# DESCRIPTION OF POTENTIAL A1-FUNDED HOMEOWNERSHIP HOUSING DEVELOPMENTS

*Sequoia Grove*

In June of 2009, the then City of Hayward Redevelopment Agency (the former RDA) used Low and Moderate-Income Housing funds (Low-Mod Funds) to acquire from the City a 0.7-acre parcel of land located at 123-197 A Street (at Meekland, the "Site") for the sum of $705,000. Due to the use of Low-Mod funds, the Site must be developed for housing affordable to low- and moderate-income households. Consequently, on July 26, 2011, Council authorized staff to negotiate a Disposition and Development Agreement (a "DDA") with Habitat for Humanity for the development of the Site and to submit an application to the State Department of Housing and Community Development ("State HCD") for funding under the Building Equity and Growth in Neighborhoods ("BEGIN"). Habitat's project proposes to build 10 for-sale housing units on the 0.7-acre parcel and these homes would be available to households earning 80% of Area Median Income (AMI).

However, at the end of June 2011, the Governor of California approved the State Budget for FY 2011/12, and signed a number of implementing trailer bills including the ABx1 26 and ABx1 27 (the "Voluntary Program Act") that dissolved the City's Redevelopment Agency. Pursuant to the dissolution process initiated by this legislation, the State's Department of Finance (DOF) initiated the review of all the RDA's assets.

During DOF's review of the former RDA assets, the agency was not able to grant Habitat control of the Site. In addition to this, DOF questioned the legitimacy of the Site as a housing asset even though its acquisition by the former RDA with Low-Mod Funds for affordable housing purposes was clearly documented. Finally, the Low-Mod funding balances of the former RDA not committed by the effective date of the dissolution were clawed back. This meant that the City was not able to commit any Low-Mod funding to fill the project's financial gap. As a result, the Project experienced a delay of over two years.

The City and Habitat continued working towards securing funding for the Project and negotiating the DDA because legal counsel and staff were confident that the Property would be recognized as a legitimate housing asset because it was originally acquired with Low-Mod funds. Thus, early in 2012, Habitat obtained a $600,000 allocation of CalHome funds and later in 2012, the City obtained a $460,000 allocation of BEGIN funds, both from State HCD to assist the homebuyers with down-payment assistance in the form of deferred loans. Habitat's Board of Directors also adopted a resolution with a pledge to fundraise funds and materials for the project.

In spite of the final housing asset determination by DOF acknowledging the legitimacy of the Site as housing asset, the project could not move forward because zero funding was available to fund this or any other affordable housing as Low-Mod funding balances of the former RDA not committed by the effective date of the dissolution were clawed back.

It was not until the Authority received the first SERAF repayment that Council took the actions necessary to reinitiate the development of the Site. Thus, on June 24, 2014, Council approved a $600,000 loan of Authority funds for the project and, consequently, authorized staff to initiate the negotiation of a Disposition, Development, and Loan Agreement ("DDLA" as opposed to a DDA).

As part of the City's development review which was reinitiated after the above-described Council actions, Habitat was required to conduct additional tests to determine the Site's environmental condition. Unfortunately, results from the analysis of the soil samples indicated contamination of the Site. Currently, Habitat is working with the U.S. Department of Toxic Substances Control ("DTSC") which provided Habitat a $60,000 grant to conduct the characterization of the Site's contamination. Habitat has now requested a grant from the DTSC to pay for the actual cleanup costs, estimated to be approximately $500,000.

In sum, City staff and Habitat have been diligent in pursuing the development of this critically needed project. The project was entitled on February 3, 2015 and Habitat is currently ready to pull its site development and building permits. However, the significant delays caused by the dissolution of Redevelopment process and the discovery of the presence of contaminants on the site represented new and complex financing challenges to the projects including: a) an increase in constructions costs; b) the loss of the $600,000 in CalHOME and $460,000 in BEGIN funds due to the project's inability to meet the expenditure deadlines; and c) the additional project costs due to the Site's contamination.

