



MEETING DATE: 4/7/08  
ITEM NO: 8

COUNCIL/AGENCY AGENDA REPORT

DATE: March 31, 2008

TO: MAYOR AND TOWN COUNCIL/CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: GREG LARSON, TOWN MANAGER/EXECUTIVE DIRECTOR *GL*

SUBJECT: INCREASE A PREVIOUS COMMITMENT TO LOAN \$777,700 OF REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND MONIES TO \$832,700 FOR SENIOR HOUSING SOLUTIONS TO ACQUIRE AND REHABILITATE A HOME TO PROVIDE FIVE UNITS OF VERY LOW-INCOME SENIOR HOUSING, MODIFY THE TERMS OF THE LOAN, AND DIRECT STAFF TO NEGOTIATE THE LOAN DOCUMENTS

RECOMMENDATION:

Increase a previous commitment to loan \$777,700 of Redevelopment Agency Low and Moderate Income Housing Fund monies to \$832,700 for Senior Housing Solutions to acquire and rehabilitate a home to provide five units of very low-income senior housing, modify the term of the loan, and direct staff to negotiate the loan documents.

BACKGROUND:

On December 3, 2007, the Town of Los Gatos Redevelopment Agency (RDA) Board approved a funding commitment of \$777,700 to Senior Housing Solutions (SHS) to purchase and rehabilitate a home in Los Gatos for five units of senior housing. The five rooms would be rented to very low-income seniors whose incomes are \$1000 per month or less. Details are contained in the Council/Agency Staff Report for that meeting (Attachment 1). At that time SHS presented a pro forma budget of \$1,332,400 which assumed the purchase price of a single family home to be \$965,000.

Two changes impacting the project budget have occurred. First, the acquisition and rehabilitation costs are higher than previously projected which raised the project budget by roughly \$110,000 to \$1,442,595. Second, SHS was able to obtain only \$150,000 of funding through the Santa Clara County CDBG program rather than \$450,000 as shown in the pro forma, leaving a total funding gap of \$410,000.

PREPARED BY: Bud N. Lortz, Deputy Executive Director *BUL/RT*

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Reviewed by: *PST* Assistant Town Manager/Deputy Director *OK* Town  
Attorney/General Counsel \_\_\_\_\_ Clerk Administrator/Secretary *SC* Finance  
 Community Development

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MAYOR AND TOWN COUNCIL/CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

SUBJECT: INCREASE A PREVIOUS COMMITMENT TO LOAN \$777,700 OF REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND MONIES TO \$832,700 FOR SENIOR HOUSING SOLUTIONS

March 31, 2008

To assist SHS in addressing the funding gap, staff worked with the Housing Trust of Santa Clara County to increase their investment in the project by \$350,000 to a total of \$450,000. This represents the balance of funds that the Town has contributed to the Housing Trust.

With the increased investment from the Housing Trust, the shortfall is roughly \$60,000. SHS will invest an additional \$5,000 of its own funds in the house, leaving a remaining shortfall of \$55,000.

DISCUSSION:

1. Request from Senior Housing Solutions:

SHS requests that the RDA Board increase its funding commitment for their project from \$777,700 to \$832,700 to fill the remaining shortfall. SHS's revised pro forma includes now includes funding from following sources (Attachment 2):

<b>Town of Los Gatos</b>	<b>County CDBG/Home Program</b>	<b>Housing Trust</b>	<b>Senior Housing Services</b>	<b>TOTAL</b>
\$832,700	\$150,000	\$450,000	\$9,895	\$1,442,595

SHS has made an offer to purchase a single family home in Los Gatos. The offer contains a financing contingency which expires on April 17, 2008.

2. General Terms of Loan and Agreements:

At this stage in the funding process, this request is only for a commitment of funding from the RDA. RDA staff would then proceed to draft the formal agreements with SHS, which would be brought back to the RDA Board for approval.

At the previous RDA Board meeting, staff proposed that this loan mirror the terms contained in the previous loan to Project Match approved by the RDA Board in 2003. Those terms are summarized as follows:

- Loan term of 99 years at which time the loan will be due and payable in full or the property would revert back to the Town.
- 3% interest rate with deferred payments for the term of the loan.
- Units must be rented to seniors that qualify as a Very Low Income Household.

PAGE 3

MAYOR AND TOWN COUNCIL/CHAIR AND MEMBERS OF THE  
REDEVELOPMENT AGENCY

SUBJECT: INCREASE A PREVIOUS COMMITMENT TO LOAN \$777,700 OF  
REDEVELOPMENT AGENCY LOW AND MODERATE INCOME  
HOUSING FUND MONIES TO \$832,700 FOR SENIOR HOUSING  
SOLUTIONS

*March 31, 2008*

- Preference is given to seniors that live or work in Los Gatos.

