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Title: Staff Report for a City of San Leandro HOME Investment Partnerships Program (HOME) Funds Loan to Alameda Housing Associates, L.P. to Assist in the Construction of an Affordable Rental Housing Project (Cornerstone at San Leandro Crossings) Located at 1400 San Leandro Boulevard

Sponsors: Luke Sims

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Attachments: 1. BRIDGE Financing Plan for Cornerstone

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Staff Report for a City of San Leandro HOME Investment Partnerships Program (HOME) Funds Loan to Alameda Housing Associates, L.P. to Assist in the Construction of an Affordable Rental Housing Project (Cornerstone at San Leandro Crossings) Located at 1400 San Leandro Boulevard

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt the resolution 1) approving the HOME Loan Agreement for \$650,000, Regulatory Agreement, Promissory Note, and Deed of Trust to assist with the construction of the Cornerstone at San Leandro Crossings; and 2) authorizing the City Manager to execute and deliver such other instruments and to take such other actions as necessary to carry out the intent of this resolution.

BACKGROUND

In April 2009, the City Council approved a \$9.1 million Redevelopment Agency Housing Set-Aside loan to BRIDGE Housing Corporation (BRIDGE) to assist in the construction of The Alameda, a 100-unit affordable rental housing project located at 1333 Martinez Street on the west side of the Downtown BART station. The Alameda was the affordable housing component of the San Leandro Crossings Master Plan (Plan), a transit oriented development near the San Leandro BART Station in Downtown San Leandro. Due to the associated delays relating to the State's elimination of redevelopment agencies in early 2012 and the CA State Department of Housing and Community Development (HCD) Transit Oriented Development Housing Program (TOD) grants, however, the City revised its Plan in April 2012. The revised Plan moves the affordable housing component, renamed Cornerstone at San Leandro Crossings (Cornerstone), to 1400 San Leandro Boulevard and provides for the construction of 200 affordable rental units rather than the 100 affordable units under the former Alameda.

BRIDGE is requesting additional City funds for the Cornerstone's 200-unit design which is larger than the original 100-unit design for the Alameda. BRIDGE currently has a \$650,000 financing gap in its

construction budget (see attached financial pro forma). The total estimated development cost for the Cornerstone is \$70 million.

Analysis

The City of San Leandro receives federal HOME funds annually through the Alameda County HOME Consortium for affordable housing activities. The Consortium contains all of the Alameda County cities, except Oakland and Berkeley, plus the Urban County area.

The City currently has over \$900,000 in HOME funds that have accumulated since FY 2008. The HOME regulations stipulate a 24-month funds commitment requirement which mandates that funds be “placed under binding commitment to affordable housing within 24 months” from when the funds are deposited in the jurisdiction’s HOME Investment Trust Fund. The City currently has an “uncommitted” balance of about \$500,000 from FY 2010 and prior years that are “at risk” of recapture by HUD if these funds are not committed by July 31, 2012. By providing BRIDGE with a \$650,000 HOME loan, the City is able to commit these funds within HUD’s commitment deadline and avoid the de-obligation of HOME funds by HUD. BRIDGE is projecting to begin construction of the Cornerstone in Spring 2014.

The terms of the \$650,000 loan will be three percent (3%) simple annual interest for twenty (20) years. Eleven (11) units (6 two-bedrooms and 5 three-bedrooms) of the total 200 units will be restricted for very low-income households (50% AMI) at affordable rents throughout the 20-year affordability period under HOME regulatory agreement.

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 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.
- 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).

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

Pursuant to National Environmental Protection Act (NEPA), the appropriate level of environmental review for the proposed Cornerstone project will be completed prior to the execution of the loan agreements.

Legal Analysis

This staff report, HOME Loan Agreement and related agreements and documents have been reviewed and approved as to form by the City Attorney's Office.

Fiscal Impacts

The City currently has a balance of \$912,280 in uncommitted HOME funds from previous years. If this resolution is passed and \$650,000 in HOME funds is approved, there will be a remaining HOME balance of \$262,280.

Budget Authority

Budget authority for the Resolution comes from the Federal HOME Investment Partnerships (HOME) Program (under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended).

ATTACHMENTS

- BRIDGE Housing Financial Pro Forma for Cornerstone

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