*Harder and I-92:*

Habitat has also submitted a preliminary proposal to partner with the City to develop a new affordable homeownership development of approximately twenty-two (22) two-story townhomes homes on a vacant 1.32-acre property currently owned by the City (the "Potential Site"). The Potential Site, an abandoned dead-end street on Harder Road (abutting I-92) is between a single family residential neighborhood and a commercial plaza off of Santa Clara Street that has been fenced off from the public for a number of years.

Habitat's proposal calls for the development of the homes as affordable to low-income households, including three-bedroom and four-bedroom homes ranging from approximately 1,200 to 1,400 square feet. This development will allow Habitat to take a vacant parcel of land in the City and convert it into a vibrant affordable for-sale housing project that will enhance the surrounding community. The proposed two-story buildings will act as a buffer between the commercial plaza and the neighboring, existing single-family homes. Like the Sequoia Grove project (at A & Walnut), the proposed development will feature a common area with open space, a central trash area, and surface parking spaces.

Habitat has conducted several studies to determine the feasibility of developing the Potential Site and has developed a budget that addresses the unique challenges of the site. These issues include: a) its proximity to the freeway and to an established single-family detached residential neighborhood; b) its use by trucks to access the next-door commercial plaza; and c) its intricate web of wet and dry underground and overhead utilities which must be relocated to allow for new buildings to be developed on the site, which can be a complicated and expensive undertaking. Habitat's proposal assumes that the Potential Site is suitable for residential use and that environmental contamination does not exist at the site.

Habitat intends to partially fund the TDC with the home sales proceeds and through fundraising for the low-income homes. Habitat would fundraise approximately $1.2 million ($112,000 per low income home). From the City or Housing Authority, Habitat's proposal assumes a financial contribution of $1.1 million (or $50,000 per home).

If this development proposal is pursued, the City would have to donate the Potential Site as Habitat's proposal assumes such donation. Alternatively, the Housing Authority could purchase the Potential Site from the City utilizing housing funds and later transfer it to Habitat for $1. This represents an additional contribution from the City which cannot be quantified at this time as currently there is not an appraisal of the land. However, assuming that the value of the land is at least $1 million, the City's total investment would be about $2.1 million.

Habitat's projected budget requires a $4.4 million A1 funding commitment, which is within the $200,000 maximum per unit A1 funding investment on homeownership development projects stipulated in the program parameters.

## DESCRIPTION OF POTENTIAL A1-FUNDED RENTAL HOUSING DEVELOPMENTS

### ***Allied Housing's Depot Road***

*Location*: 2595 Depot Road in Hayward at a site currently owned by Horizons in the Mt. Eden neighborhood.

*Housing Type*: permanent supportive housing for small (1-2 person) low-income households some of whom may have experienced homelessness, and veterans.

*No. of Units*: 63

*Unit Sizes*: micro studio-apartments.

*Developer*: Allied Housing (Allied), the development arm of Abode Services. Allied and Abode Services work together to increase the supply of quality affordable and supportive housing. Both organizations' mission statement is to end homelessness by assisting low-income, unhoused people, including those with special needs, to secure stable, supportive housing, and to be advocates for the removal of the causes of homelessness. Abode Services has served the Bay Area with housing and social service support for people experiencing homelessness for over twenty-five years.

Allied Housing has successfully developed 434 units of affordable supportive and special needs housing for both new construction and acquisition/rehabs. Allied is qualified through California Tax Credit Allocation Committee for the Low-Income Housing Tax Credit Program for General Partner for special needs housing type projects. Allied Housing has developed both new construction projects and has completed acquisition-rehabilitation projects.

*Property Manager*: Allied utilizes a third-party agent, the John Stewart Company ("JSC") to provide property management for its developments. JSC is the largest affordable property management company in California with experience in compliance for tax credit properties. JSC's management portfolio contains over 350 properties and more than 20,000 residential units.

