

MEMORANDUM

TO: Jim Hartshorn – Community Development Director
 FROM: Stacie Kvilvang & Keith Dahl - Ehlers
 DATE: August 31, 2020
 SUBJECT: Kmart TIF District Establishment

Dominium is proposing to construct a 247-unit affordable senior apartment and a 146-unit, non-age restricted affordable apartment on the following parcels:

Parcel number	Use
42-01700-55-060	Kmart
42-01700-50-012	Signal Hills Bank
42-01700-55-051	Signal Hills Mall

Parcels 42-01700-55-060 and 42-01700-55-051 are currently located in County TIF District #10 Signal Hills and will be decertified from that District prior to certification of the new Kmart District. In addition, the parcels will be replatted in which approximately only 98% of parcel 42-01700-55-060, which currently contains Kmart, will be part of the new district and approximately only 6% of parcel 42-01700-55-051, which contains Signal Hills Shopping Center, will be part of the District.

A housing TIF district has a 26-year term and requires that a minimum of 20% of the units be affordable at 50% of the area median income (AMI) or 40% of the units be affordable at 60% of the AMI. Dominium’s project will be 100% affordable to persons at or below 60% of AMI and therefore meets the requirements for establishment of the TIF district. Development will commence late this fall and the EDA has elected to receive the first TIF in 2023, so the district will terminate in 2048 (26 years).

The TIF budget is a maximum budget for the District and does not correlate to the amount or term of assistance being provided to Dominium which is approved under a separate action by the EDA. The Budget for TIF plan purposes is as follows:

USES	
Land/Building Acquisition	\$ 2,000,000
Site Improvements/Preparation	1,500,000
Affordable Housing	5,248,311
Utilities	750,000
Other Qualifying Improvements	1,750,000
Administrative Costs (up to 10%)	1,868,103
PROJECT COSTS TOTAL	\$ 13,116,414
Interest	7,432,721
PROJECT AND INTEREST COSTS TOTAL	\$ 20,549,135

Dominium will be provided assistance in the form of pay-as-you-go TIF notes over a 16-year term. The EDA will retain 10% of the annual TIF generated (approximately \$50,000) for administrative costs or for affordable housing projects and the remaining 90% will go to Dominion for payment on the TIF notes. When the TIF Notes are paid in year 16, 100% of the TIF generated will be available to the City for use on affordable housing projects (approximately \$500,000/year). A housing project is a rental or owner-occupied housing development intended for occupancy by low and moderate-income families under the following income guidelines:

Rental Housing: 20% of the units occupied by families at 50% of AMI (20/50) or 40% of the units occupied by families at 60% of AMI (40/60).

Owner Occupied: Assistance to homeowners with an income at or below 100% of the median income for a family of two or less or 115% of the median income for a family of three or more.

Examples of potential rental housing projects would include:

1. New affordable rental housing as part of redevelopment (20/50 or 40/60 election)
2. Renovation of an existing rental housing development (20/50 or 40/60 election)
3. Providing subsidy to an existing project that is earmarked for additional affordability (20/50 or 40/60 election)

Examples of potential owner-occupied projects would include:

1. Site acquisition and demolition for infill lots that will be sold for new housing construction
2. Acquisition of foreclosed homes for resale to income qualified buyers
3. Rehabilitation loans for home improvements
4. Second mortgages to qualified home buyers

In addition to approval of the TIF District, the City and EDA are approving an interfund loan for the TIF budget amount. This is an "up to" amount will only be utilized to cover the City/EDA for any expenditures they make for consultants and/or capital expenditures PRIOR to any TIF being available to cover the costs 100%. The interest rate is set at the statutory maximum of 5% (fluctuates annually).

Please contact either of us at 651-697-8500 with any questions.