

Agenda Report

TO: Mayor and City Council FEBRUARY 11, 2002

FROM: City Manager

SUBJECT: HOLD A PUBLIC HEARING AND ADOPT A RESOLUTION APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY FOR A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS PILGRIM TOWER NORTH

RECOMMENDATION

It is recommended that the City Council hold a Public Hearing and adopt a Resolution approving the issuance of Multifamily Housing Revenue Bonds by the California Statewide Communities Development Authority for a multifamily rental housing facility known as Pilgrim Tower North in order for Retirement Housing Foundation (RHF) to acquire the property.

BACKGROUND

Retirement Housing Foundation Obligated Group consists of the Retirement Housing Foundation, Foundation Property Management and ten affiliated corporations. RHF is a California nonprofit corporation organized in 1961 to manage and develop housing and health care for senior adults. RHF is a provider of shelter and services for senior adults with more than 12,000 living units under its control. There are approximately 14,000 residents in RHF sponsored facilities served by more than 2,400 staff members. The activities of RHF include developing, operating and maintaining housing and related facilities for senior adults, persons with disabilities, and low-income families; providing certain services in connection with the facilities including nursing, rehabilitation, dietary, educational and recreational services; and assisting other organizations in undertaking any of the foregoing.

Foundation Property Management (FPM) is a California nonprofit corporation formed in 1984 to provide management support to local property managers. FPM provides accounting, reporting and management training to 111 sites in 23 states.

MEETING OF 2/11/02

AGENDA ITEM NO. 6.A. 7:45 P.M.

Since the opening of its first facility in 1965, RHF and its affiliated corporations have grown to be one of the nation's largest nonprofit providers and managers of affordable housing, skilled nursing and assisted living services for the disabled and senior adults. As of June 30, 1999, RHF and its affiliates have expanded to 131 facilities controlled and/or managed in 23 states, Puerto Rico and the Virgin Islands. Of the 131 facilities, 111 are low and moderate-income apartments for senior adults, for those with special needs and for families.

DISCUSSION

On December 17, 2001, the City Council held a TEFRA Hearing on behalf of RHF and approved a Resolution authorizing the issuance of Multifamily Housing Revenue Bonds by the California Statewide Communities Development Authority for the acquisition of Pilgrim Tower North. The maximum amount authorized by that Resolution was \$6 million. In moving through the development and due diligence process following the filing of the application with CSCDA, the Pilgrim Tower North concept has changed slightly to include some additional costs associated with the acquisition, financing, and future operations. The costs associated with using the FHA insured mortgage are a bit higher than originally projected, however, the protection that comes with this program is well worth the initial cost. RHF has also determined that the project would benefit from a higher level of Operating Reserves and Replacement Reserves. RHF, in evaluating the scope of work has also decided to add a covering to the back patio area and convert some common space to a computer lab. In concert with that effort to provide greater and better services to the residents, RHF has increased the service amenities' budget to include the computer lab expenses as well as to provide protection in the unanticipated case that service coordinator grant monies should not be available on a continued basis from HUD. The new development budget will allow for a more financially viable asset that will better serve the residents that it serves. Under the new authorizing Resolution, the maximum amount RHF may raise will be \$8 million.

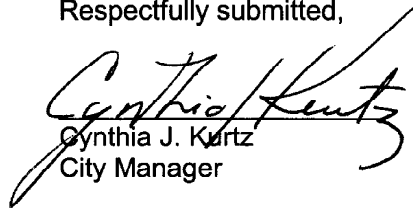
REQUIRED PUBLIC HEARING

In order for RHF to have access to tax exempt financing, the Internal Revenue Code requires that a public hearing be held concerning the proposed financing. RHF qualifies for tax exempt financing since the project being acquired is for low and moderate-income housing. The required hearing must be preceded by notice published at least 14 days in advance of the hearing. Notice of the proposed hearing was published on January 28, 2002.

FISCAL IMPACT

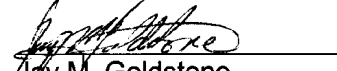
The City will not be directly or contingently obligated in any manner by the proposed financing, and the City will not be a party to the financing documents. Only CSCDA and RHF will be parties to the financing documents, and CSCDA's liability will be limited to payments made by RHF for the purpose of paying debt service.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Prepared and
Approved by:



Jay M. Goldstone
Director of Finance