



Office of the City Manager

ACTION CALENDAR
December 7, 2004

To: Honorable Mayor and
Members of the City Council
From: Phil Kamlarz, City Manager *PK*
Subject: Allocation of Additional Funds for Construction of Sacramento Senior Homes' Apartments at 2517 Sacramento Street

RECOMMENDATION

Adopt a Resolution approving a fund reservation in the amount of \$727,072 from the Housing Trust Fund (HTF) for the construction of Sacramento Senior Homes' Apartments and authorizing the City Manager to execute a development loan agreement and any amendments and all other documents related to this fund reservation.

FISCAL IMPACTS OF RECOMMENDATION

The City previously entered into a \$1,400,000 contract with the Sacramento Senior Homes, Limited Partnership, the Developer, for this Senior housing project. The contract was funded with HOME Funds (\$1,400,000) in 2003. If the additional allocation of \$727,072 is approved, the total HTF portion will be \$2,127,072. The additional \$727,072 in funds would be allocated from FY '05 HOME funds currently allocated to the HTF. These funding sources are outlined in the following table. .

HOME	040-8151-465-9922	\$1,400,000*
Housing Mitigation	250-8151-465-9922	270,072**
HOME	040-8151-465-9922	<u>457,000</u>
		\$2,127,072

* Previously allocated loan amount

** Housing Mitigation Funds included in the City Manager's Recommendation for FY 2004 Carryover.

If the City approves the additional funds, the amount of City fund assistance will be approximately 19% of the \$11,186,619 total development cost. The remaining financing will be provided by a Section 8 Loan from U.S. Bank in the amount of \$1,357,773; U.S. Bank nonprofit bond financing of \$1,491,608; California Multifamily Housing Program loan of \$2,045,831; Alameda HOPWA funds of \$150,566; Federal Home Loan Bank loan of \$216,000; General Partnership equity (Capital Contribution) of \$557,645; and Low Income Housing Tax Credit equity of \$3,240,124.

CURRENT SITUATION AND ITS EFFECTS

The Housing Advisory Commission's (HAC) recommendations for HTF applications received in July, were originally scheduled to be reviewed by City Council on December 7, 2004. Due to other circumstances, City Council has now elected to review HTF applications at its meeting on January 11, 2005. However, AHA needs to close on its construction financing in December. In order to close on construction financing, all of the permanent financing amounts need to be committed. The additional \$727,072 will need to be approved by City Council so that construction loan closing can be held and the Developer can start construction on the project.

The HTF Subcommittee reviewed all of the HTF applications and on October 12, voted to recommend three of the applications for funding. The Sacramento Senior Homes' application request for \$727,072 was recommended for HTF funding and received the Subcommittee's top priority ranking of the three projects. AHA notified the City staff of the urgency of their HTF request after receiving information regarding the revisions to City Council's time schedule for review of the HTF applications. The staff then forwarded AHA's request for immediate funding to the HAC for consideration at its November meeting. On November 4, 2004, the Housing Advisory Commission reviewed the request for immediate funding and voted to recommend that City Council approve the additional funding.

BACKGROUND

Sacramento Senior Homes will be a mixed-use senior housing development; AHA purchased the property site in 2000 to undertake this senior housing development. The development will include 39 affordable apartments and one manager's unit, 18 parking spaces and 3,300 square feet of commercial space, lobby, community rooms and utility space on the ground floor. HUD approved the project for 39, Section 8 Project-Based Certificates. Fourteen (14) of the 39 apartments will house seniors with disabilities, including two units for seniors living with HIV/AIDS. The building will include three stories of wood-frame construction over a parking garage; the completed building will have a total of four stories, with a community room, open space suitable for a community garden, and a "front porch" type of area where residents may sit outside and interact with each other and their neighbors.

