



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 07/18/06
AGENDA ITEM 10
WORK SESSION ITEM _____

TO: Mayor and City Council
Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Approval of a Construction Loan with Eden Housing, Inc.

RECOMMENDATION:

It is recommended that the Agency Board adopt the attached resolutions authorizing a construction loan to Eden Housing, Inc. and appropriating \$515,000 for this purpose.

DISCUSSION:

Eden Housing, Inc. is proposing to build a 60-unit senior citizen housing development and 12,500 square foot office as its headquarters at the northwest corner of C and Grand Streets, directly across from the BART Station. This project will serve to fulfill the inclusionary housing requirement for very-low income affordable housing that will be generated by the proposed development on the former Hunt-Wesson Cannery. In addition, this attractively-designed development will serve to fulfill a goal of the Cannery Area Design Plan which calls for a commercial office component on Grand Street. The proposed project was reviewed by the Council Downtown Committee on May 22, 2006, and the Planning Commission approved the project on June 22.

In an effort to fulfill its obligation to provide the very-low income housing, the developer of the Cannery Area, Citation Homes, acquired the 1.4-acre site, cleared it of improvements, and has entered into an agreement to convey it to Eden Housing at no cost. The site is valued at \$2.9 million. Citation will also provide the environmental clearance of the site, and has committed an additional \$2 million in funds to the project. Eden Housing is preparing to apply for 9% federal tax credit commitments for this project, enabling the project to be financed through tax credit syndication partnership proceeds. As an alternative, Eden Housing has also submitted this project for HUD Section 202 Senior Housing financing. Eden plans to finance the cost of the office component of this project by selling its existing offices on Jackson Street, and is also planning to secure additional financing for both the office and housing components through Wells Fargo Bank. The total project cost is expected to be approximately \$16.2 million, of which approximately \$2 million is attributable to the office component.

After the proposed project had been conceptually presented to the City, and during its due diligence effort, Eden discovered that the site is traversed by an enclosed, underground culvert

for Sulfur Creek. Eden explored whether the site plan could be effectively re-designed to avoid building over the Creek, but determined the resulting plan would have moved the parking for the project out onto the corner and massed the buildings at the back of the site – in opposition to the City’s design goals for this site. As a result, the decision was made to re-design the foundation for the new building to allow it to span the creek without danger to the culvert. The construction upgrades to the foundation are expected to increase the cost of the building by approximately \$507,000.

In order to meet the requirements and timetable for submitting an application for the 9% tax credits, Eden must have a funding commitment for this additional cost component in place by July 20, 2006. In order for the senior housing to be able to maintain very-low rent levels and meet the debt service and maintenance expenses of the development, the additional cost of the foundation must be funded with very low or no additional debt expense. As a result Eden is requesting that the Agency fund this cost differential via a low-interest loan to the project.

The Agency’s loan would have added benefits for financing the project in that: 1) it would help fulfill a requirement of the tax credit program that the sources of financing for the project include local “matching funds”, and 2) the Agency’s loan would trigger a requirement that the project contractor pay prevailing wages, which would in turn allow the project to qualify for additional tax credits to offset the higher cost of the project.

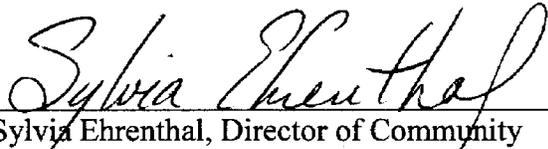
Staff recommends that the Agency Board authorize the Executive Director to execute a loan to Eden Housing for this project from the Agency’s Low and Moderate Income Housing fund in the amount of \$507,000, in order to cover the cost of the necessary foundation upgrades. As proposed, the loan would have a term of 15 years and carry an annual interest rate that is tied to the City’s investment portfolio rate, not to exceed 6%. During the term of the loan, Eden would be required to make monthly interest-only payments, and the principal balance of \$507,000 would be due at the end of the loan term, or upon sale. Eden would also be allowed to pay down the principal in any amount during the loan term, without penalty, and in the event Eden Housing is able to secure other sources of funding for these costs, the amount funded under this loan will be reduced accordingly at no penalty to Eden Housing. This loan would be subordinate to other primary institutional or government loans.

Staff further recommends that the Agency Board approve a total appropriation of \$515,000 from the Agency’s Low and Moderate-Income Housing Fund for the purpose of making the loan, and to provide for legal expenses that will be incurred in preparing the loan documents.

Prepared by:


Maret Bartlett, Redevelopment Director

Recommended by:

A handwritten signature in cursive script, reading "Sylvia Ehrental", written over a horizontal line.

Sylvia Ehrental, Director of Community
and Economic Development

Approved by:

A handwritten signature in cursive script, reading "Jesús Armas", written over a horizontal line.

Jesús Armas, City Manager

Resolutions

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-___

Introduced by Commissioner _____

**RESOLUTION AUTHORIZING APPROVAL OF A
CONSTRUCTION LOAN WITH EDEN HOUSING, INC. FOR
C AND GRAND SENIOR HOUSING OFFICES**

WHEREAS, Eden Housing, Inc., (EHI) is proposing to build a 60-unit senior citizen housing development and 12,500 square feet of office space for their organization's headquarters at the northwest corner of C and Grand Streets; and

WHEREAS, this project will serve to fulfill the inclusionary housing requirement for very-low income affordable housing as well as a commercial office component that will be generated by the proposed development on the former Hunt-Wesson Cannery; and

WHEREAS, the proposed project was reviewed by the Council Downtown Committee on May 22, 2006, and the Planning Commission approved a Site Plan Review and Parking Exception of the proposed project on June 22, 2006; and

WHEREAS, staff recommends that the Agency Board authorize the Executive Director to execute a loan to Eden Housing, Inc., for this project from the Agency's Low and Moderate Income Housing fund in the amount of \$507,000, wherein EHI would be required to make (monthly) interest-only payments and the principal balance would be due at the end of the loan term, or upon sale.

NOW, THEREFORE, BE IT RESOLVED, by the Redevelopment Agency Board of the City of Hayward, that the Executive Director is hereby authorized and directed to negotiate and execute a loan to Eden Housing, Inc., for the C and Grand Senior Housing and offices development, in an amount not to exceed \$507,000, in form to be approved by the General Counsel.

HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:

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

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-06-

Introduced by Agency Member Henson

**RESOLUTION AMENDING RESOLUTION NO. RA 06-15,
THE BUDGET RESOLUTION FOR THE REDEVELOPMENT
AGENCY OF THE CITY OF HAYWARD FOR FISCAL
YEAR 2006-2007, RELATING TO AN APPROPRIATION OF
FUNDS FOR THE C AND GRAND SENIOR HOUSING AND
OFFICE DEVELOPMENT**

BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that Resolution No. RA 06-15, the Budget Resolution for the Redevelopment Agency of the City of Hayward for fiscal year 2006-2007, is hereby amended by appropriating \$515,000 from the Redevelopment Agency Low and Moderate Income Housing Fund for Eden Housing, Inc., for the C and Grand Senior Housing development project.

HAYWARD, CALIFORNIA _____, 2006

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