SHS has requested that the loan term be modified. They propose a loan/revocable grant that does not have a specific repayment date, but would be repayable upon sale of the property or default on any of the Town's conditions. SHS states this type of funding would eliminate the impact of a deferred loan on their balance sheet by eliminating the annual accrued interest liability. This approach continues to ensure that SHS re-pay the Town including interest upon sale or default. SHS also states they are willing to designate this property as affordable housing in perpetuity if the Town is willing to finance the project with the revocable grant. The City of Campbell recently used a similar financing vehicle for a project in their jurisdiction.

3. Consistency with Plans:

This request is consistent the following Town plans as summarized below:

- General Plan Housing Element: The Housing Element and Housing Element Appendix acknowledge the need for housing at various affordability levels and for senior housing. The Element states that population of seniors in the Town will increase 90 percent from 2000 to 2020.
- Redevelopment Plan and Redevelopment Law: State Redevelopment Law and the Redevelopment Plan require the expenditure of 20% of redevelopment tax increment revenues for affordable housing. The funding of the SHS request will fall within the timeframe required by State law for expenditure of monies from the Los Gatos RDA's Housing Fund.
- Redevelopment Implementation Plan: These funds would target low-income households as encouraged by the Implementation Plan and State Redevelopment Law.

The Plan and State law require that a minimum of 84.7% of the RDA Housing Fund expenditures target non-age restricted housing within the implementation period of 2002-2014. With approval of the subject loan, the RDA would be required to spend a minimum of roughly \$6,800,000 on non-senior housing. Staff sees no issues with this amount given the current Housing Fund balance of roughly \$6.2 million and roughly \$1.2 million in revenues deposited into the fund annually in this and future fiscal years.

PAGE 4

MAYOR AND TOWN COUNCIL/CHAIR AND MEMBERS OF THE  
REDEVELOPMENT AGENCY

SUBJECT: INCREASE A PREVIOUS COMMITMENT TO LOAN \$777,700 OF  
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HOUSING FUND MONIES TO \$832,700 FOR SENIOR HOUSING  
SOLUTIONS

*March 31, 2008*

CONCLUSION:

The revised request is consistent with State Redevelopment Law and the Redevelopment Plan. An increased funding commitment of \$832,700 to Senior Housing Solutions will facilitate a five unit, very low-income senior housing project. The project would be funded with monies from the RDA's Housing Fund that must be spent on affordable housing projects. The facility would utilize an existing house in Los Gatos and is anticipated to be operational in roughly one year. If this commitment is authorized, staff will return with the necessary agreements for Board approval.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required. A categorical exemption will need to be granted when the Agency Board considers the final loan agreements.

FISCAL IMPACT:

Funding for this \$832,700 request would come from the Redevelopment Agency Housing Fund. The Fund has a current balance of approximately \$6.5 million.

Attachments:

1. Council/Agenda Staff Report for the meeting of December 3, 2007
2. Senior Housing Solutions Budget

Distribution:

Bob Campbell, Senior Housing Solutions, 512 Valley Way, Milpitas, CA 95035

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MEETING DATE: 12/3/07  
ITEM NO: 7

COUNCIL/AGENCY AGENDA REPORT

DATE: November 27, 2007  
TO: CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY  
FROM: PAMELA S. JACOBS, INTERIM EXECUTIVE DIRECTOR *P Jacobs*  
SUBJECT: DIRECT STAFF TO NEGOTIATE AN AGREEMENT TO LOAN \$777,700 OF REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND MONIES TO SENIOR HOUSING SOLUTIONS TO ACQUIRE AND REHABILITATE A HOME TO PROVIDE FIVE UNITS OF VERY LOW-INCOME SENIOR HOUSING.

RECOMMENDATION:

Direct staff to negotiate an agreement to loan \$777,700 of Redevelopment Agency Low and Moderate Income Housing Fund monies to Senior Housing Solutions to acquire and rehabilitate a home to provide five units of very low-income senior housing.

BACKGROUND:

1. Low and Moderate Income Housing Fund:

Under California Redevelopment Law, 20 percent of all redevelopment tax increment revenues must be set-aside in a separate account to be used for the purposes of affordable housing. These funds can only be used to retain or increase the supply of affordable housing in the community.

