.03 acres located at 2525 Highland Ave, National City, CA
- **APN:** 5630105000
- **Units:** 151 Units (146 Studio & 5 1-Bedroom Units)
- **Owner:** Southern Highlands Apartments LP
- **Current Affordability Restrictions:** None, 100% Market Rate
- **New Affordability Restrictions:** 100% of Units at 60% AMI Rents and 80% AMI Incomes
- **Government Agency:** Community Development Commission – Housing Authority of the City of National City
- **Term:** 55 Years
- **City Grant:** \$10,000 (\$66 per unit, already budgeted by CDC-HA)



Southern Highlands – Narrative (1 of 2)

- **2020:** Owner applied to receive an allocation of tax-exempt multifamily bonds and an allocation of 4% Low Income Housing Tax Credits for the preservation of the Project as deed-restricted affordable housing. Owner was unsuccessful as the State of California prioritized affordable housing new construction over preservation.
- **2020 – Q1 2022:** Owner has been working with the CDC-HA to identify strategies to preserve the Project as deed-restricted affordable housing.
- **Q2 2022:** Owner and CDC-HA have agreed to terms for an innovative and effective way to preserve this Project for affordable housing.



Southern Highlands – Narrative (2 of 2)

- **Agreement Terms:**

- Rents restricted to 60% of Area Median Income (“AMI”) and incomes restricted at or below 80% AMI for 55 years.
 - Property to pay annual per-unit monitoring fee to the CDC-HA.
 - Owner will provide additional capital improvements totaling \$750,000 to the Project’s common areas and systems.
 - CDC-HA to provide a grant of \$10,000 to assist with the operation and maintenance of the Project, which will complement the improvements made by the Owner.
- Following recordation, Owner intends to apply for the California Welfare Property Tax Exemption (Section 214(g)), exempting the Pro from ad-valorem property taxes. This property tax exemption is commonly used by deed-restricted, government-financed affordable housing to maintain affordability and reduce tenant rents.
 - CDC-HA engaged Keyser Marston Associates (“KMA”) to analyze the public benefits of the below-market rents versus the cost of foregone property tax revenue to the City of National City. KMA concluded that the rent savings significantly exceeded the lost property tax revenues to the City.



Southern Highlands – Q& A