

REPORT

DATE ISSUED: June 8, 2007

REPORT NO: HCR 07-45

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of June 15, 2007

SUBJECT: The Cove Supportive Housing Development, 5288 El Cajon Boulevard
(Council District 3)

REQUESTED ACTION:

Approve the following revisions to the previously approved loan as identified in the Staff recommendation below and discussed in this report. All other previously approved loan terms and conditions are to remain unchanged.

STAFF RECOMMENDATION:

Subject to the conditions described below:

1. Recommend Housing Authority approval of a transfer of ownership and substitution of loan approval from Jewish Family Services to its development partner, The Association of Community Housing Solutions (TACHS), for The Cove Supportive Housing Development, formerly known as Hope Village, 5288 El Cajon Boulevard (Council District 3), and;
2. Authorize the subordination of the San Diego Housing Commission loan to the State of California Multifamily Housing Program (MHP) and the Mental Health Services Act (MHSA) should it be necessary, in accordance with the new financing program requirements.
3. Authorize the President and Chief Executive Officer, or designee, to execute any and all documents necessary for these individual and separate transactions.

BACKGROUND:

Jewish Family Services (JFS) was approved by the Housing Authority on January 31, 2006, for a \$982,000 loan for Hope Village, a 20 unit apartment complex for very low-income, chronically homeless, mentally ill persons. JFS had an agreement with TACHS to provide development services and to manage the property and provide supportive services. JFS acquired the property in May 2005, and TACHS received approval for a \$400,000 HUD Supportive Housing Grant for the project. TACHS applied on March 5, 2007, to the MHP for \$2,357,955.

TACHS is an experienced housing developer that has three site loans with Housing Commission funding: the 34-unit Parker-Kier Apartments; the 13-unit Paseo Glenn Apartments; and the 18-unit Reese Village project. All loans are in compliance with the administrative monitoring and reporting requirements of the Housing Commission.

At this time, JFS is unable to proceed with the development of HOPE Village, now renamed The Cove. To keep the project moving forward and to retain the financing already committed to date, JFS desires to sell the project at the original \$1,700,000 purchase price to its development partner, TACHS, and to substitute TACHS for its Housing Authority loan approval.

TACHS has agreed to continue with the project and accept the financing terms and responsibilities as approved by the Housing Commission and Housing Authority. A transfer of the project and financing to TACHS would result in a change in ownership of the property and a change in the borrowing entity. All other terms and conditions of approval would remain the same.

The total development cost anticipated for the project estimated at the time of the MHP application is ~~\$3,832,158. This estimate is approximately \$350,000 higher than the prior estimate. This is due to an~~ increase in hard construction costs plus additional concrete alley improvements for this site, which is fronted on two sides by two alleys that provide the only access to this complex. For this reason, TACHS will be requesting the maximum the project is eligible for from both the MHP and MHSA funding rounds. Because the fall application guidelines for MHSA have not yet been published, it is not known what the eligibility limits will be for the project. It is anticipated to be eligible for between \$250,000 and \$400,000. If successful on all applications at the maximum funding amount, TACHS will have a total of \$4,139,955 in sources. To the extent that TACHS receives funding from other sources sufficient to cover the project's total development costs, TACHS has agreed that it will reduce the Housing Commission loan, by any amount that may remain after completion of the rehabilitation.

The development timeline will be initiated with the MHP loan approval which is anticipated in August 2007. The proposed construction time is eight months after funding.

FISCAL CONSIDERATIONS:

This will have no impact on the amount of funds previously approved by the Housing Commission and is a substitution of the borrowing entity.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On October 28, 2005, the Housing Commission unanimously recommended approval for a \$982,000 residual receipts loan to JFS per the terms and conditions outlined in Housing Commission Report HCR05-095. This was unanimously approved by the Housing Authority of the City of San Diego on January 31, 2006.

ENVIRONMENTAL REVIEW

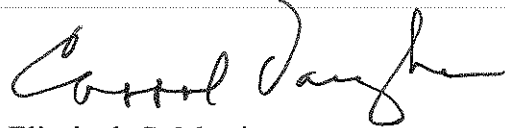
This project is a rehabilitation only project and substitution of the previously approved developer (JFS) for TACHS. The previously approved October 26, 2005 Housing Commission Report (HCR05-95) stated that "The proposed development has been reviewed by the City of San Diego under the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the CEQA guidelines and has been determined to be exempt. The proposed development has also been determined to be categorically excluded according to 24CFR 58.35(a)(3) under the National Environmental Protection Act (NEPA). This project converts to Exempt per Section 58.34(a)(12) because it does not require mitigation."

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The project will create nineteen units for the development of permanent supportive housing for extremely low income, chronically homeless, seriously mentally ill adults.

Respectfully submitted,

Approved by,



for Cissy Fisher
Director of Housing Finance & Development

Elizabeth C. Morris
President & Chief Executive Officer