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**Title:** Staff Report for Execution of an Amended and Restated Owner Participation and Loan Agreement with Alameda Housing Associates, L.P., for an Affordable Rental Housing Project in San Leandro Crossings and Execution of the State Transit Oriented Development Housing Program (TOD) Grant Agreements and Documents for San Leandro Crossings

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Staff Report for Execution of an Amended and Restated Owner Participation and Loan Agreement with Alameda Housing Associates, L.P., for an Affordable Rental Housing Project in San Leandro Crossings and Execution of the State Transit Oriented Development Housing Program (TOD) Grant Agreements and Documents for San Leandro Crossings

**SUMMARY AND RECOMMENDATIONS**

At the April 9, 2012, City Council Work Session, the City Council reviewed the recent changes to the San Leandro Crossings Master Plan including the introduction of OSIssoft, LLC Inc. (“OSIssoft”), as a new project development partner in addition to BRIDGE Housing, Inc. (“BRIDGE”), Westlake Development Partners (“Westlake”) and the City. With the resulting revisions to the Crossings Master Plan and the State’s elimination of redevelopment in early 2012, the original Owner Participation and Loan Agreement (OPLA) between the City, Redevelopment Agency of the City of San Leandro (RDA) and BRIDGE requires modification; provided however, there is no change to the amount of funds previously committed by the Redevelopment Agency for the project’s rental housing component. In addition, agreements for the \$10.3 million State TOD Program grant awarded for the affordable rental housing must be executed and submitted to the Department of Housing and Community Development (HCD) by June 30, 2012. Therefore, staff recommends that the City Council:

- A. Approve the resolution authorizing the execution of an Amended and Restated Owner Participation and Loan Agreement with Alameda Housing Associates, L.P.,
- B. Approve the resolution authorizing execution of all TOD agreements and documents in the current form to meet the State’s statutory deadline of June 30, 2012. City and BRIDGE staff then plan to promptly work with State HCD after this deadline in order to seek approval to amend the TOD Disbursement Agreement back to BRIDGE’s original April 2012 proposal to

build the affordable 200 unit Cornerstone project on the east side and not build any residential units on the west side of the BART Station.

## **BACKGROUND**

In Summer 2008, Westlake, BRIDGE, the City, and the Redevelopment Agency of the City of San Leandro (RDA) jointly applied for funding under two State grant programs (the Transit-Oriented Development Grant and Infill Infrastructure Grant Programs), administered by HCD. Both grant programs were funded through Proposition 1C bond proceeds. The City, RDA, Westlake and BRIDGE were awarded approximately \$24.5 million in grant funding from HCD for infrastructure improvements related to the Alameda and BART replacement garage.

In April 2009, the City Council approved an OPLA including a \$9.1 million RDA Housing Set-Aside loan to BRIDGE for the proposed 100 unit affordable rental housing development, the Alameda, on the west side of the Downtown BART Station. BRIDGE was also awarded an allocation of low income housing tax credits for the Alameda in late 2009. In Spring 2010, Westlake, BRIDGE, the City and RDA formally delayed the Crossings due to the worsening economy and unanticipated constraints related to the two new HCD grant programs.

However, the revised Crossings Master Plan (see Attachment A: Site Plan for Revised San Leandro Crossings Master Plan) presented to the City Council on April 9, 2012 demonstrated an enhanced project that would not only further the City's Downtown TOD Strategy, but take advantage of high technology opportunities related to OSIssoft, create substantial permanent and short-term jobs, and provide additional and needed affordable workforce/family rental housing.

With the addition of OSIssoft, the project scope of the San Leandro Crossings Master Plan is changing as follows: 1) BRIDGE will develop a 200-unit affordable workforce rental development that will include the original 100-unit ("Alameda") component and a 100-unit "Cornerstone" component to be located at the site of the current BART parking lot east of San Leandro Boulevard, 2) BART replacement parking will be a surface lot instead of a parking garage and will be developed by BRIDGE, and 3) OSIssoft will develop a multi-phased technology campus on the site formerly designated for the Alameda. No additional phases of residential units are planned in the future.

