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Title: Staff Report for a Resolution Authorizing an Allocation Not to Exceed \$1,700,000 from the City of San Leandro's Share of Alameda County Measure A1 Housing Bond Funds to San Leandro Senior Associates, L.P., a California Limited Partnership (an Affiliate of BRIDGE Housing Corporation) to Provide Emergency Gap Financing for the Construction of San Leandro Senior Apartments, an Affordable Senior Rental Housing Project (Marea Alta Phase II)

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Staff Report for a Resolution Authorizing an Allocation Not to Exceed \$1,700,000 from the City of San Leandro's Share of Alameda County Measure A1 Housing Bond Funds to San Leandro Senior Associates, L.P., a California Limited Partnership (an Affiliate of BRIDGE Housing Corporation) to Provide Emergency Gap Financing for the Construction of San Leandro Senior Apartments, an Affordable Senior Rental Housing Project (Marea Alta Phase II)

SUMMARY AND RECOMMENDATIONS

Due to recent unexpected and negative impacts on the Low Income Housing Tax Credit (LIHTC) market nationally and in California, affordable housing projects that were allocated tax credits from the California Tax Credit Allocation Committee (TCAC) are now facing funding shortfalls. BRIDGE Housing Corporation (BRIDGE) received an allocation of tax credits from TCAC in November 2016 which was expected to provide full financing for Marea Alta Phase II. However, the project now faces a funding gap of more than \$2 million due to the changes in the LIHTC market. BRIDGE is working with the Housing Authority of Alameda County to fill the funding gap, but still needs up to \$1.7 million in order to close escrow and proceed with San Leandro Senior Apartments (Marea Alta Phase II) construction in Spring/Summer 2017.

Alameda County Housing and Community Development Department (County HCD) took the initiative to address the tax credit shortfall issue by proposing that affected cities within the County could use a portion of their shares of the Measure A1 Housing Bond funds to help impacted developers fill unexpected funding gaps. County HCD plans to present this proposal for consideration by the County Board of Supervisors on March 7 for projects, such as Marea Alta Phase II, which have already received TCAC approval.

Staff recommends that the City Council adopt a resolution to 1) authorize the allocation of an amount

not to exceed \$1.7 million from its share of Measure A1 Countywide Housing Bond (Bond) funds to assist with the construction of Marea Alta Phase II; and 2) authorize the City Manager, or his designee, to execute and deliver such other instruments and to take such other actions as necessary to carry out the intent of this resolution.

BACKGROUND

Alameda County Measure A1 Bond

In November 2016, the Bond was passed by over 73% of voters. The \$580 million countywide Housing Bond program will fund the following three programs related to homeownership and two programs related to rental housing development:

- 1) Down Payment Assistance Loan Program (\$50 million), designed to assist middle-income households to purchase homes and stay in Alameda County;
- 2) Homeownership Housing Development Program (\$25 million), designed to assist in the development and long-term affordability of homeownership housing for low-income households to become first-time homebuyers; and,
- 3) Housing Preservation Loan Program (\$45 million), to help seniors, people with disabilities, and other low-income homeowners to remain safely in their homes.
- 4) Rental Housing Development Fund (\$425 million), to create and preserve affordable rental housing for vulnerable populations. See below for allocations by city from this Fund within Alameda County; and,
- 5) Innovation and Opportunity Fund (\$35 million), to respond quickly to capture opportunities that arise in the market to preserve and expand affordable rental housing and/or prevent tenant displacement.

Below is a summary of the Bond funding allocations by Alameda County city from the Rental Housing Development Fund totaling \$225 million. The remaining \$200 million from the Rental Housing Development Fund will be allocated to a regional competitive housing pool divided by North County, Mid County, East County and South County. BRIDGE seeks \$1.7 million from the City's \$11.9 million allocation from this Fund.

- City of Alameda (\$10.3 million)
- City of Albany (\$2.6 million)
- City of Berkeley (15.8 million)
- City of Dublin (\$8.8 million)
- City of Emeryville (\$2.8 million)
- City of Fremont (\$33.3 million)
- City of Hayward (\$20.3 million)
- City of Livermore (\$12.7 million)
- City of Newark (\$6 million)
- City of Oakland (\$54.8 million)
- City of Piedmont (\$2.4 million)

- City of Pleasanton (\$13.7 million)
- **City of San Leandro (\$11.9 million)**
- Unincorporated Alameda County (\$19.7 million)
- City of Union City (\$9.8 million)

Implementation of the programs to be funded by the Bond is expected to happen over an eight-year period. Initial work by County HCD towards implementation has already begun. The initial focus is on implementation work needed through June 2018, including development of more detailed program policies, development and issuances of requests for proposals, discussions with each city regarding focus and selection process for rental housing developments to be financed from base city allocations of funds.

