

REPORT

DATE ISSUED: February 8, 2008 REPORT NO: HCR 08-15
ATTENTION: Chair and Members of the Housing Commission
For the Agenda of February 22, 2008
SUBJECT: The Cove Supportive Housing Development, 5288 El Cajon Boulevard
(Council District 3)

REQUESTED ACTION:

Make a bridge loan to The Association for Community Housing Solutions (TACHS) as identified in the Staff Recommendation below and discussed in this report. The previously approved loan to TACHS and its terms and conditions are to remain unchanged.

STAFF RECOMMENDATION:

Subject to the conditions described below:

1. Recommend Housing Commission funding of a bridge loan of up to \$130,000 to TACHS for The Cove Supportive Housing Development, formerly known as Hope Village, 5288 El Cajon Boulevard (Council District 3), and;
2. Amend the FY08 Budget to add \$130,000 of CalHFA HELP Program funds to Housing Finance & Development, Rental Housing Production - Loans and Grants, and;
3. Authorize the Interim President and Chief Executive Officer, or designee, to execute any and all documents necessary to make the approved loan.

BACKGROUND:

On July 24, 2007, TACHS received Housing Authority approval for a \$982,000 loan for Hope Village, a 20 unit apartment complex for very low-income, chronically homeless, mentally ill persons. (See Attachment 1, HAR 07-020 for further description.) The project rehabilitation is currently 50% complete with completion projected for late April 2008.

During the initial construction phase several unanticipated expenses arose that have impacted the project budget and created a budget shortfall. The developer was directed by the City of San Diego to upgrade the existing bath drain line opening from 1-1/2" to 2" at six units; holes were discovered in the wall heater gas lines making repair unreasonable, therefore replacement is necessary; preliminary stucco preparation near an exterior stairway revealed dry rot and deteriorated concrete steps; a trash enclosure and the installation of wood-backed, ADA grab bars in all bathrooms have also been added to the scope of work. A ten percent contingency is included within the requested \$130,000 amount.

FISCAL CONSIDERATIONS:

The Housing Authority previously approved the \$982,000 loan which is funded with \$950,000 in HOME Program funds and \$32,000 in local Housing Trust Funds. This bridge loan request would utilize up to \$130,000 of CalHFA HELP Program funds at 3% simple interest, for a term of six months. The HELP Program is a State program utilized as a funding source by the Housing Commission. It is a revolving loan fund at 3% simple interest with a ten-year repayment term to public agencies. The funds

would be applied for by the Housing Commission with the expectation that the borrower will repay the loan within six months. There is no prepayment penalty.

The total development cost will increase from \$3,832,158 to \$3,962,158. TACHS has agreed that it will repay the \$130,000 bridge loan upon receipt of the previously approved loan financing from the State of California Multifamily Housing Program (MHP). In addition, any excess MHP financing not utilized for construction will be applied to the repayment of the original \$982,000 loan.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On October 28, 2005, the Housing Commission recommended approval for a \$982,000 residual receipts loan to Jewish Family Services (JFS) per the terms and conditions outlined in Housing Commission Report HCR05-095. This was approved by the Housing Authority of the City of San Diego on January 31, 2006. On June 15, 2007, the Housing Commission recommended approval for the transfer, substitution, and subordination from JFS to TACHS per the terms and conditions outlined in Housing Commission Report HCR07-45. This was approved by the Housing Authority of the City of San Diego on July 24, 2007. (See Attachment1.)

ENVIRONMENTAL REVIEW

This project is and remains a rehabilitation only project. 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:

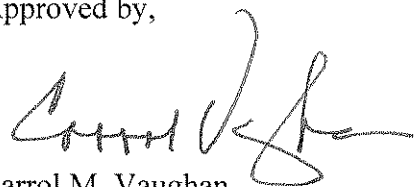
The project will create nineteen units for the development of permanent supportive housing for extremely low income, chronically homeless, seriously mentally ill adults.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance & Development

Approved by,



Carrol M. Vaughan
Interim President & Chief Executive Officer

Attachment: SDHC Report HAR 07-020



HOUSING AUTHORITY REPORT

DATE ISSUED: June 19, 2007 REPORT NO: HAR 07-020
ATTENTION: Chair and Members of the Housing Authority
For the Agenda of July 10, 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. Approve a transfer of ownership and substitution of loan approval from Jewish Family Services to its development partner, The Association For 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.

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 is an experienced housing developer that has three site loans with Housing Commission funding. All loans are in compliance with the administrative monitoring and reporting requirements of the Housing Commission.

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 due to an increase in hard construction costs plus additional concrete alley improvements for this site. 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 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.

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. On June 15, 2007, the Housing Commission unanimously recommended approval of the transfer, substitution and subordination per HCR 07-45 and as described in this report.

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,

Cissy Fisher
Director of Housing Finance & Development

Approved by,

Elizabeth C. Morris
President & Chief Executive Officer