## **Analysis**

### **Amended and Restated Owner Participation and Loan Agreement**

Below are the notable revisions under the proposed amended and restated OPLA:

- 1) The City, in its capacity as the housing successor to the former RDA, replaces the RDA as the contracting party under the amended OPLA. In January 2012, pursuant to ABx1 26, the City Council adopted a resolution agreeing to serve as the Successor Agency to the RDA and agreeing to assume the former RDA's housing assets, rights and obligations.
- 2) The location of the Alameda component of the affordable rental housing development has moved from the west side of the Downtown BART Station (at 1333 Martinez Street) to the east side of San Leandro Boulevard (at 1400 San Leandro Boulevard) where the planned market rate Cornerstone apartments would have been located under the original Crossings Master

Plan.

- 3) BRIDGE will construct a total of 200 affordable rental units at the new location. Because BRIDGE will be using the same 4-stories on podium parking design/plans for which Westlake received planning approval from the Planning Commission and City Council in 2009, BRIDGE will also retain the name, Cornerstone, for the proposed affordable apartment complex.
  - a. Of the 200 units, 98 units (or 49% of the total units) will be for very low income households (less than or equal to 50% area median income), 100 units will be for households with incomes at or below 90% AMI and 2 units will be for resident managers' units. Note that the State/federal tax credits program will require the project to have 100 units affordable to very low income and 100 units affordable to low income (at or below 60% AMI) households.
  - b. The unit breakdown by bedroom size will be: 82 one-bedroom, 58 two-bedroom and 58 three bedroom units plus 2 three-bedroom manager's units.
  - c. Amenities include 290 parking spaces, two unprogrammed ground floor retail spaces (< 5,000 sq ft), a leasing office, on-site laundry, bicycle storage, landscaped courtyard, and community room. Based on community feedback, BRIDGE and City staff re-started the childcare working group (including representatives from Davis Street Family Resource Center, the City's Community Development Department, Alameda County General Services Agency, Congregations Organized for Renewal, and Child Care Coordinating Council of Alameda County), which was created for the Alameda project, to explore the feasibility of placing a childcare facility in the Cornerstone and develop a fundraising plan.
- 4) BRIDGE will own the land for the Cornerstone, instead of ground leasing it from Westlake.
- 5) The predevelopment loan funding cap for BRIDGE shall be increased to about \$3.6 million for the revised affordable workforce housing component. The original OPLA predevelopment cap was \$2.2 million of which BRIDGE has expended \$2.1 million to date. The estimated total predevelopment budget is approximately \$4 million, of which City and BRIDGE will separately finance and be liable for about \$1.4 million each, and State HCD will cover the remainder. The primary predevelopment costs will be for architectural plans, engineering reports/plans, land acquisition and permit fees.

The total loan amount under the OPLA will remain at \$9.1 million. The outstanding loan obligation to BRIDGE is listed on the Recognized Obligation Payment Schedule (ROPS) that the City prepared in its capacity as Successor Agency to the RDA. The ROPS has been reviewed by the Successor Agency Oversight Board and the State Department of Finance. Excluding the \$3.6 million in predevelopment costs (of which \$2.1 million has been disbursed to date), BRIDGE will need about \$5.5 million for the construction phase. This loan will be funded from the existing Housing Set-Aside loan balance of about \$3.9 million, with the remainder to be provided from future allocations from the Redevelopment Property Tax Trust Fund established by the County-Auditor-Controller for eligible ROPS payments.

#### State HCD TOD Grant Program Agreements

The Crossings received approximately \$24.5 million from State HCD in Summer 2008 for the TOD and IIG Grant Programs. BRIDGE recently began discussion with State HCD to allow BRIDGE to

become sole grantee for the TOD and IIG grants because BRIDGE's affordable rental development and BART replacement parking lot would be the direct beneficiaries of the funding. State HCD has consented to BRIDGE becoming the sole grantee for the IIG grant funds thereby removing the City, Westlake and the former RDA as co-grantees. However, due to TOD Program requirements, the City must remain the grantee for the TOD grant.

Due to the revised scope of the Crossings Master Plan, particularly the reduction from 700 units of proposed residential construction down to 200 residential units, State HCD recently notified BRIDGE and the City that the IIG grant had been reduced from \$12.5 million to \$11.7 million and the TOD grant from \$12 million to \$10.3 million. Therefore, the total State HCD grant fell from \$24.5 million to \$22 million. BRIDGE will apply the \$22 million towards infrastructure improvements related to the Cornerstone and the BART replacement surface lot improvements.

