

DATE ISSUED: January 21, 2004

REPORT NO.: RA-04-02
CMR-04-01

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and Members of the City Council
Docket of January 27, 2004

SUBJECT: Ken-Tal Senior Housing Project

SUMMARY

Issues – Should the Redevelopment Agency authorize the Executive Director to execute the Owner Participation Agreement with Ken-Tal Senior Partners, L.P. and approve related actions for development of the Ken-Tal Senior Housing Project?

-- Should the City Council approve the findings of benefit to use Horton Plaza and Centre City Redevelopment Project housing setaside funds outside of the project areas?

Executive Director's Recommendation –

- 1) Certify that the Mitigated Negative Declaration (Project File No. 8132) has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines, state for the record that they have been reviewed and considered prior to approving the actions, and adopt the Mitigation, Monitoring and Reporting Program.
- 2) Approve the Basic Concept Drawings.
- 3) Authorize the Executive Director to execute an Owner Participation Agreement with Ken-Tal Senior Partners, L.P. for the Ken-Tal Senior Housing Project.
- 4) Amend the Redevelopment Agency budget for the City Heights Project Area to authorize the appropriation and expenditure of City Heights low and moderate income housing set-aside funds (Fund 98204) in the amount of \$1,444,622 for the Ken-Tal Senior Housing.
- 5) Authorize the Executive Director or designee to execute and expend funds in the form of a residual receipts loan in the amount of \$3,844,622.
- 6) Approve findings of benefit for the use of Horton Plaza and Centre City housing setaside funds outside of their respective redevelopment project areas.

City Manager's Recommendation –

- 1) Approve the findings of benefit for the Horton Plaza and Centre City Redevelopment Projects using housing setaside funds outside of the Horton Plaza and Centre City Redevelopment Project Areas.

Other Recommendations – On November 17, 2003 the City Heights Project Area Committee Housing Subcommittee voted to recommend that the OPA be approved as proposed and that up to \$1,300,000 of City Heights Redevelopment housing setaside funds be applied to the project, contingent on the funds becoming available from the issuance of a City Heights Redevelopment Housing bond in a large enough amount to first pay off existing debt and provide \$750,000 for the Home in the Heights Homebuyer Assistance Program and the City Heights Homeowners Rehabilitation Assistance Program. The Ken-Tal Planning Committee voted unanimously to recommend the project as proposed for entitlements in July, 2003 and voted to recommend the OPA as proposed on November 12, 2003. The El Cajon Boulevard Business Improvement Association has also formally endorsed the proposed project. Letters of support for the project are provided as Attachment 4.

On November 10, 2003 the Agency NOFA Collaborative Review Team voted to recommend approval of the proposed \$3,844,622 in Agency NOFA funding as proposed. On November 20, 2003 the Agency NOFA Executive Loan Committee reviewed the proposal and voted to recommend approval of the \$3,844,622 in Agency NOFA funding as proposed.

Fiscal Impact - The proposed project has an estimated total budget of \$15,684,654. Funding for the project is proposed to come from Federal Affordable Housing Tax Credits, private lenders, Redevelopment Agency Affordable Housing (NOFA) and Housing Commission funds. In addition, the developer has agreed to defer 20% of their developer fee to be paid only out of residual receipts received from project net proceeds. The developer has requested from the Agency \$3,950,122 in NOFA funds, but based on financial analysis of the developer's pro forma, the recommended Agency NOFA contribution to the project is \$3,844,622. The recommended Sources and Uses table for the project is provided as Attachment 5. The financial analysis report for the project pro forma was prepared by Economics Research Associates and is provided as Attachment 6.

A comparison of the requested vs. recommended funding is as follows:

	<u>Recommended Funding Amounts</u>	<u>Developer Requested Funding Amounts</u>
9% Tax Credit Allocation	\$9,754,532	\$9,754,532
Housing Commission	\$1,570,000	\$1,570,000
Private Lender	\$ 315,500	\$ 210,000
Deferred Developer Fee	\$ 200,000	\$ 200,000
Agency NOFA funding	<u>\$3,844,622</u>	<u>\$3,950,122</u>
TOTAL	\$15,684,654	\$15,684,654

The developer proposes to apply for Federal Tax Credits to the maximum extent allowed. The proposed OPA provides for the developer to apply up to four times for the tax credit allocations, which are awarded twice yearly. No Agency NOFA funds will be expended on the project until and unless the developer is awarded tax credits or otherwise obtains all other needed project funding from outside sources.

