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Staff Report for Approval of a Loan Agreement for Eight Hundred Thousand Dollars (\$800,000) Between the City of San Leandro and BRIDGE Economic Development Corporation to Construct Tenant Improvements for a Childcare Center at the Marea Alta Project

SUMMARY AND RECOMMENDATIONS

Childcare is a vital service for families, particularly lower income working households, in San Leandro. The development of a ground floor childcare center in the Marea Alta mixed use and affordable rental development is a high priority for the City. The shell of the childcare center is already constructed, which was part of the Phase 1 Marea Alta development. This proposed funding is for the childcare center tenant improvements. Staff recommends that the City Council approve the loan amount and authorize the City Manager to execute an \$800,000 loan agreement between the City and BRIDGE Economic Development Corporation (BREDCO), an affiliate of BRIDGE, and all other necessary documents for the design and construction of the childcare center tenant improvements.

BACKGROUND

In 2009, planning entitlements for the 200 unit residential development (formerly called Cornerstone and renamed Marea Alta) were approved by the Planning Commission and City Council. The former Redevelopment Agency of the City of San Leandro (RDA) also approved a \$9.1 million development loan from RDA Housing Set-Aside Funds to BRIDGE for the construction of Marea Alta.

The City also negotiated a memorandum of understanding (MOU) primarily between BRIDGE, Davis Street Family Resource Center (Davis Street), and the City to convene a working group and coordinate efforts to plan for and develop a childcare center as part of BRIDGE's proposed affordable housing development. The working group included key local stakeholders such as Alameda County, the Child Care Coordinating Council of Alameda County, and Congregations Organizing for Renewal (COR). For providing technical expertise for these efforts, Davis Street received a \$20,000 early

stage planning grant from the City's Low Income Investment Fund (LIIF) in 2009.

In 2009, federal, state and regional funds were envisioned as the primary funding sources for the tenant improvements for the Childcare Center. Unfortunately, these public funding sources are no longer available or have been substantially diminished for capital costs. This has left a shortfall for the development of a long planned and anticipated facility for child care services.

Analysis

Phase 1 of Marea Alta is nearing completion and full occupancy is scheduled for the end of January 2017. The project includes 115 affordable rental units that are primarily 2- and 3-bedroom units, an over 400 parking garage for tenants and BART replacement parking. The childcare center will be located on the ground floor.

The child care center will total approximately 7,200 square feet. It will be comprised of 4,850 square feet of child care center indoor space and an adjacent 2,400 square foot outdoor play area. The center will be licensed to serve up to 60 children (2 years to kindergarten age) and create 7 new jobs (1 site supervisor and 6 full time employees). Annual operating revenues for the childcare center are expected to come primarily from subsidized slots, but it will also include some private pay slots. The center will be open to the general public, including San Leandro residents, and will not be exclusive to Marea Alta tenants.

The total estimated construction and improvements cost for the childcare center is approximately \$975,000. See Exhibit A "Development Budget" of the Child Care Center Loan Agreement attached to the resolution. The construction costs are subject to change as the design is finalized. The source of funding for the childcare center to date is a \$50,000 grant from the San Francisco Foundation to BRIDGE. BRIDGE and Davis Street entered into a Memorandum of Understanding in 2015. They are currently negotiating a lease agreement. In the MOU, Davis Street committed to raise funds to close the gap between the loan and the total development costs of the improvements. This amount is currently estimated to be \$125,000, but it is subject to change.

On June 6, 2016, the City Council amended the FY 2016-17 Budget and set aside \$800,000 in funding in anticipation of this loan agreement. Funding was available from the \$2.1 million former Redevelopment Agency General Fund loan repayment that the City received.