### Next Steps

Below is the projected schedule for the Crossings Master Plan including the Cornerstone:

- June 18, 2012 - City Council meeting to review State HCD grant agreements and amendments to OPLA
- July 16, 2012 - City Council meeting to review BRIDGE request for \$650,000 in federal HOME funds for Cornerstone. The \$650,000 in available City HOME funds would be in addition to the \$9.1 million loan under the OPLA.
- Summer/Fall 2012 - BRIDGE replacement parking permit approval, City Council review of street vacation for Parrott and Martinez Streets and a new parcel map, and City planning entitlement review for OSI/Westlake Tech Campus Phase 1. City and BRIDGE staff to meet further with State HCD to seek approval to amend HCD agreements to reflect BRIDGE's April 2012 development proposal.
- Summer/Fall 2013 - OSI/Westlake begins Phase 1 construction for OSIssoft Tech Campus and BRIDGE begins construction of replacement parking lot
- Winter/Spring 2014 - BRIDGE completes replacement parking and begins construction on Cornerstone
- Winter 2014 - OSI/Westlake completes Phase 1 construction for OSIssoft Tech Campus
- Winter/Spring 2016 - BRIDGE completes Cornerstone construction

### Previous Actions

- April 6, 2009 - City Council approved the 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 at 1400 San Leandro Boulevard and BART replacement parking.

- April 9, 2012 - staff from City Community Development Department, BRIDGE Housing, Westlake Development Partners, and OSIssoft presented the 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.

### **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 child care within such projects.

- **Policy 3.10: CONVERSION OF NON-RESIDENTIAL LAND TO HOUSING AND PUBLIC USES**

Encourage the development of new housing on underutilized commercial and industrial sites which meet key criteria including:

- Sites on the edges of commercial or industrial areas, adjacent to established residential areas.

- Sites with adequate infrastructure, access, and road capacity.
  - Sites which are not constrained by external environmental factors, including freeway, railroad, and airport noise.
  - Sites where conflicts with surrounding uses would not be created in the event of re-use.
- Policy 53.04: INCLUSIONARY HOUSING  
Require the inclusion of affordable housing in new housing developments - both inside and outside of the redevelopment project areas.
  - 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.

### **Environmental Review**

The City, acting as the lead agency, reviewed and approved a mitigated negative declaration for the Project on July 20, 2009. On July 20, 2009, the City approved the Project Vesting Tentative Map and adopted a related Mitigation Monitoring Program. 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 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 BART replacement parking.

### **Summary of Public Outreach Efforts**

- May 1, 2012 - Crossings development team staff (i.e., BRIDGE, Westlake, OSIsoft, and City) held a community meeting at the Main Library. Twenty-six (26) people attended.
- May 2, 2012 - Crossings development team staff held a second community meeting at the Marina Community Center. Sixteen (16) people attended.
- The majority of public questions and comments at both community meetings were related to the affordable housing component and the Crossings development team staff members were able to address them. Overall, the meeting attendees were supportive of the project.
- There was extensive outreach for these two events include notifying local and regional news media, residential and business property owners adjacent to the project, homeowners associations, local and regional social/community services agencies, the San Leandro Unified School District (including Washington and McKinley Elementary, Bancroft Middle and San Leandro High Schools), and other interested individuals and organizations. The flyers are also

posted on the City website and in City facilities including City Hall and libraries.

### **Legal Analysis**

This staff report, amended and restated Owner Participation Loan Agreement, State HCD TOD agreements and related agreements and documents have been reviewed and approved as to form by the City Attorney's Office.

### **Fiscal Impacts**

The remaining loan balance for BRIDGE Housing under the OPLA is \$7,004,277.33 (Seven Million Four Thousand Two Hundred Seventy-seven and 33/100 Dollars) out of a total loan not to exceed \$9.1 million. See "Analysis" section for more detailed discussion of fiscal impacts.

### **Budget Authority**

The outstanding loan obligation to BRIDGE is listed on the Recognized Obligation Payment Schedule (ROPS) that the City prepared in its capacity as Successor Agency to the RDA. The ROPS has been reviewed by the Successor Agency Oversight Board and the State Department of Finance.

### **ATTACHMENTS**

- Attachment A: Site Plan for Revised San Leandro Crossings Master Plan

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