County HCD is currently preparing detailed Bond program policies and will seek input from each city. County HCD plans to release a public draft of the proposed program policies in Spring 2017 and then should begin to finalize the policies and begin operating the housing programs in Summer/Fall 2017. San Leandro staff will update the City Council on all of the Bond programs once the program policies are closer to finalization this summer.

Marea Alta Phase II

Marea Alta Phase II, is the final phase of the 200-unit Marea Alta affordable mixed-use development, which will include 85 units of affordable senior rental housing. Marea Alta Phase I contains 115 affordable rental housing units as well as a childcare center and underground BART parking. The City provided \$9.75 million in funding from former Redevelopment Agency Housing Set-Aside funds to the \$58 million Marea Alta Phase I development.

With the award of low income housing tax credits from TCAC in Fall 2016, BRIDGE had the necessary financing for Marea Alta Phase II, which has a total estimated development cost of \$42 million. In Summary 2016, the City awarded BRIDGE \$1 million (from HOME and former Redevelopment Agency Housing loan repayments) in funding assistance Marea Alta Phase II. Other notable funding sources that BRIDGE received include State Housing and Community Development (State HCD) Proposition 1C grant funds, State Cap and Trade funds, Alameda County HOME/Boomerang funds, Federal Home Loan Bank Affordable Housing Program, and private permanent loans. See Attachment A for the Marea Alta Phase II pro forma. Marea Alta Phase II is now facing a financing gap of over \$2 million due to unexpected disruptions to the recent low income housing tax credit market.

Analysis

Subsequent to the November 2016 Presidential election, the President-elect's statements regarding his intention to lower the corporate tax rate and a bill pending in Congress had an immediate impact on the market for low-income housing tax credits nationally. LIHTC corporate investors lowered the amount they are willing to pay for the credits, causing significant funding gaps in local projects that are far along in the development process. This impacts projects that 1) have received an allocation of tax credits (such as Marea Alta Phase II) and 2) projects intending to apply in March 2017 for LIHTC allocations.

In Alameda County, the new funding gap created by this situation is approximately \$25 million spread out amongst Alameda, Berkeley, Emeryville, Fremont, Livermore, Oakland, Pleasanton, and San Leandro (see Attachment B). All of the developments contain units targeted to very low-income households and all have received city investments.

The Housing Bond presents an opportunity to close the unanticipated new funding gaps and allows the impacted developments to move forward. County HCD staff is in conversation with the cities (and affected developers such as BRIDGE) regarding this issue and the possibility of cities using portions of their base city bond allocations to fill these gaps.

In the case of Marea Alta Phase II, BRIDGE issued an RFP for the project's tax credits in December 2016, but received limited interest. The proposals that were submitted included significantly lower pricing than the market prior to the Presidential election. The change in tax credit pricing resulted in a more than \$2 million dollar funding shortfall for the project. In recent years, the California LIHTC market has been highly competitive with multiple bidders on most projects. The sudden change in market conditions was unexpected and has had a widespread impact on the affordable housing industry.

BRIDGE is working with the Alameda County Housing Authority to revise the Housing Authority's commitment of project-based vouchers. Those conversations have resulted in additional project funding. A \$1.7 million gap remains..

The Proposition 1C affordable housing infrastructure State grants totaling over \$20 million (which the City and BRIDGE received for Marea Alta in 2008) require the project build at least 200 units or repay the grant, adding urgency for Marea Alta Phase II to proceed.