Key terms of the loan agreement between the City and BRIDGE are:

- \$800,000, 1% annual interest, 20 year loan term - the outstanding loan principal will be reduced and forgiven annually by \$40,000 as long as BRIDGE is not in breach of the lease.
- All interest and principal will be forgiven if BRIDGE complies with all loan terms and conditions.
- No more than \$50,000 of the loan may be used for predevelopment costs (i.e., architecture, engineering, etc.), while the remaining \$750,000 must be used for construction costs related to the building of the child care center.
- BRIDGE cannot commence construction of the child care center improvements until it has confirmed that Davis Street, or another organization if Davis Street and BRIDGE fail to come to terms on an agreement, has fundraised its financial contribution share.
- BRIDGE is committed to ensuring the long-term viability of the child care center at Marea Alta. However, in the unlikely but worst case scenario that BRIDGE's chosen operator is unable to

operate the center, BRIDGE would have up to 12 months to find a replacement child care center provider. After 12 months, BRIDGE would then proceed to identify and lease the center to a community-serving use acceptable to the City.

- BRIDGE will pay prevailing wages to construct the tenant improvements.

The design of the interior space of the childcare center is currently underway. BRIDGE anticipates commencing construction of the child care center in 2017, depending upon the success of Davis Street's fundraising efforts. The tenant improvements are expected to take approximately two months to complete. Davis Street will prepare and submit a planning application to the City for a use permit for the child care center as required by the City Zoning Code.

Previous Actions

- April 6, 2009 - City Council approved the Owner Participation and Loan Agreement for a \$9.1 million RDA Housing Set-Aside Loan to BRIDGE Housing for an affordable rental housing development project (formerly Cornerstone and now named Marea Alta).
- July 20, 2009 - City Council approved planning entitlements and environmental clearance under CEQA for Marea Alta.
- April 9, 2012 - Staff from the City's Community Development Department, BRIDGE Housing, Westlake Development Partners, and OSIssoft presented the revised San Leandro Crossings Master Plan at a City Council Work Session.
- May 16, 2013 - BRIDGE and City staff presented to the City Council the development scope of work and architectural designs for the current 200 unit affordable rental housing development including a Phase 1 (115 workforce/family units) and Phase 2 (85 senior units).
- December 2, 2013 - City Council approved a resolution authorizing execution of the First Amendment to the Owner Participation and Loan Agreement (OPLA) and Regulatory Agreement with Alameda Housing Associates, L.P.
- September 15, 2014 - City Council approved the First Amendment to a HOME Investment Partnerships Program (HOME) Funds Loan Agreement, Promissory Note, Deed of Trust, and Regulatory Agreement with Alameda Housing Associates, L.P.
- June 6, 2016 - City Council approved amendments to the City of San Leandro FY 2016-17 Budget that includes \$800,000 in funding for a childcare center at Marea Alta.

Applicable General Plan Policies

- 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 3.07: 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 child care within such projects.

- **Policy 48.01: INCREASE AVAILABILITY OF SERVICES**
Increase the availability of affordable and accessible child care and after school activities, with an emphasis on center-based child care for infants and toddlers and additional activities at school sites.
- **Policy 48.02: DEVELOPMENT IMPACTS**
Ensure that child care needs are considered when new development is approved....
- **Policy 48.03: Coordination with Service Providers**
Work with social services agencies, non-profits, the school districts, and businesses to pursue creative and effective solutions to address child care needs in the community....

Environmental Review

The City, acting as the lead agency, reviewed and approved a mitigated negative declaration for the project on July 20, 2009 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 2007-111 adopted on September 4, 2007.

Board/Commission Review and Actions

- July 9, 2009 - Planning Commission approved planning entitlements and environmental clearance under CEQA for the Cornerstone located at 1400 San Leandro Boulevard and the BART replacement parking project.

Legal Analysis

The staff report, resolution and loan agreement were reviewed and approved as to form by the City Attorney's Office.

Fiscal Impacts & Budget Authority

The funding source for the \$800,000 City loan is a portion of the \$2.1 million General Fund loan repayment from the former Joint City/County Redevelopment Area approved by the State Department of Finance (DOF). On June 6, 2016, the FY 2016-17 Budget was amended so that \$800,000 is available in Account No. 210-42-151-5240 for the Marea Alta child care center loan.

Attachment to Related Legislative File

- Child Care Center Loan Agreement between the City of San Leandro and BRIDGE Economic Development Corporation

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