



Legislation Text

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Staff Report for a Resolution Authorizing a Loan of \$1,000,000 from the City of San Leandro to Alameda Senior Housing Associates, L.P., a California Limited Partnership (an Affiliate of BRIDGE Housing Corporation) to Assist in Financing the Construction of an Affordable Senior Rental Housing Project (San Leandro Senior Housing) Located at 525 West Juana Avenue

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt the resolution 1) approving a \$1,000,000 Loan Agreement, Regulatory Agreement, Promissory Note, and Deed of Trust to assist with the construction of the San Leandro Senior Housing, also known as Phase II of the Marea Alta project; 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. Phase II represents the final phase of the 200-unit Marea Alta affordable mixed use development, which will provide 85 units of affordable senior rental housing in the City under the City's Housing Element, which was updated and adopted in early 2015.

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 delays related to the State's elimination of redevelopment agencies in early 2012 and the California Department of Housing and Community Development (HCD) Transit Oriented Development Housing Program (TOD) grants, the City revised its Plan in April 2012. The revised Plan moved the affordable housing component, renamed Cornerstone at San Leandro Crossings, to 1400 San Leandro Boulevard and provided for the construction of 200 affordable rental units rather than the 100 affordable units under the former project.

For feasibility and financing purposes, BRIDGE redesigned the 200-unit development into a 115-unit multifamily housing project (Marea Alta Phase I) and an 85-unit senior housing project (Marea Alta Senior Phase II). The City's \$9.1 million loan was allocated entirely for the 115-unit Marea Alta Phase I development, which is currently under construction and projected for full occupancy in Fall/Winter 2016.

BRIDGE is in the process of obtaining the necessary financing for the Phase II 85-unit senior housing project, which has a total estimated development cost of \$41 million. To date, BRIDGE has received approximately \$10.5 million for Phase II funding: \$1 million from the Federal Home Loan Bank's Affordable Housing Program, \$7.5 million in the newly created State Affordable Housing &

Sustainable Communities Program (Cap & Trade Funds), \$1.1 million HCD Prop 1C funds, and \$900,000 in Alameda County HOME and Boomerang Housing Funds. BRIDGE will also be applying for State/federal low income housing tax credits (LIHTC) in late June 2016 to fill the remaining financing gap. In order to be competitive for the LIHTC funding cycle, BRIDGE must obtain local matching funds. The State will announce LIHTC awardees in Fall 2016. If BRIDGE receives LIHTC approval, it can then proceed to apply for its City building permits and begin construction of the Phase II senior housing project upon permit approvals.

Analysis

The \$1 million City loan consists 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. The \$256,761 reflects the City's current balance in federal HOME funds that have accumulated since FY 2012. 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. This "uncommitted" balance of \$256,761 HOME funds are "at risk" of recapture by HUD if these funds are not committed by June 30, 2016. By providing BRIDGE with a \$1,000,000 loan, which includes a \$256,761 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.

The City will also commit \$743,239 in Housing Successor funds in addition to the \$256,761 HOME funds for a \$1,000,000 loan to BRIDGE. The source of these monies are the repayments of former Redevelopment Agency Housing Set-Aside loans (such as the City's former down payment assistance and owner-occupied housing rehabilitation loan programs as well as prior development loans to nonprofit developers). The re-allocation of these funds must be designated specifically for affordable housing activities, such as Marea Alta Phase II.

Loan Terms

The term of the \$1,000,000 loan will be three percent (3%) simple annual interest for fifty-five (55) years.

Predevelopment Funds

Under the loan agreement, BRIDGE will be permitted to use up to \$500,000 of its City loan for pre-development costs (i.e., architecture/design, engineering, etc.). The total pre-development costs are about \$1.5 million. BRIDGE must first expend \$250,000 of its own funds before it can utilize any Alameda County and City funding for pre-development costs. Below is the order in which pre-development costs will be funded:

- 1) \$250,000 from BRIDGE
- 2) \$350,000 from Alameda County
- 3) \$350,000 from City
- 4) \$400,000 from BRIDGE
- 5) \$150,000 from City - The City will only release this remaining \$150,000 after BRIDGE secures permanent financing

Affordability Restrictions

The 85-unit Phase II senior residential development will be a four-story Mission style building with a

community room. It will contain 77 one-bedroom, one-bath units and 8 two-bedroom, one-bath units. Forty of the 85 units consisting of 32 one-bedroom units and 8 two-bedroom units, will be designated for very low-income households (50% AMI). The remaining 45-units will be affordable as required by the State/federal LIHTC Program.

Approximately 35 parking spaces in the underground parking garage constructed in Phase I will be restricted for the Phase II senior residents in compliance with the Zoning Code, which requires 31 spaces (reflective of the reduced parking requirement for senior housing near BART).

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 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).
- July 16, 2012 - City Council approved the Loan Agreement for \$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.

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 & 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.

Policy 58.0: 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

Pursuant to the National Environmental Protection Act (NEPA), the appropriate level of environmental review for the proposed San Leandro Senior Housing project was 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 \$256,761 in uncommitted HOME funds from previous years (Eden Account #166-43-062-8509). If this resolution is passed and \$256,761 in HOME funds is approved, the City will commit its entire balance of uncommitted HOME funds. There will be a remaining HOME funds balance of \$0.00.

The City will also commit \$743,239 in Housing Successor Funds (Eden Account #168-43-238-5240). These funds are formerly Redevelopment Agency Housing Set-Aside funds designated specifically for affordable housing activities such as affordable rental housing developments.

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

Attachment to Staff Report

- Attachment 1 - Phase II Senior Housing Pro Forma

Attachment to Resolution

- Loan Agreement

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