

**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 06/15/04  
AGENDA ITEM 4B  
WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council  
Redevelopment Agency Board

**FROM:** Director of Community and Economic Development

**SUBJECT:** City and Agency Funding to Eden Housing, Incorporated for Loans to Develop 57 Units of Affordable Housing

**RECOMMENDATION:**

It is recommended that the City Council and Redevelopment Agency Board adopt the attached resolutions appropriating funds for Eden Housing, Incorporated (EHI) to develop 57 units of affordable housing and authorizing the City Manager to execute necessary documents with EHI.

**DISCUSSION:**

Since the fall of 2002, EHI and City staff have been working together to identify sites for affordable housing developments in Hayward. The former Rasmussen dairy site was selected as the potential project site due to the size of the property (1.91 acres), its availability and its proximity to public transportation. As Council is aware, since operations ceased, this site has become a visual blight affecting both the neighborhood and the appearance of Mission Boulevard adjacent to the Union City line. EHI has secured a bridge loan to acquire this site.

EHI has proposed to build 57 units of rental housing that will be affordable to families with incomes from 30% to 60% of median household income. The development is composed of a mixture of flats and townhouse-type units that include:

- Six, one bedroom units;
- Twenty-nine, two bedroom units;
- Twenty-two, three bedroom units.

This project will be the first new construction rental housing development in the City in the past ten years that is affordable to households below 60% of median income. The total project cost will be approximately \$18.6 million dollars or approximately \$325,000 per unit. EHI intends to raise as much money as possible by obtaining federal and state low income housing tax credits. However, EHI can only raise approximately \$12.35 million through tax credits and will need to borrow \$6.25 million from the City to construct the development. In order to ensure that the rents will be as low as possible, the loans to EHI will be fully deferred with a three percent interest rate. The loan term will be for 55 years which is the term of the Regulatory Agreement.

The State allocates tax credits through a competitive process in which nonprofit organizations submit their affordable housing projects to be reviewed and ranked. The projects that score the highest number of points, based on state criteria, receive an allocation of tax credits. In order to score enough points to obtain tax credits, EHI has to demonstrate their "readiness" to construct the project by showing evidence that all other funds are in place. They also get additional points by leveraging public funds. At least 20% of the development's financing must be public funds in order to be competitive. Applications for the last tax credit competition of this calendar year are due July 22, 2004.

The funds from the City would be from two different sources: federal HOME Investment Partnership monies that the City obtains through its membership in the Alameda County HOME Consortium and monies from the Redevelopment Agency's Low and Moderate Income Housing Fund. The federal HOME Program is primarily designed to assist local governments to work with nonprofit housing development organizations to construct new affordable housing and/or to acquire and rehabilitate housing developments to ensure long-term affordability. The City receives an annual allocation of approximately \$550,000 each year as a member of the Consortium. Because these funds originate from HUD and reside in the Consortium's Line of Credit, the City does not actually receive the funds until it identifies an affordable housing project and appropriates the funds. Currently, the City has approximately \$4.5 million in its "account" with the Consortium. The funds would be drawn down over time, first, to repay the bridge loan for site acquisition and, then, to pay for site work and construction. After the HOME funds have been used, funds from the Low/Mod Fund would be utilized.

By state statute, 20% of the Redevelopment Agency's tax increment revenues must be deposited into a Low and Moderate Income Housing Fund. Monies from this Fund may be used in many different ways. The City has used the Low/Mod Fund to fill the financing gap on EHI projects, acquire land for affordable first-time homebuyer projects, and provide funds for the First Time Homebuyer Downpayment Assistance and Closing Costs Loan Program. Currently, the Redevelopment Agency deposits more than \$1 million each year into the Fund. State statute requires that expenditures from the Fund be made in approximately the same proportions as the percentage of very low, low, and moderate income housing units listed as the City's Housing Need as determined by the Association of Bay Area Governments (ABAG). Loaning funds to this project will help meet this requirement, since monies in the fund have primarily provided assistance for moderate income homeownership since 1995. Currently, the Fund has a balance of approximately \$3 million and an additional \$1 million will be deposited during FY 2004-2005. Funds are sufficient to carry out all current activities and provide the requested \$1.75 million.

There are a few sources from which EHI might obtain additional funds, however, these sources do not have funding rounds until later in the calendar year. The Federal Home Loan Bank's Affordable Housing Program (AHP) is an example. AHP's next funding round is in October. EHI will compete for funding in that round and it is highly likely that they will be able to obtain \$285,000. If this were to happen, EHI would use funds from that source instead of that amount of the City's commitment.

