



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: November 5, 2019

TO: Christine Daniel, City Manager

FROM: Charles S. Bryant, Community Development Director

SUBJECT: **Resolution Of The City Council Of The City Of Emeryville Authorizing The City Manager To Execute A Pre-Development Loan Agreement And An Affordable Housing Agreement With Resources For Community Development In The Amount Of \$2,000,000 For The Acquisition Of 3600, 3610 and 3620 San Pablo Avenue For The Development Of Affordable Housing (CEQA Determination: Exempt Pursuant To California Government Code Section 8693.4(a)(4) And State CEQA Guidelines Sections 15269(c), 15332, And 15061(b)(3))**

RECOMMENDATION

Staff recommends that the City Council adopt the above-entitled resolution authorizing the City Manager to execute a Pre-Development Loan Agreement and an Affordable Housing Agreement to provide \$2,000,000 to Resources for Community Development (RCD), a California nonprofit public benefit corporation, for the development of an affordable multifamily rental development at 3600, 3610, and 3620 San Pablo Avenue, Emeryville, California.

BACKGROUND

The parcels known as 3600, 3610 and 3620 San Pablo Avenue (together, the "Site") are located on the east side of San Pablo Avenue between 36th Street to the south and 37th Street to the north. Residential properties are adjacent to the east. The Site is comprised of three separate but contiguous parcels: 3600 San Pablo Avenue (APN 049-0950-006-01, 0.14 acres), 3610 San Pablo Avenue (APN 049-0950-008-01, 0.11 acres), and 3620 San Pablo Avenue (APN 049-950-001, 0.14 acres) for a total area of 0.39 acres.

3600 San Pablo Avenue was formerly a restaurant (Doug's Barbeque) and is currently vacant. 3610 San Pablo Avenue is currently leased to the Emeryville Citizens Assistance Program (ECAP), a community services organization that provides food to the homeless and near-homeless. The front portion of 3620 San Pablo Avenue is currently leased to a locksmith while the rear portion is warehouse space used by the current owner. The Site is under a single, private ownership.

On May 2, 2017 the City Council held a study session to consider the financial feasibility of redevelopment alternatives for the Site. The City Council endorsed an alternative that included 39 units of permanent supportive housing and ground floor commercial space for ECAP.

The Site fell into foreclosure and later the owner filed for bankruptcy. On August 1, 2019, the bankruptcy court approved a purchase agreement between the owner and RCD for the Site and designated RCD as the “stalking horse bidder” for a sale of the Site to be conducted on September 12, 2019.

On September 17, 2019, the City Council directed staff to move forward with preparing loan documents and any associated regulatory documents to facilitate RCD’s acquisition of the Site for the purpose of developing affordable housing. On October 2, 2019 the Housing Committee also recommended that the City Council support the redevelopment of the Site for affordable housing by providing the requested acquisition loan. Staff and RCD have negotiated the terms under which a pre-development loan would be considered by the City Council, as detailed in the attached letter (Attachment 1) and summarized below.

DISCUSSION

RCD is a non-profit housing developer that owns the Bay Bridge Apartments, located immediately adjacent to the property, to the east on 36th Street. As such, RCD is uniquely positioned to redevelop the Site for affordable housing, by combining the Bay Bridge Apartments property with the Site.

RCD has approached the City regarding the ability to provide financial assistance to support RCD’s acquisition of the site. RCD has indicated that they would construct a 100% affordable housing project on the Site and include ground-floor space for ECAP.

The Site is proposed to be developed with new construction of at least 39 units, one of which is an unrestricted manager unit and approximately 3,600 square feet of ground floor commercial space, to be provided for ECAP. The 38 affordable units will be restricted to households earning between 30% and 80% Area Median Income (“AMI”). At least 25% of the units will be permanent supportive housing units, targeted to formerly homeless households.

Under the terms of the draft Pre-Development Loan Agreement (Exhibit A of the attached Resolution) RCD will be required to comply with the following development milestones, to ensure redevelopment of the Site:

Task	Deadline
Submittal of Phase 1 Environmental Assessment to Alameda County Environmental Health Department	April 1, 2020
Submittal of Zoning/Planning application to the Emeryville Community Development Department	July 1, 2020
Project Entitlements secured	April 1, 2021
Apply for competitive state financing	April 1, 2022
Submittal of California 4% or 9% Tax Credit Application	July 2022

The proposed loan is for an amount not to exceed \$2,000,000.00 at an interest rate not to exceed 3% for a term of 3 years. The City Manager will have the option to administratively extend the loan, not to exceed 5 years from closing. The loan will be secured by a deed of trust, recorded against the property at closing. Additionally, an Affordable Housing Agreement (Exhibit B of the attached Resolution) will be recorded against the property to require the property to be used for low income housing, and this agreement's term shall be 75 years, unless required by other lenders to be 55 years.

If RCD meets the development milestones and obtains the additional financing in order to proceed with development, the loan term, upon closing all construction financing, may be extended to a term to coincide with the Affordable Housing Agreement term.

The loan shall not be eligible for disbursement prior to the City's approval of any other lenders or pre-development financing. Loan proceeds may only be used for the acquisition of the Site.

ENVIRONMENTAL REVIEW

This project is exempt from environmental review under California Government Code Section 8698.4(a)(4), which applies to actions taken by a City that has declared a shelter crisis to provide financial assistance to a homeless shelter¹; State CEQA Guidelines Section 15269(c), which applies to specific actions necessary to prevent or mitigate an emergency; State CEQA Guidelines Section 15332, which applies to in-fill development projects; and the "general rule" at State CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the proposal may have a significant effect on the environment.

FISCAL IMPACT

The City's Capital Improvement Program for Fiscal Years 2019-20 through 2023-24 includes a total of \$2,100,000 in funding for the acquisition of the Site as CIP Project Number H-07.

LEGAL CONSIDERATIONS

The City Attorney has reviewed and approved as to form the Pre-Development Loan Agreement, Affordable Housing Agreement and resolution accompanying this staff report.

STAFF COMMUNICATION WITH THE PUBLIC

Staff has communicated with RCD regarding their intentions for the Site.

CONFLICT OF INTEREST

None.

¹ The City Council declared a shelter crisis in the City of Emeryville pursuant to Resolution No. 18-156.

CONCLUSION

Staff recommends that the City Council adopt the attached resolution authorizing the City Manager to execute the Pre-Development Loan Agreement and Affordable Housing Agreement to provide \$2,000,000 to facilitate RCD's acquisition of the Site for the purpose of developing affordable housing

PREPARED BY: Valerie Bernardo, Community and Economic Development Coordinator II

REVIEWED BY: Chadrick Smalley, Economic Development and Housing Manager

APPROVED AND FORWARDED TO THE CITY COUNCIL OF THE CITY OF EMERYVILLE:



Christine Daniel, City Manager

ATTACHMENTS

1. 3600, 3610, 3620 San Pablo Avenue Loan Commitment Letter
2. Draft Resolution
 - Exhibit A – Pre-Development Loan Agreement
 - Exhibit B – Affordable Housing Agreement