



DATE: July 10, 2018

TO: Mayor and City Council
Housing Authority Chair and Board of Directors

FROM: Assistant City Manager

SUBJECT Approval of Amendments to the Tennyson Gardens Apartments Regulatory Agreement

RECOMMENDATION

That the City Council adopts a resolution authorizing an amendment and restatement of the first amended and restated regulatory agreement and declaration of restrictive covenants and related approvals for Tennyson Gardens Apartments (Attachment II), and

That the Housing Authority Board adopts a resolution authorizing an amendment and restatement of the first amended and restated regulatory agreement and declaration of restrictive covenants and related approvals for Tennyson Gardens Apartments (Attachment III).

SUMMARY

Eden Housing, Inc. (Eden), through its affiliated special purpose limited partnership with Gotta Have Faith, L.P. (the Developer) intends to rehabilitate Tennyson Gardens and Faith Manor Apartments. To facilitate the Developer's anticipated future rehabilitation activities, certain revisions and updates are needed to the Tennyson Gardens City and Housing Authority Regulatory Agreement. Eden has requested that the City and the Housing Authority: 1) authorize the transfer of the Tennyson Gardens Apartments to the Developer; 2) allow the Developer to cross collateralize Tennyson Garden Apartments, a City supported affordable housing development with Faith Manor Apartments; and 3) convert five (5) HOME-Assisted units that are restricted for occupancy by Low Income Households, to be restricted for occupancy by Very Low-Income Households. In exchange for the City's consent: 1) Eden will repay the entire Housing Authority Loan; 2) the Developer has agreed to extend the regulatory term on the Tennyson Gardens Apartments for a new 55-year term (an additional 17 years from the original term); and 3) the Developer will record the amended and restated regulatory agreement imposing operations and maintenance requirements against Faith Manor Apartments.

BACKGROUND

In 2001, the City authorized the issuance of Tax Exempt Multi-Family Housing Revenue Bonds and an \$800,000 loan from HOME Investment Partnership funds (the HOME Loan) to finance the acquisition and rehabilitation of the Tennyson Gardens Apartments, a 96 unit apartment complex affordable to low-income families. The property is owned by Tennyson Preservation Limited Partnership, an affiliate entity created by Eden Housing for tax credit purposes. The property is located at 981 W. Tennyson Road.

In 2009, the City authorized the issuance of Tax Exempt Multi-Family Housing Revenue Refunding bonds and the former Redevelopment Agency approved a \$1.5 million loan for the acquisition and rehabilitation of the Tennyson Gardens Apartments (the RDA Loan). The HOME Loan was paid off at this time; however, the regulatory requirements were amended and restated to incorporate the regulatory restrictions imposed as a condition of the funding of the HOME Loan and the RDA Loan.

Faith Manor is 62 unit rental complex located at 971-1001 Forselles Way and 27601 Tyrell Avenue in Hayward. An affiliate of Eden, Eden Faith Manor, LLC, acquired Faith Manor in 2016 from Glad Tidings Community Development Corporation (Glad Tidings). The City has not provided any previous financial assistance to Faith Manor.

DISCUSSION

Tennyson Gardens and Faith Manor were constructed in the late 1960s and are now in need of substantial capital repairs including: roof replacement, siding repairs or replacement, window replacement, concrete repairs, landscaping improvements, energy efficiency upgrades, accessibility compliance and improvements to the unit interiors.

Eden is in the process of putting together financing for this rehabilitation and intends to achieve costs savings and efficiencies by transferring Tennyson Gardens and Faith Manor to the Developer, a new limited partnership which would then use a common scheme of financing to perform concurrent repairs on the two properties.

The restructured financing would include: 1) transferring the properties to the Developer, in which Glad Tidings may have a special limited partnership interest; 2) repaying the balance of the \$1.5 million Redevelopment Agency Loan; and 3) applying for an allocation of 4% low-income housing tax credits and allocation of tax exempt bonds to be issued by the County of Alameda to fund the rehabilitation of both properties. The existing City issued bonds would be repaid. No additional City or Housing Authority assistance will be provided to either development.