Staff recommends that Council adopt the attached resolution authorizing the expenditure of HOME and Low/Mod Funds for this project so that Eden Housing can compete in the July tax credit round.

Prepared by:



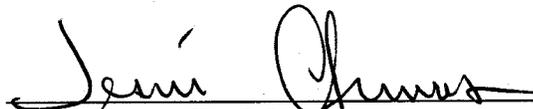
Ann R. Bauman  
Neighborhood and Economic Development Manager

Recommended by:



Sylvia Ehrental, Director of Community  
and Economic Development

Approved by:



Jesús Armas, City Manager

Resolution

# DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

*mbe*  
*6/10/04*

**RESOLUTION APPROPRIATING \$4.5 MILLION IN HOME INVESTMENT PARTNERSHIP FUNDS TO DEVELOP 57 UNITS OF AFFORDABLE HOUSING AND AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN DOCUMENTS WITH EDEN HOUSING, INC.**

WHEREAS, Eden Housing, Inc. (EHI) has proposed to build 57 rental housing units that will be affordable to families with incomes from 30 percent to 60 percent of median household income, composed of six one bedroom units, twenty-nine two bedroom units and twenty-two three bedroom units; and

WHEREAS, EHI can only raise \$12.35 million in tax credits of the total construction cost of \$18.6 million and will need to borrow a total of \$6.25 million from the City of Hayward and the City's Redevelopment Agency to construct the development; and

WHEREAS, EHI has requested a loan of \$1.75 million from the City of Hayward's Redevelopment Agency's Low and Moderate Income Housing Fund.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the appropriation of \$4.5 million from HOME funds as a loan to Eden Housing, Inc., is hereby approved, and the City Manager is hereby authorized to negotiate and execute all necessary documents with Eden Housing, Inc., in a form approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2004

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:  
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

**ABSENT: COUNCIL MEMBERS:**

**ATTEST:** \_\_\_\_\_  
City Clerk of the City of Hayward

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney of the City of Hayward

# DRAFT

## REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. \_\_\_\_\_

Introduced by Agency Member \_\_\_\_\_

*mme*  
*6/10/04*

RESOLUTION APPROPRIATING \$1.75 MILLION FROM THE REDEVELOPMENT AGENCY'S LOW AND MODERATE INCOME HOUSING FUND TO DEVELOP 57 UNITS OF AFFORDABLE HOUSING AND AUTHORIZING THE AGENCY'S EXECUTIVE DIRECTOR TO EXECUTE LOAN DOCUMENTS WITH EDEN HOUSING, INC.

WHEREAS, Eden Housing, Inc. (EHI) has proposed to build 57 rental housing units that will be affordable to families with incomes from 30 percent to 60 percent of median household income, composed of six one bedroom units, twenty-nine two bedroom units and twenty-two three bedroom units; and

WHEREAS, EHI can only raise \$12.35 million in tax credits of the total construction cost of \$18.6 million and will need to borrow a total of \$6.25 million from the City of Hayward and the City's Redevelopment Agency to construct the development; and

WHEREAS, by statute 20 percent of the Redevelopment Agency's tax increment revenues must be deposited into a Low and Moderate Income Housing Fund, which the Redevelopment Agency has used to fill the financing gap on EHI projects, as well as acquire land for affordable first-time homebuyer projects, and provide funds for the First Time Homebuyer Downpayment Assistance and Closing Cost Loan Program; and

WHEREAS, EHI has requested a loan of \$4.5 million from the City of Hayward's HOME funds.

NOW THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that the appropriation of \$1.75 million from the Low and Moderate Income Fund as a loan to Eden Housing, Inc. is hereby approved, and the Agency's Executive Director is hereby authorized to negotiate and execute all necessary documents with Eden Housing, Inc., in a form approved by the Agency's General Counsel.

HAYWARD, CALIFORNIA \_\_\_\_\_, 2004

ADOPTED BY THE FOLLOWING VOTE:

**AYES: AGENCY MEMBERS:  
CHAIR:**

**NOES: AGENCY MEMBERS:**

**ABSTAIN: AGENCY MEMBERS:**

**ABSENT: AGENCY MEMBERS:**

**ATTEST: \_\_\_\_\_  
Secretary of the Redevelopment Agency  
of the City of Hayward**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**General Counsel**