Previous Actions

- April 6, 2009 - City Council approved the Owner Participation and Loan Agreement (OPLA) for a \$9.1 million Housing Set-Aside Loan to BRIDGE Housing for a 100-unit affordable rental housing development ("The Alameda").
- July 20, 2009 - City Council approved planning entitlements and environmental clearance under CEQA for the Cornerstone (formerly The Alameda) at 1400 San Leandro Boulevard and BART replacement parking.
- April 9, 2012 - Staff from the City's Community Development Department, BRIDGE Housing, Westlake Development Partners, and OSIssoft presented a revised San Leandro Crossings Master Plan at a City Council Work Session. Public comments included requests that the project developer work with City staff and key community members to put a childcare center in the Cornerstone project.
- June 18, 2012 - City Council approved the Amended and Restated Owner Participation and Loan Agreement (OPLA) with Alameda Housing Associates, L.P. and authorized the execution of all Transit Oriented Development Housing Program (TOD) Agreements required by CA State Department of Housing and Community Development (HCD).
- July 16, 2012 - City Council approved a Loan Agreement for a \$650,000 HOME Loan to

BRIDGE Housing for the 115-unit multifamily affordable rental housing development Marea Alta - Phase I (formerly Cornerstone).

- December 2, 2013 - City Council approved the First Amendment to the OPLA, including changes reflecting the City's replacement as successor agency to the former Redevelopment Agency.
- June 6, 2016 - City Council approved \$1 million funding for Marea Alta Phase II. The \$1 million consist of \$256,761 in federal HOME funds and \$743,239 in funds held by the City in its capacity as Housing Successor to the Redevelopment Agency.

Applicable General Plan Policies

Policy 3.01: MIX OF UNIT TYPES

Encourage a mix of residential development types in the City, including single-family homes on a variety of lot sizes, as well as townhomes, row houses, live-work units, planned unit developments, and multi-family housing.

Policy 3.02: MIX OF PRICE RANGES

Encourage a mix of price ranges to provide housing choices for San Leandro residents of all incomes and ages. Opportunities to include affordable units and market rate units within the same development projects should be pursued.

Policy 3.03: AFFORDABLE HOUSING DESIGN

Design new affordable housing to blend in with the existing fabric of the community. Affordable housing should be located in a variety of neighborhoods rather than concentrated in one particular part of the City.

Policy 3.04: PROMOTION OF INFILL

Encourage infill development on vacant or underused sites within residential areas.

Policy 3.05: MIXED USE ON TRANSIT CORRIDORS

Encourage mixed-use projects containing ground floor retail and upper floor residential uses along major transit corridors. Such development should be pedestrian-oriented, respect the scale and character of the surrounding neighborhood, and incorporate architectural themes that enhance the identity of adjacent commercial districts.

Policy 3.06: HOUSING BY NON-PROFIT DEVELOPERS

Promote the participation of non-profit housing organizations in the construction of new affordable housing in San Leandro, with particular emphasis on housing for seniors and working families.

Policy 3.07: AMENITIES AND SOCIAL SERVICES WITHIN NEW HOUSING

Encourage new affordable housing development to provide amenities for future residents, such as on-site recreational facilities and community meeting space. Where feasible, consider the integration of social services such as childcare within such projects.

Policy 53.06: NEW RENTAL HOUSING

Strongly encourage the development of additional rental housing in the City, including both market rate units and affordable units.

Policy 58.01: SENIOR HOUSING

In accordance with the needs analysis conducted as part of this Housing Element, encourage the production of housing targeted to San Leandro seniors.

Environmental Review

The City, acting as the lead agency, reviewed and approved a mitigated negative declaration under the California Environmental Quality Act (CEQA) for the project on July 20, 2009. Prior to taking action on the Original Agreement, the Agency considered the approved mitigated negative declaration for the project as required by Section 15096 of Title 14 of the California Code of Regulations. In addition, the project was considered in connection with the Final Environmental Impact Report for the Downtown San Leandro Transit-Oriented Development Strategy certified by the City Council pursuant to Resolution No. 2007-111 adopted on September 4, 2007.

Because Marea Alta Phases I and II received federal HOME funds, the appropriate level of environmental review under the National Environmental Protection Act (NEPA), was completed prior to the execution of the City HOME loan agreements.

Legal Analysis

This resolution was reviewed and approved as to form by the City Attorney's Office.

Fiscal Impacts

There is no fiscal impact to the City's General Fund. The \$1.7 million requested to fill the Marea Alta Phase II remaining gap will come from the City's estimated \$11.9 million share of the Alameda County Measure A1 Housing Bond. Therefore, the City's Bond allocation may be reduced to \$10.2 million.

Attachment to Staff Report

- Attachment A - San Leandro Senior Apartment Pro Forma
- Attachment B - Affordable Housing Projects in Alameda County Facing Financing Gaps from Low Income Housing Tax Credits.

PREPARED BY: Tom Liao, Deputy Community Development Director