




Office of the City Manager

ACTION CALENDAR  
July 13, 2010

To:  Honorable Mayor and Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Jane Micallef, Director, Housing & Community Services

Subject: Housing Trust Fund Reservation for Satellite Housing for the Acquisition of the Prince Hall Arms Senior Housing Site

RECOMMENDATION

Adopt a Resolution approving a funding reservation from the Housing Trust Fund in the amount of \$497,000 for acquisition of the property located at 3135 Harper Street.

FISCAL IMPACTS OF RECOMMENDATION

There are sufficient HOME funds currently in the Housing Trust Fund (HTF) to cover this reservation. The HTF monies, in the amount of \$497,000, are available to be reserved from FY 2011 Housing Trust Fund Accounts 040-8151-465-9922 and 370-8151-465-9922.

CURRENT SITUATION AND ITS EFFECTS

On January 15, 2010 the Housing & Community Services Department (Housing Department) released a HTF Notice of Funding Availability (NOFA) for proposals for affordable housing projects and accepted applications until March 1, 2010. In response, the City received nine proposals from housing groups including an application from Satellite Housing in the amount of \$750,000 to acquire the Prince Hall Arms site located at 3135 Harper Street. The HAC did not recommend a funding reservation to the Council for the Prince Hall Arms project during their initial review of HTF applications on April 15, 2010.

In May 2010, City Council approved funding for four affordable housing projects: Savo Island, UA Homes, BHA Public Housing and Strawberry Creek Lodge. Council directed the City Manager to keep the HTF round open in order to continue working with projects that had applied but not received funding reservations, including Prince Hall Arms.

BACKGROUND

For several years the Most Worshipful Prince Grand Lodge through its nonprofit affiliate, the Most Worshipful Prince Hall Arms, Inc. (collectively "Masons"), owned the property. In 1999, the City invested approximately \$582,000 in federal HOME and CDBG funds and worked with the developer/owner for many years in its attempt to develop the site. During those years, the Masons borrowed additional money secured by the property in

order to keep the development plans active. The Masons defaulted on several of these loans and subsequently incurred additional judgment liens on the property. One lien in the amount of \$600,000 was held by Buckley Real Estate, Inc. ("Buckley"), which began foreclosure proceedings on the property in late Spring 2009. The foreclosure sale was held on February 10, 2010 and Buckley acquired title to the property from the Masons. Since Buckley's loan was junior to the City's loans, he stepped in the shoes of the Masons and acquired all the recorded debt on the property, including approximately \$963,000 in principal and accrued interest owed to the City of Berkeley. In order to recoup these funds, the City initiated its own foreclosure proceedings and the initial trustee sale was scheduled for April 1, 2010. On March 23, 2010, Council expressed an interest in maintaining the site as affordable housing and postponed the foreclosure sale until October 30, 2010.

Satellite Housing, a local nonprofit affordable housing developer entered into a purchase agreement with the owner to acquire the site on March 1, 2010. Satellite commissioned Yovino-Young to prepare an independent appraisal of the value of the property. The April 2010 market value of the property is \$1,460,000. The difference between the appraised value and the value of the City's current lien on the property is \$497,000.

At its meeting of June 3, 2010, the Housing Advisory Commission unanimously adopted a motion to recommend that Council reserve \$497,000 from the HTF for Satellite Housing to acquire the Prince Hall Arms site, contingent upon Satellite's ability to obtain title to the property clear of Mr. Buckley's deed of trust lien and the two judgment liens. (M/S/C: Casalaina/Levenson/Unanimous). If Satellite is able to do so, staff recommends that the City cancel its foreclosure sale scheduled for November 2, 2010.

#### RATIONALE FOR RECOMMENDATION

Satellite Housing applied for HTF funds in the amount of \$750,000 for the development of 41 units of affordable senior housing on the site previously owned by the Most Worshipful Prince Hall Arms. Neither the City Manager nor the HAC recommended the project for funding in May because there were still unresolved issues regarding the planned acquisition of the site.

Satellite Housing is proposing to apply for funds from a number of sources, including the HUD 202 Program, the 4% Low Income Housing Tax Credit ("LIHTC") Program, and the Federal Home Loan Bank's Affordable Housing Program ("AHP") to finance the development of the project, currently estimated to cost \$14 million. Satellite anticipates that this project would be very competitive for all of these funds due to its readiness, location near amenities, and size of the development. Since the project site is currently entitled, staff anticipates the project proposal could move forward fairly quickly. Satellite indicates that it will request an additional \$1,400,000 from the HTF to complete the financing proposal for the construction of the project. This additional \$1,400,000 HTF financing commitment would be needed in 2011. Satellite anticipates it will request the

original City loan in amount of approximately \$963,000 of principal and interest currently owing, be assumed by them. This will allow Satellite to leverage other sources of funds for the financing of the project.

Normally, staff would delay making a recommendation for this level of acquisition funding until other funding sources were committed to the project. However, the recommendation to put the site back in the hands of an experienced affordable housing developer at this time is made as a result of a number of factors, including the status of the site in the hands of a private party, the need for the City to make a decision regarding continuing its foreclosure proceedings, and the HUD announcement that it may suspend the 202 senior program after the upcoming Fall 2010 funding round.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Roger Asterino, Community Development Project Coordinator, 981-5405

Attachment:

1: Resolution

RESOLUTION NO. ##,###-N.S.

HOUSING TRUST FUND RESERVATION FOR PRINCE HALL ARMS APARTMENTS  
FOR SATELLITE HOUSING IN THE AMOUNT OF \$497,000

WHEREAS, the City Council established a Housing Trust Fund Program to assist in the development and expansion of housing affordable to low and moderate income persons who either work or reside within the City of 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 of Berkeley's Consolidated Plan; and

WHEREAS, the purchase of the site by Satellite Housing would ensure the affordability of any development on the site and also allow Satellite to leverage other funds with the HTF funds to develop the site as a 41-unit affordable senior housing site; and

WHEREAS, at its meeting on June 3, 2010, the Housing Advisory Commission recommended a reservation of \$497,000 in HTF funds to assist Satellite Housing in the acquisition of the proposed Prince Hall Arms Senior Housing site at 3135 Harper Street.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Berkeley that the Council waives the Housing Trust Fund guidelines to allow an expedited review of funding applications.

BE IT FURTHER RESOLVED that the City Manager, or his designee, is authorized to execute a Development Loan Agreement with Satellite Housing in the amount of \$497,000 to acquire the site at 3135 Harper Street to develop 41 units of affordable senior housing provided that Satellite is able to obtain clear title to the site.

BE IT FURTHER RESOLVED that if Satellite is able to obtain clear title to the site prior to the November 2, 2010 foreclosure sale of 3135 Harper Street, the City Manager is authorized to cancel the trustee sale.

BE IT FURTHER RESOLVED this funding reservation is conditioned upon the satisfactory completion of the environmental review process, except as authorized by 24 CFR, Part 58 and should HOME and/or CDBG funds constitute a portion of the funding for any project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for any of the HOME and/or CDBG funded projects is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based upon the results of a subsequent environmental review under the National Environmental Policy Act.

BE IT FURTHER RESOLVED that this funding reservation expires on December 31, 2013 if the funds reserved are not fully expended in accordance with the provisions of this resolution.

BE IT FURTHER RESOLVED the City Manager, or his designee, is hereby authorized to execute all original or amended documents or agreements in accordance with the intent of this resolution.

BE IT FURTHER RESOLVED a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.

