

CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 03/27/07
AGENDA ITEM 8
WORK SESSION ITEM _____

TO: Mayor and City Council
Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Appropriation of Low and Moderate Income Housing Funds for Sara Conner Court

RECOMMENDATION:

It is recommended that the City Council and Agency Board adopt the attached resolutions appropriating Redevelopment Agency Low and Moderate Income Housing funds for the Sara Conner Court development by Eden Housing, Inc. and authorizing the City Manager to execute necessary documents.

BACKGROUND:

The Sara Conner Court affordable housing development, built by Eden Housing, Inc. (Eden) was completed earlier this year. This development, located within the Redevelopment Project Area on Mission Blvd., provides 57 units of rental housing that is affordable to families with incomes from 30% to 60% of median household income. The total project cost was approximately \$19 million.

The City and Agency Board allocated a variety of funds in 2004 to assist Eden with site acquisition, predevelopment, and construction of the affordable units including HOME funds (\$4.5 million) and Redevelopment Agency Low and Moderate Income Housing (Low/Mod) Funds (\$1.75 million). Additionally, \$350,000 was allocated from Community Development Block Grant (CDBG) funds. Each source of funding has its own specific regulations and requirements as to the eligible costs that may be reimbursed.

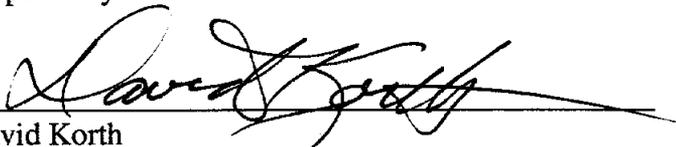
In February 2006, the use of the CDBG funds was reviewed as part of a routine monitoring by the U.S. Department of Housing and Urban Development (HUD). The monitoring report concluded that a portion of the costs reimbursed with CDBG funds was not eligible as a cost *necessary to effect the acquisition of the site.*

On May 23, 2006, the City Council and Agency Board authorized the appropriation of Redevelopment Agency Low/Mod Funds in the amount of \$63,727 for Eden Housing to replace a like amount of CDBG funds previously loaned to Eden for certain predevelopment costs. The City Manager was also given authorization to execute the documents necessary to return this same amount of funds to the City's CDBG line of credit. This transaction was completed before June 30, 2006.

Subsequently, HUD identified an additional \$214,954 in syndication and predevelopment costs paid for with CDBG funds on this project that were determined to be ineligible under current HUD regulations. These expenses had been eligible in the past under what was called the Rental Development Grant Program; however, the regulations were revised and CDBG funds can no longer be used for this purpose. Consequently, the City must now repay \$214,954 to its CDBG line of credit using non-federal funds in order to remedy this situation. The returned funds will become available for future allocation through the normal CDBG funding process. The identified syndication and predevelopment costs are eligible uses of the Agency's Low/Mod Fund, and it is proposed that these funds be allocated and added to the prior amended Agency loan amount on the same terms. Eden has agreed that this does not present a problem for the project financing or record keeping.

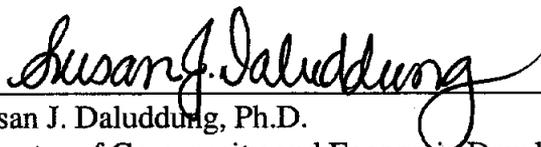
Therefore, staff recommends that the City Council and Agency Board adopt the attached resolution appropriating Low/Mod funds in the amount of \$214,954 to replace a like amount of Community Development Block Grant funds previously loaned to Eden Housing for the specified syndication and predevelopment costs associated with the Sara Conner Court rental housing project. And, that the City Council and Agency Board adopt another resolution authorizing the City Manager to execute the necessary documents allowing the Agency to amend its loan documents with Eden, and authorizing the City to return \$214,954 to its CDBG line of credit utilizing this source of non-federal Low/Mod funds.

Prepared by:



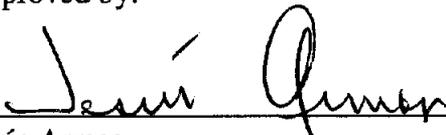
David Korth
Neighborhood and Economic Development Manager

Recommended by:



Susan J. Daluddung, Ph.D.
Director of Community and Economic Development

Approved by:



Jesús Armas
City Manager

Resolutions

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 07-

Introduced by Council Member _____

*man
3/22/07*

RESOLUTION AUTHORIZING THE CITY MANAGER TO
NEGOTIATE AND EXECUTE THE NECESSARY
DOCUMENTS TO RETURN FUNDS TO THE CITY OF
HAYWARD'S COMMUNITY DEVELOPMENT BLOCK
GRANT LINE OF CREDIT

BE IT RESOLVED that the City Council of the City of Hayward hereby authorizes the City Manager to negotiate and execute all necessary documents to enable the City to return \$214,954 to its Community Development Block Grant line of credit by June 30, 2007.

IN COUNCIL, HAYWARD, CALIFORNIA____, 2007

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward