



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: January 19, 2021

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 Commit To A Permanent Financing Development Loan In The Amount Of \$16,747,486 Between The City Of Emeryville And Resources For Community Development, A California Nonprofit Public Benefit Corporation, For The Development Of Affordable Housing At 3600, 3610 And 3620 San Pablo Avenue, Emeryville, California (CEQA Determination: Exempt Pursuant To California Government Code Section 8698.4(a)(4) And State CEQA Guidelines Sections 15268(a), 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 Commitment Letter for a Permanent Financing Loan in the Amount of \$16,747,486 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.

BACKGROUND

Property History

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 049-0950-001-00, 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 and is currently vacant.

Property Acquisition

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.

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 November 22, 2019, the City entered into a Predevelopment Loan Agreement with Evoy, L.P. (a subsidiary of RCD) to provide \$2,000,000 for RCD's acquisition of the Site. As a condition of the Predevelopment Loan Agreement, RCD is to redevelop the property into affordable housing with at least 25% of the units set aside for permanent supportive housing and to provide a dedicated space for ECAP's operations.

Predevelopment Loan Requirements

The Predevelopment Loan was issued for \$2,000,000 at an interest rate not to exceed 3% for a term of three years. Loan proceeds were used towards the acquisition of the Site. The City Manager has the option to extend the loan, not to exceed five years from closing, if RCD is making a good faith effort to meet the following development milestones and convert the loan to a permanent loan upon approval of additional development financing:

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

The loan is secured by a deed of trust recorded against the Site incorporating an Affordable Housing Agreement which requires the Site to be used for low income housing for a term of 75 years, unless required by other lenders to be 55 years.

Entitlements

RCD proposed the project be processed under the provisions of Senate Bill ("SB") 35 and Assembly Bill ("AB") 1763. On October 20, 2020, the Community Development Director approved the zoning application in compliance with SB35 and AB1763 to develop a new seven-story building with 89 affordable residential units and one resident manager's unit, with ground floor commercial space for ECAP. Zoning applications processed under SB35 are granted ministerial approval (staff level) and AB1763 requires no density limit for projects within one-half mile of transit.

Project Description

The entitled project includes a seven-story apartment building containing 90 residential units and 4,600 square feet of commercial space for ECAP to continue providing food distribution for low income residents. All of the units, except the manager's unit, will be affordable to extremely low and low-income households (i.e. 30-60% Area Median Income). Community spaces will include a community room with a common kitchen, flexible amenity space and outdoor space located on the second floor. Property

management and resident services offices will also be located on site. The property will also provide 30 parking spaces and secure storage for at least 90 bicycles. Thirty percent of the units will be reserved for formerly homeless households that include a member living with a severe mental illness. An RCD Resident Service Manager will serve all residents and a third-party case management provider will serve the formerly homeless households. Upon the securing of financing, construction is anticipated to start in Spring 2022 and be complete in approximately 24 months.

DISCUSSION

Development Funding Request

RCD has submitted a request to the City for a \$14,747,486 development loan, of which \$1,500,000 is to be used for predevelopment expenses. The project is estimated to cost \$69,000,000 for the residential and commercial components combined, with the construction cost of the residential units comprising \$44,000,000 of this amount, or \$491,000 per unit. RCD will be applying to the California Housing and Community Development Department for No Place Like Home (NPLH), Affordable Housing and Sustainable Communities (AHSC), and Infill Instructure Grant (IIG) funding. Additional funding is anticipated to be provided by Federal Home Loan Bank and through a first mortgage. At the amount requested by RCD, funding provided by the City would equate to approximately \$164,000 per unit.

The following tables depict the proposed uses and sources of development funding for the project:

Development Uses

	RESIDENTIAL	COMMERCIAL
Acquisition/Off site/Demo	\$2,802,652	\$77,348
Rehabilitation	\$0	\$0
New Construction	\$44,239,212	\$1,220,925
Architectural Fees	\$1,946,286	\$53,714
Survey and Engineering	\$194,629	\$5,371
Construction Interest and Fees	\$3,614,277	\$91,418
Permanent Financing	\$106,442	\$2,938
Legal Fees	\$29,194	\$806
Reserves	\$377,668	\$10,423
Appraisal	\$29,194	\$806
Construction Contingency	\$4,433,652	\$122,361
Other	\$4,677,258	\$129,084
Developer Fee	\$5,269,691	\$145,434
Syndication Expenses	\$145,971	\$4,029
Total	\$67,866,125	\$1,864,657
Total Uses	\$69,730,783	

Development Sources

	AMOUNT	INTEREST RATE	AMORTIZATION PERIOD (MONTHS)
First Trust Deed	\$2,938,000	4.35%	180
Tranche B: Operating Subsidy	\$0	6.00%	240
City Acquisition Loan	\$2,000,000		
City Predevelopment Loan	\$14,747,486		

AHP	\$890,000		
Recontributed Developer Fee	\$3,310,025		
HCD Loan (AHSC)	\$11,895,908		
HDC Loan (IIG)	\$3,000,000		
HCD Loan (NPLH Capital)	\$7,393,032		
Deferred Developer Fee	\$0		
Tax Credit Equity	\$23,556,332	0.00%	
TOTAL SOURCES	\$69,730,783		
OVER/(UNDER)	\$0		

In order to ensure RCD's application for NPLH assistance is competitive, RCD needs to secure a firm commitment for the funding to be provided by the City before the January 19, 2021 NPLH application deadline. Without a firm commitment of City funding, RCD's application for NPLH funding will score lower than the lowest-scoring successful application from the last NPLH round and will potentially delay redevelopment of the site by 12 months or more due to the inability to secure additional funding.

Conversion of Predevelopment Loan to Permanent Loan and Loan Terms

Per the Section 2.7(c) of the Predevelopment Loan Agreement, when construction or permanent financing is awarded by the City for the project through a Notice of Funding Availability or other process, the City Manager shall have the option to convert the Predevelopment Loan to construction or permanent financing. If the City Council authorizes the commitment of construction funding, and RCD successfully secures the Low Income Housing Tax Credits and other funding sources necessary to complete the project, staff will develop a permanent loan agreement for the City Council's future approval that includes conversion of the \$2,000,000 Predevelopment Loan to permanent financing and adds \$14,747,486 in additional development funding for a total permanent loan amount of \$16,747,486.

The loan would be for a term of 55 years, with a maximum simple interest rate of 3% per year. Prior to the end of loan term, the loan shall be repaid from surplus cash flow, or from the City pro-rata share of project surplus cash flow.

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 shelter; 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

Staff is proposing a loan commitment letter to be signed by the City Manager in the amount of \$16,747,486. If RCD is successful in receiving an award of low income housing

tax credits for the project, staff will develop a permanent loan agreement for City Council approval.

The City has four funds that are available for affordable housing development: [the Low- and Moderate-Income Housing Asset Fund (“LMIHAF”), the Affordable Housing Fund (“AHF”), the Affordable Housing Impact Fee Fund (“AHIFF”) and Measure C Affordable Housing Bond Funds. Staff proposes to use a combination of funds from the LMIHAF, AHF, AHIFF and Measure C Funds to support this request. Currently, there is sufficient revenue in the LMIHAF, AHF and AHIFF funds to support the identified amount of commitment from these funds. Funding needed from Measure C funds will be available upon the issuance of the first tranche of Measure C funds in spring 2022. The amount and types of funding proposed for commitment to the project are substantially consistent with the “Option 2” funding allocation plan presented to the City Council in the Study Session on December 15, 2020 regarding the draft Affordable Housing Bond Administration and Expenditure Plan.

Funding Source	Already Committed
LMIHAF	2,000,000
Sub-Total	\$2,000,000
Funding Source	Amount Proposed to Commit
LMIHAF	5,176,472
AHF	4,874,644
AHIFF	911,880
Measure C	3,784,490
Sub-Total	\$14,747,486
Grand Total	\$16,747,486

STAFF COMMUNICATION WITH THE PUBLIC

Staff has communicated with RCD regarding their intentions for the Site, and, on December 2, 2020, the Housing Committee voted to recommend that the City Council approve RCD’s request for an additional \$14,747,486 to support the Project.

CONCLUSION

Staff recommends that the City Council authorize the City Manager to execute a Commitment Letter for a Development Loan in the Amount of \$16,747,486 for the development of affordable housing at 3600, 3610 and 3620 San Pablo Avenue.

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

- Draft Resolution including Exhibit A, 3600, 3610, 3620 San Pablo Avenue Loan Commitment Letter