

DATE ISSUED: September 8, 2004

REPORT NO.: RA-04-33
CMR-04-194

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and Members of the City Council
Docket of September 14, 2004

SUBJECT: Talmadge Senior Village Housing Project

REFERENCE: Executive Director Report No. RA-04-02

SUMMARY

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

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

Executive Director's Recommendation –

- 1) Authorize the Executive Director to execute the First Implementation Agreement to the Owner Participation Agreement with Ken-Tal Senior Partners, L.P. for the Talmadge Senior Village Housing Project.
- 2) 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 \$300,000 for the Talmadge Senior Village Housing Project.
- 3) Authorize the Executive Director or designee to execute and expend funds in the form of a residual receipts loan in the amount of \$1,490,576.
- 4) Approve findings of benefit for the use of Centre City housing setaside funds outside of the redevelopment project area.

City Manager's Recommendation –

- 1) Approve the findings of benefit for the Centre City Redevelopment Project using housing setaside funds outside of the Centre City Redevelopment Project Area.

Other Recommendations – The Redevelopment Agency approved the original Owner Participation Agreement (OPA) for this project on January 27, 2004. At that time the project was called the ‘Ken-Tal Senior Housing Project’. On November 17, 2003 the City Heights Project Area Committee (PAC) voted to recommend that the proposed OPA be approved. On August 9, 2004 the PAC voted to recommend approval of the current proposal to increase Redevelopment Agency funding for the project by \$1,490,576, including \$300,000 from City Heights low and moderate income housing funds. 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.

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 in the original OPA. The Collaborative Review Committee voted on August 5, 2004 to recommend approval of the proposed \$1,490,576 in additional Agency low and moderate income 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. Results of the August 19, 2004 Executive Loan Committee meeting will be reported at the Agency hearing on this item.

Fiscal Impact – According to the approved OPA the Agency’s funding allocation of \$3,844,622 would be disbursed only if the project received a tax credit financing allocation. The project has been successful in receiving an allocation of approximately \$9,750,000 from the highly competitive Federal Affordable Housing Tax Credit program. If project costs had remained stable the project would be ready to proceed with construction within three months from now. However, the cost estimate for the total project has risen in the past nine months by \$2,165,544, from \$15,684,654 to the current \$17,850,198.

This change is attributable to increases in a number of construction items as well as increases in other cost categories, such as insurance, taxes and leases, and land acquisition closing costs. Ken-Tal Senior Partners, L.P. provided the Agency with a breakdown of these line item cost changes along with a modified pro forma and their request for an increase of \$1,490,576 in Agency funding. The Agency’s financial consultant, Economics Research Associates, Inc. (ERA) conducted a review of the new pro forma and funding request and subcontracted with Hunter Pacific Associates to provide professional review of the detailed construction cost estimates. Their report is provided as Attachment 1. It concludes that the increased construction cost estimates are reasonable and the request for additional funding is justifiable.

The increased NOFA funding would raise the per unit Agency subsidy from \$42,249 to \$58,629.

In addition to seeking additional NOFA funding, Ken-Tal Senior Partners L.P. plans to increase their tax credit allocation by \$675,468. They also plan to apply for an Affordable Housing Program (AHP) grant of up to \$360,000. It is not known whether they will be successful in the AHP application, so it is not recommended that the Agency funding request be reduced at this time. However, the OPA amendment includes a requirement that the developer make all reasonable efforts to apply for these funds and, if successful in their application, the additional Agency contribution to the project will be reduced accordingly. The OPA also provides for the Agency funding contribution to be reduced if the project realizes cost savings in construction or other areas.

With the exception of the change in total budget and Agency funding amounts, the overall structure of the project financing and obligations between the Agency and developer remain unchanged. These terms are defined in the original OPA, provided as Attachment 4.

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 2.

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. 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 5.

ALTERNATIVE

Do not approve the First Implementation Agreement 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,

Debra Fischle-Faulk
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. Financial Analysis Report of Project Cost Increase
 2. Site Plan and Concept Plan
 3. Proposed First Implementation Agreement
 4. Owner Participation Agreement
 5. Findings of Benefit Summaries