The City previously approved HTF financing in the amount of \$1,400,000. The \$1,400,000 in City funds has been disbursed to pay for project costs incurred to date. The Developer will leverage these funds with over \$9,000,000 in other financing to complete the project. The project has experienced a substantial delay due to the lawsuit brought against the City of Berkeley by some of the development's neighbors. The Court ruled in favor of the City and AHA (Defendants) in July 2003, but the decision was appealed. The State Court of Appeal recently ruled in the Defendants favor on the Appeal. The neighbors had until November 1, 2004, to appeal to the California Supreme Court and elected not to appeal.

Since the 2003 Court decision was appealed, the project's start date was delayed. In July of 2004, AHA submitted a HTF application requesting a total of \$727,072, which are for the most part due to increases in construction and development costs resulting from the delay in starting construction. These additional costs increases are a result of increases in insurance; legal costs associated with the appeal; construction interest rates; real estate holding costs; rising fees and interest on the \$100,000 bridge loan made by the Enterprise Social Investment Program (ESIC);

interest costs due to U.S. Bank for the issuance of \$50,000 of bonds to secure tax credits; attorney cost for lenders related to the delay in the project financing; and \$50,000 to fund a permanent financing gap requiring the Developer to defer additional equity. The Developer or General Partnership is already providing a General Partner Equity Capital Contribution of \$557,645. This Capital Contribution is a source of permanent financing provided by the Developer and will not be taken out of the project and will not be paid back to the Developer from the cash flow of the completed project.

RATIONALE FOR RECOMMENDATION

The Housing Department recommends that City Council approve AHA's request for the Sacramento Senior Homes at this time. The HTF request cannot wait until the January 11, 2005 meeting of City Council. AHA has informed staff that the construction lender and the Tax Credit investors both need to close on the construction financing and the Tax Credit Partnership by the end of this year, and would be unable to do so without all permanent financing needed for the development already committed to the project. The staff confirmed this with U.S. Bank, the construction lender. Construction start delays, especially as a result of uncommitted permanent financing such as this HTF amount will further increase project cost and could also reduce the tax credit equity investors' flow of funds to the project. If the loan closing can be held in December, construction will be able to start in either February or March 2005.

ALTERNATIVE ACTIONS CONSIDERED

AHA originally anticipated their request for additional monies would proceed as part of the published HTF time schedule and be reviewed and potentially approved by City Council in December 2004. However, City Council has since elected to postpone its review of the HTF applications until January 2005. In order to close on their construction financing in December, all permanent financing sources need to be committed and secured. If the project does not receive additional funds from the City the HTF at this time, the Developer must postpone the construction loan closing until the commitment can be secured. Moving the construction loan closing date until January would both increase the construction and loan closing costs and could also result in a loss of a portion of the tax credit equity to the project.

CONTACT PERSON

Stephen Barton, Housing Department Director, 981-5400
Roger Asterino, Community Development Project Coordinator, 981-5405

Approved:



Stephen Barton, Director
Housing Department

Attachment: Resolution

RESOLUTION No. – N.S.

APPROVING A FUND RESERVATION IN THE AMOUNT OF \$727,072 FROM THE FY 2005 HOUSING TRUST FUND FOR THE CONSTRUCTION OF THE SACRAMENTO SENIOR HOMES PROJECT AND AUTHORIZING THE CITY MANAGER TO EXECUTE A DEVELOPMENT LOAN AGREEMENT AND ANY AMENDMENTS AND ALL OTHER DOCUMENTS RELATED TO THIS FUND RESERVATION

WHEREAS, the City Council established a Housing Trust Fund Program to assist in the development and expansion of housing affordable to low income persons who either work or reside in Berkeley, and authorized the City Manager to implement the Program; and

WHEREAS, there is a great need for affordable and special needs housing in the City of Berkeley as stated in the General Plan Housing Element and the City's Consolidated Plan submitted to the Federal Department of Housing and Urban Development; and

WHEREAS, Affordable Housing Associates, Inc. continues to provide affordable and special needs housing opportunities to the City's residents.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to allocate Housing Trust Funds in the amount of \$727,072 from FY 2005 Housing Trust Fund Accounts 040-8151-465-9922 and 250-8151-465-9922 to amend the Development Loan Agreement for the construction of the Sacramento Senior Homes' Apartments.