*Service Provider:* Abode Services (Abode), one of the County's contracted clinical services contractors. The clinical services for the chronically homeless households and the onsite services coordination will be paid for through a combination of an external County contract and through project revenue.

*Financing proposed*: Tax Credits, A1 base City allocation, Prop 41 (Veterans Housing and Homeless Prevention Bond Act of 2014), State HCD No Place Like Home (NPLH) program funding and Hayward gap financing. Earlier in 2017, the City Council approved a $280,000 Community Development Block Grant (CDBG) funding commitment for this project.

*Affordability*: It is anticipated that this project will serve households qualifying as extremely low and low-income (earning less than 30% of the Area Median Income (AMI) to less than 60% of AMI).

*Site Control Status/Required*: Allied and Horizons (the owner of the property) have entered into a Memorandum of Understanding (MOU) that contemplates the sale of the property to Allied subject to the developer getting all land use approvals.

*Planning Approvals Status*: This project will require a zoning change as it is currently zoned AG, Agricultural. This will need to be changed to match the general plan designation – Limited Medium Density.

* Allied plans to developer the site so as to allow Horizons to continue operating Cronin House effectively.

## ***<u>Meta Housing's Mission Family Apartments</u>***

*Location*: 29497 to 29553 Mission Blvd.

*Housing Type*: apartments for extremely low-, very low- and low-income families – 20% of the units will be set aside for homeless individuals and families.

*No. of Units*: 78

*Unit Sizes*: the developer's preliminary proposal includes twenty-six one-bedroom, twenty-five two-bedroom units and twenty-six three-bedroom units.

*Developer*: Meta Housing Corporation (Meta) has been active in the financing, construction, and management of affordable housing since 1969, and has developed more than 8,729 units. Meta's growth has facilitated expansion into new housing types such as veterans, homeless, and supportive housing. Meta has broadened its reach to carry out projects all over California including their recent sixty-unit senior project located at 808 A Street in downtown Hayward.

*Property Manager*: Meta uses third-party management agents. It utilizes the services of four management companies that are matched up to specific properties according to the strengths of the company and the population served at each property.

*Service Provider:* Third-party local service providers Meta chooses based on the needs of the population served.

*Financing proposed*: Meta is proposing to finance the project with a combination of conventional construction/permanent debt, 9% LIHTCs, A1 (both from the competitive regional pool (based off current listed loan limits) and the base city allocation) and gap funding from the City. The project will also apply for vouchers from the housing authority for the 16 homeless units (once they are available) in order to leverage additional permanent debt. Additionally, Meta will apply for any additional sources of funding as they come available (for example, NPLH funds to be released in the summer of 2018)

*Affordability*: The project will serve extremely low- (at 20% of AMI) and low-income households (earning less than 60% of AMI).

*Site Control Status/Required*: Meta has entered into a Purchase and Sale Agreement (PSA) with the owner for the properties located at 29497, 29505, 29547, and 29553 Mission Blvd. *

*Planning Approvals Status*: Meta has engaged the Dahlin Group Architecture to start working on plans and guide its development team through the planning/approval process.

* The site is large enough for two projects. Meta Housing would look into building additional units through a second phase of construction on the portion of the site that would not be used in the first phase of construction.

## ***MidPen Housing's Senior Development at Clearbrook Circle***

*Location*: 29831 Clearbrook Circle on a portion of a site currently owned by the Pilgrim Baptist Church* which is relocating its worship community to Hayward. The site is bounded by Garin Avenue to the south, Woodland Drive to the north, and single-family homes on Larrabee Street to the west.

*Housing Type*: apartments for extremely low-, very low- and low-income seniors.

*No. of Units*: 60

*Unit Sizes*: one-bedroom apartments.

*Developer*: MidPen Housing Corporation (MidPen), one of the largest of affordable rental housing developer in Northern California. MidPen was founded in 1970 by Stanford University faculty and local business executives with the goal of addressing the lack of affordable housing in the San Francisco Bay Area Peninsula. Since its foundation, MidPen has developed over 7,500 affordable homes for low-income working families, seniors and those with special needs.