The developer has already expended a significant amount of outside private funds to acquire the project site and process design plans and related documents. It is proposed that at a later date the Housing Commission acquire the site from the developer at the actual acquisition cost of \$1,570,000. However, this transaction is not yet ready to be processed. If the project were to wait until all necessary Federal processing requirements were met for a Housing Commission contribution to the project, it is likely that the project could not meet the Spring, 2004 deadline for the next Affordable Housing Tax Credit application. Therefore, it is proposed that the Agency proceed with all necessary actions to allow the project to proceed to apply for Tax Credits in the next funding cycle. Although the proposed Housing Commission contribution to the project is considered to be desirable, the project could proceed without it and the Housing Commission funding actions are proposed to be considered at a later date. In the meantime, the project could proceed with other funding sources. If it is later determined that the Housing Commission contribution is not desired, the project could substitute private financing for the proposed Housing Commission contribution and still be implemented.

BACKGROUND

The provision of high quality affordable housing, including senior housing, is a primary goal of the City Heights Redevelopment Plan and the City Heights Redevelopment Five Year Implementation Plan. The proposed project would demolish a converted motel at 5252 El Cajon Boulevard and construct a new three story mixed use project. Included in the new development would be 91 housing units, 90 of which would be rented for 55 years at rates affordable to very low income senior citizens (earning no more than 50% of Area Median Income), and one unit would be for the on site manager. Also included in the project would be 3,362 square feet of leasable commercial space to front on El Cajon Boulevard, a 618 square foot leasing office, a 1,573 square foot community activity room and 91 underground parking spaces. A site plan and building elevations are provided as Attachment 1.

The project will displace the current use, which is a former motel that has been converted into sober living transitional housing. The current facility has 34 rooms that will be removed with the new project. Relocation assistance will be provided to all eligible displaced tenants.

The development team is a partnership comprised of Southern California Housing Development Corporation and San Diego Community Housing Corporation. Both organizations have extensive experience in developing and managing affordable housing projects in the San Diego region and throughout Southern California. Southern California Housing Development Corporation proposes to operate and manage the project once completed. Southern California Housing Development Corporation has extensive experience managing their own housing developments and operating recreational and social programs for their residents. At the proposed

new complex they plan to operate a number of senior recreation and social support programs, with an emphasis placed on activities to occur in the senior activities room. They also plan to have an on-site van to provide transportation assistance for residents.

DISCUSSION

This project has undergone extensive community review and is supported for its urban residential design components, mixed use characteristics and the valuable resource that it provides in affordable housing for very low income senior citizens. A shortage of affordable senior housing has been recently identified by the City Heights Town Council as a critical need for the community. The City Heights Redevelopment Plan and Five Year Redevelopment Implementation Plan both support the development of new affordable senior housing within the redevelopment Project Area. This project will meet that goal as well as provide new mixed use improvements that will contribute the overall revitalization of the area.

The project is located on a major transportation and public transit corridor. A bus stop is located on the project site block and this stretch of El Cajon Boulevard is included in the Metropolitan Transit District's Transit First Pilot Project, that will provide enhanced transit facilities and service between Downtown San Diego and the San Diego State University campus.

This project would be the first Redevelopment Agency sponsored senior citizen housing project implemented in the City Heights Redevelopment Project Area. It is expected to serve as a catalyst for other improvement projects and private investment in the El Cajon Boulevard business district and the surrounding neighborhood.

The project has been processed through the Agency Affordable Housing NOFA review procedures and has been recommended for funding approval. NOFA funding is proposed to come from both City Heights and Downtown (Horton Plaza and Centre City) redevelopment project area housing setaside funds. Use of the funds outside of the Downtown area requires that findings of benefit be approved. Proposed findings are provided as Attachment 7.

ALTERNATIVE

Do not approve the OPA and related actions. This alternative would not allow the project to proceed and would prevent an opportunity to provide a significant affordable housing resource and a potential catalyst project for the revitalization of the surrounding community.

Respectfully submitted,

Todd G. Hooks
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

Approved: Bruce Herring
Deputy City Manager

CUNNINGHAM/JJL

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
1. Site Plan and Concept Plan
 2. Mitigated Negative Declaration
 3. Owner Participation Agreement
 4. Letters of Support
 5. Proposed Sources and Uses Finance Table
 6. Financial Consultant Report
 7. Findings of Benefit Summaries