Eden has also requested that the City modify the restrictions pertaining to HOME-assisted units at Tennyson Gardens. Currently, there are 11 HOME-assisted units of which five are restricted for occupancy to low income households and subject to rent restrictions set at the HOME high rent. Under HOME requirements, the property owner cannot exceed the HOME high rents, even if the tenant receives a housing subsidy. The proposed change converts five

units serving low-income households to five units serving very low-income households while allowing the owner to collect the maximum subsidized rents.

In exchange for the City's consent to transfer Tennyson Gardens to the Developer and approval of the restructured financing, Eden agrees to repay the balance of the \$1.5 million RDA Loan. In addition, the Developer has agreed to record an amendment and restatement of the regulatory agreement against both properties. The amended and restated regulatory agreement will include: 1) imposition of maintenance and other operation requirements on Faith Manor; 2) extension of the term of the existing regulatory restrictions for the 94 units at Tennyson Gardens for an additional 17 years; and 3) restriction on all 11 HOME-assisted units at Tennyson Gardens for occupancy by very-low income households. Since the proposed financing structure does not require additional City subsidy and the existing loans will be paid off, the City will not impose rent and income restrictions on the units at Faith Manor. While the City will not impose rent and income restrictions at Faith Manor, both the State and the County will impose rent and income restrictions on Faith Manor that will secure housing affordability for 55-years. Attachment IV is a summary of the existing and proposed affordability restrictions, including 2018 income limits.

Additionally, staff has initiated a discussion with Eden regarding recording the amended and restated regulatory agreement senior to private financing. If agreed to, staff would negotiate amendments to the regulatory agreement with Eden (and the Developer) and private lender that would protect the private lender in the event of foreclosure yet allow the City and Housing Authority to preserve the affordability controls.

ECONOMIC IMPACT

The anticipated future rehabilitation work will not only improve the long-term viability of the properties but will also ensure the long-term affordability of the units to Hayward families as a result of new 55-year covenants that will be recorded against Tennyson Gardens, and the maintenance and operation requirements that will be imposed on the Faith Manor Apartments. The future rehabilitation work may also allow the City to receive partial credits towards State-mandated Regional Housing Needs Assessment (RHNA) targets as the work on the properties will qualify as substantial rehabilitation, which is one of the means for unit-production credits under the RHNA/Annual Housing Element Progress Report guidelines.

FISCAL IMPACT

The revisions and updates to the City and Housing Authority Regulatory Agreement do not have a fiscal impact on the General Fund or other special funds. There is no additional funding required from the City or Housing Authority related to this action. Eden will reimburse the City for associated legal fees.

Eden will also provide the Housing Authority approximately \$1.15 million to repay the remaining principal balance of the loan with the City's former Redevelopment Agency. Approximately \$686,235 in principal and interest payments have been made to date on this

loan. Revenue from the repayment of this loan will be used by the Housing Authority to support future affordable housing developments.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

Objective 1: Centralize and expand housing services.

Objective 2: Facilitate the development of diverse housing types that serve the needs of all populations.

Objective 3: Conserve and improve the existing housing stock.

Objective 4: Increase the supply of affordable, safe and resilient housing in Hayward.

SUSTAINABILITY FEATURES

The anticipated rehabilitation includes energy-efficiency improvements, including solar photovoltaics to offset common areas at both properties, solar thermal at Tennyson Gardens, new windows and envelope improvements at both properties.

PUBLIC CONTACT

This meeting has been noticed pursuant to the Brown Act. No other public notice is legally required because: a) the City and Housing Authority are not committing additional funding, and b) the City's revisions and updates to the Housing Authority Loan Documents do not trigger CEQA review.

NEXT STEPS

If the Council and the Board approves staff's recommendations, staff will negotiate the second amended and restated regulatory agreement by late October 2018.

Prepared by: Christina Morales, Housing Division Manager

Recommended by: María A. Hurtado, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read "Kelly McAdo". The signature is fluid and cursive, with the first name "Kelly" and the last name "McAdo" clearly distinguishable.

Kelly McAdo, City Manager