*Property Manager*: MidPen Property Management Corporation, MidPen's management affiliate founded in 1981.

*Service Provider:* MidPen has its own service provider affiliate as well: MidPen Resident Services Corporation.

*Financing proposed*: MidPen proposes to finance the project with 9% LIHTCs development. With an assumed 55% tiebreaker, the Total Project Costs (TPC) are estimated at $26 million. After tax credit equity, permanent debt, and Affordable Housing Program funds, the remaining gap is anticipated at $10.8 million. In accordance to the final A1 guidelines, a maximum of $4.9 million may be funded with A1 funds (sum of base City allocation and regional competitive pool funds), leaving a gap of $5.9 million. As a 4% tax credit project, however, the TPC are about the same and, with the same funding assumptions, the remaining gap is higher at $12.4 million.

*Affordability*: extremely low- (at 20% of AMI) and low-income seniors (earning less than 60% of AMI).

*Site Control Status/Required*: MidPen and Pilgrim Baptist Church executed a MOU earlier this year, and are currently negotiating an Option to Lease (the "Option") for the residential portion of the property, which the parties anticipate being signed before the end of 2017. The residential land is proposed to be leased from the church over a 99-year term. The long-term lease will be executed prior to construction loan closing for the development.

*Planning Approvals Status*: The two parties are currently working to entitle the site and anticipate submitting an initial entitlement package to Development Services within two months.  The package will include the concept design for both the Church and the residential project.

* Baptist Pilgrim Church chose to partner with MidPen on this project because they think that MidPen will be able to deliver a quality development on this site.

***BRIDGE Housing's Development Proposal at 24985 Hesperian***

*Location*: The proposed project is located in a four-acre vacant parcel located 24985 Hesperian Boulevard (APN 441-0020-007-01).

*Housing Type*: apartments for extremely low-, very low- and low-income households.

*No. of Units*: 159

*Unit Sizes*: one- and two-bedroom apartments.

*Developer*: BRIDGE Housing Corporation (BRIDGE), a non-profit developer that focuses on affordable and mixed-income residential development and acquisitions throughout the West Region. BRIDGE has participated in the development and acquisition of over 16,000 multi-family and mixed-use projects. Also, BRIDGE has enjoyed a successful track record of partnerships with all levels of government, market-rate developers and other nonprofits and was recently awarded an A+ rating from Standard & Poor's, a first for a nonprofit developer.

*Property Manager*: BRIDGE's own management affiliate, BRIDGE Management Company which currently manages approximately 10,000 homes.

*Service Provider:* BRIDGE provides resident and community services to residents of its properties through its own resident services provider affiliate.

*Financing proposed*: the developer will seek 4% tax credits which are used in combination with tax-exempt bonds, and AHP and A1 funds.

*Affordability*: extremely low- (at 20% of AMI) and low-income households (earning less than 60% of AMI).

*Site Control Status/Required*: BRIDGE is currently negotiating with the site owner on pricing and terms with the goal of executing a PSA within a few months.

*Planning Approvals Status*: To entitle the property BRIDGE will need a General Plan Amendment (GPA), as the site currently has a General Plan land use designation of Public/ Quasi-Public, which does not allow multifamily residential development. Therefore, the project will require a GPA to change the land use designation to either MDR (Medium Density Residential) or HDR (High Density Residential). The project will also need a Planned Development (PD) rezone as the site is currently zoned as Agricultural District, which does not allow multifamily residential development either. Other approvals the developer will need are a tentative parcel map, a Density Bonus (of up to 35%), an Airport Overlay Zone (approximately half of the four-acre project site is located within Hayward Airport Safety Zone 3), a Historic Resource Evaluation, and CEQA.

* The site owner chose to partner with BRIDGE on this project due to their established relationship.