



County of Santa Cruz 0553

REDEVELOPMENT AGENCY

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TOM BURNS, AGENCY ADMINISTRATOR

August 22, 2000

Agenda: September 12, 2000

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Vista Verde

Dear Members of the Board:

In 1997 your Board approved a Financing Agreement with Pajaro Valley Affordable Housing Corporation to construct 76 rental units affordable to lower income households in the Vista Verde project. The project, since transferred to South County Housing, began construction in spring, and is expected to be completed by next spring. However, unanticipated costs have emerged and South County Housing has submitted a request for additional funding. The purpose of this letter, therefore, is to request that your Board authorize the Agency Administrator to negotiate and sign an amendment to the Vista Verde Financing Agreement allowing an increase in Agency funding of \$215,000.

Background

The project is located on a four acre site off Freedom Boulevard near Watsonville. The Project will contain 76 rental units. The garden apartment and townhouse units will be affordable to households earning less than 40% of median household income. Additionally, a childcare center will be developed later on an adjacent parcel.

Project cost increases which prompted South County's request for additional funding stem primarily from cost projections not borne out in subsequent development stages. For example, the lowest submitted bid was about \$300,000 more than the project budget. In addition, the cost to install utility lines by PG&E was not included in the project budget. Altogether, unanticipated costs are approximately \$665,000.

South County has reduced costs overruns by drawing contingency funds, reducing development costs, restructuring financing, applying value engineering, applying for additional funds and contributing additional developer resources. Although the cost cutting and revenue generating measures enacted by the non-profit partner have reduced the effect

of cost overruns, residual unbudgeted costs of \$215,000 remain uncovered. We believe that the Agency, in order to ensure the project's continued financial viability, should cover this portion of the budget shortfall.

Recommendation

It is therefore RECOMMENDED that your Board, as the Board of Directors for the Redevelopment Agency, authorize the Agency Administrator to negotiate and sign an amendment to the Vista Verde Financing Agreement to increase funding in an amount up to \$215,000 and take related actions.

Very truly yours,

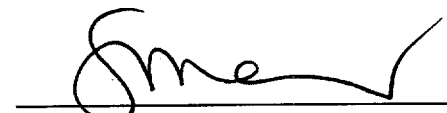


Tom Burns

Redevelopment Agency Administrator

TB:fb

RECOMMENDED:



Susan A. Mauriello

Redevelopment Agency Director

cc: RDA

cc