The Town of Los Gatos Redevelopment Agency (RDA) currently has a balance of roughly \$6.5 million in its Housing Fund. Redevelopment Law requires that an agency expend or encumber the money in its housing fund within specified timeframes. Specifically, housing fund amounts that exceed the aggregate amount deposited into the housing fund during the preceding four fiscal years is deemed to be "excess surplus." Agencies have three years in which to expend their excess surplus

PREPARED BY: *BNT* Bud N. Lortz, Deputy Executive Director  
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Reviewed by: \_\_\_\_\_ Assistant Town Manager/Deputy Director *JK* Town  
Attorney/General Counsel \_\_\_\_\_ Clerk Administrator/Secretary *JM* Finance  
 Community Development

PAGE 2

CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

SUBJECT: COMMITMENT TO LOAN REDDEVELOPMENT HOUSING FUNDS  
TO SENIOR HOUSING SOLUTIONS FOR ACQUISITION AND  
REHABILITATION OF SENIOR HOUSING

November 27, 2007

housing funds. Under the excess surplus requirements, the RDA must encumber \$519,000 from its Housing Fund by July 1, 2008.

2. Senior Housing Solutions:

Senior Housing Solutions (SHS) was formerly called Project Match. Their mission is to provide affordable housing to very low income seniors with annual incomes of less than \$12,000. SHS typically purchases an existing single family home which it rehabilitates to provide four or five senior housing units/bedrooms. Under their program, each senior is provided with an independent bedroom while the other living spaces are shared. SHS currently provides 42 units of senior housing in nine single family homes in Santa Clara County.

In 2003, the Town loaned SHS (then Project Match) roughly \$262,000 to purchase and rehabilitate a home in Los Gatos. The loan led to the purchase of the home at 14390 Blossom Hill Road.

DISCUSSION:

1. Request from SHS:

SHS requests \$777,700 of support from the Town to purchase and rehabilitate a second home in Los Gatos for five units of senior housing (Attachment 1). The five rooms would be rented to very low-income seniors whose incomes are \$1000 per month or less.

SHS proposes to fund this project from the following sources:

<b>Town of Los Gatos</b>	<b>County CDBG/Home Program</b>	<b>Housing Trust</b>	<b>Senior Housing Services</b>	<b>TOTAL</b>
\$777,700	\$450,000	\$100,000	\$4,700	\$1,332,400

When SHS has secured a financing commitment from the Town, they will submit applications to the County and the Housing Trust to obtain funding from those agencies. SHS targets May 2008 to secure all funding for the project. Subsequently, SHS will purchase a home and proceed with rehabilitation and conversion of the home to a senior residence. They hope to have the home complete in December 2008 with full rental by March 2009. A more detailed schedule is attached to their letter (Attachment 1).

PAGE 3

CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

SUBJECT: COMMITMENT TO LOAN REDDEVELOPMENT HOUSING FUNDS  
TO SENIOR HOUSING SOLUTIONS FOR ACQUISITION AND  
REHABILITATION OF SENIOR HOUSING

November 27, 2007

2. General Terms of Loan and Agreements:

At this stage in the funding process, this request is only for a commitment of funding from the RDA. RDA staff would then proceed to draft the formal agreements with SHS, which would be brought back to the RDA Board for approval.

Staff proposes that this loan mirror the terms contained in the previous loan to Project Match approved by the RDA Board in 2003. Those terms are summarized as follows:

- Loan term of 99 years at which time the loan will be due and payable in full or the property would revert back to the Town.
- 3% interest rate with deferred payments for the term of the loan.
- Units must be rented to seniors that qualify as a Very Low Income Household.
- Affordability restrictions will run for the 99-year period.
- Preference is given to seniors that live or work in Los Gatos.

These terms are similar to those used by other cities that have funded SHS projects.

3. Selection of Property:

Once SHS has secured all its financing, it can search for and enter into a contract to purchase a suitable home in Los Gatos. Typically, SHS tries to locate a home that can be modified to provide five bedrooms. Given the cost of housing near Downtown in the Redevelopment Project Area, it is likely that the home will be outside of the Project Area. When the RDA Board reviews the loan documents and agreements, staff will also include a resolution with findings to allow for Redevelopment Housing Funds to be expended outside of the Project Area, as allowed by Redevelopment Law.

When SHS has purchased a home, it will obtain building permits for any rehabilitation work. No conditional use permit is required, as State law preempts local government from regulating group homes of six or fewer individuals. However, SHS does conduct substantial outreach to the neighborhood in which the project will be located and the projects are generally well received once neighbors understand seniors will occupy the home.

PAGE 4

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TO SENIOR HOUSING SOLUTIONS FOR ACQUISITION AND  
REHABILITATION OF SENIOR HOUSING

November 27, 2007

4. Consistency with Plans:

This request is consistent the following Town plans as summarized below:

- General Plan Housing Element: The Housing Element and Housing Element Appendix acknowledge the need for housing at various affordability levels and for senior housing. The Element states that population of seniors in the Town will increase 90 percent from 2000 to 2020.
- Redevelopment Plan and Redevelopment Law: State Redevelopment Law and the Redevelopment Plan require the expenditure of 20% of redevelopment tax increment revenues for affordable housing. The funding of the SHS request will fall within the timeframe required by State law for expenditure of monies from the Los Gatos RDA's Housing Fund.
- Redevelopment Implementation Plan: These funds would target low-income households as encouraged by the Implementation Plan and State Redevelopment Law.

The Plan and State law require that a minimum of 84.7% of the RDA Housing Fund expenditures target non-age restricted housing within the implementation period of 2002-2014. With approval of the subject loan, the RDA would be required to spend a minimum of roughly \$6,800,000 on non-senior housing. Staff sees no issues with this amount given the current Housing Fund balance of roughly \$6.2 million and roughly \$1.2 million in revenues deposited into the fund annually in this and future fiscal years.

CONCLUSION:

A funding commitment of \$777,700 to Senior Housing Solutions will facilitate a five unit, very low-income senior housing project. The project would be funded with monies from the RDA's Housing Fund that must be spent on affordable housing projects. The facility would utilize an existing house in Los Gatos and is anticipated to be operational in roughly one year. If this commitment is authorized, staff will return with the necessary agreements for Board approval in early 2008.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required. A categorical exemption will need to be granted when the Agency Board considers the final loan agreements.



PAGE 5

CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

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TO SENIOR HOUSING SOLUTIONS FOR ACQUISITION AND  
REHABILITATION OF SENIOR HOUSING

November 27, 2007

FISCAL IMPACT:

Funding for this \$777,700 request would come from the Redevelopment Agency Housing Fund. The Fund has a current balance of approximately \$6.5 million.

Attachments:

1. Letter from Senior Housing Solutions

Distribution:

Bob Campbell, Senior Housing Solutions, 512 Valley Way, Milpitas, CA 95035

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**SENIOR HOUSING SOLUTIONS  
LOS GATOS SENIOR RESIDENCE PROJECT  
SOURCES AND USES**

**4 Bedroom 3 Bath acquisition with rehab into  
5 Bedroom, 3 bath home  
185 Anne Way**

	Town of Los Gatos Redevelopment	Town of Los Gatos CDBG	LCD Temporary Urban Cnty CDBG/ HOME	GAP	Housing Trust of SCC	Senior Housing Solutions	TOTALS
<b>Acquisition</b>	672,000	0	0		428,000		<b>1,100,000</b>
<b>Rehabilitation</b>	77,000		143,000	0	0		<b>220,000</b>
<b>Closing Costs &amp; Fees</b> <b>91,270</b>	75,595	0	7,000	0	8,675	0	<b>91,270</b>
inspections & permits 3,275					3,275		3,275
escrow & title 5,400	5,000				400		5,400
prepaid insurance 1,900	1,900						1,900
perm loan admin fees 5,000					5,000		5,000
temp loan fees & interest 7,000			7,000				7,000
Developer Fee (approx. 5%) 68,695	68,695						68,695
<b>Vacancy reserve</b> <b>4,500</b>						4,500	<b>4,500</b>
<b>Start-up</b> <b>26,825</b>	8,105	0	0	0	13,325	5,395	<b>26,825</b>
program supplies 2,035					2,035		2,035
communications & cable 500	500						500
Equipment/House Furnish purchase 6,050	1,060				4,990		6,050
Contract services incl. A & E 16,500	4,805				6,300	5,395	16,500
utilities 1,740	1,740						1,740
<b>TOTAL</b>	<b>832,700</b>	<b>0</b>	<b>150,000</b>	<b>0</b>	<b>450,000</b>	<b>9,895</b>	<b>1,442,595</b>
<b>STATUS OF FINANCING</b>	<i>Committed</i>	<i>Pending</i>	<i>Recommended</i>	<i>Planned</i>	<i>Planned</i>	<i>Committed</i>	
<b>TYPE OF FINANCING</b>	<i>*Grant</i>	<i>*Grant</i>	<i>**Loan</i>	<i>Grant</i>	<i>Grant</i>	<i>Cash</i>	

\* GRANTS are planned as "Revocable Grant Deeds" -- Affordability period to be determined

\*\* LOAN REQUIREMENTS - All loans will be deferred or residual receipts.  
Affordability period to be determined

Temporary Loan uses and costs and permanent take-out sources