



CITY OF
HAYWARD
HEART OF THE BAY

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DATE: September 18, 2007

TO: Mayor and City Council
Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Approval of Loan for \$750,000 to Hayward-Pacific Associates for Seismic Retrofit of The Majestic Apartments

RECOMMENDATION:

That the Agency Board adopts the attached resolution authorizing a loan to Hayward-Pacific Associates for a seismic retrofit of The Majestic Apartments and appropriates up to \$750,000 for this purpose.

BACKGROUND:

The Majestic Apartments are located at 959 Torrano Avenue, one block east of Mission Boulevard. The development consists of two buildings containing 81 apartments, including 51 one-bedroom units and 29 two-bedroom units plus a manager's unit. The apartment complex is under contract to be acquired by Hayward-Pacific Associates (the Developer), which is a limited partnership consisting of Pacific West Communities, Inc. and AMG & Associates. On June 26, 2007, the City Council approved the issuance of up to \$7.3 million in tax-exempt and \$1.1 in taxable multi-family housing revenue bonds in order to assist in the acquisition and rehabilitation of the development. Upon acquisition, the apartments would be converted to affordable housing for a period of 55 years. Seventy-two of the units will be made available to low-income households (those households earning no more than 60% of Area Median Income (AMI)), and eight to very low-income households (those earning no more than 50% of AMI).

On June 26, when the bonds were approved, the Agency Board directed staff to work with the Developer to ensure that seismic retrofit work be performed on the buildings to achieve a life-safety standard in the event of a major earthquake. In particular, the Agency directed that the soft-story condition currently affecting one of the buildings be corrected.

DISCUSSION:

Since the approval of the bonds last June, the Developers obtained a preliminary structural evaluation of the development along with an estimate of the cost to perform the recommended corrective measures. The estimated cost of the seismic retrofit work is approximately \$912,000.

The proposed retrofit work includes three primary components: 1) the correction of the soft-story condition via the installation of steel moment frames in the garage openings, addition of plywood shearing to the garage cross walls, and anchoring of the exterior masonry walls; 2) replacement and installation of inadequate shear wall siding on both buildings, and addition of structural straps to anchor the walls to the foundations; and 3) the installation of a seismic-break joint in one of the buildings. The City will require the Developer to comply with the 2006 International Existing Building Code prior to approval of the final seismic retrofit scope of work and any Agency loan disbursement.

The Developer has requested a \$750,000 loan from the Redevelopment Agency in order to cover most of the cost of undertaking the seismic retrofit work. They indicate that this will cover the remaining costs, including the cost of permits and a reasonable contingency allowance. For example, over \$100,000 previously estimated for siding repairs has been absorbed into the new retrofit costs.

The proposed term of the Agency loan is 55 years at 3% simple interest. Payments would be made from residual income on the property, after payment of the bond debt, part of the deferred developer fee, and the seller's carry-back loan. The deed securing the Agency loan will be junior to the liens of mortgages placed on the property when it is acquired by the Developer, including the bond debt and the seller's carry-back loan. In the future, the Developer would be allowed to refinance the property to obtain a better interest rate on the bond loan, in which case the Agency would subordinate its deed of trust to a new loan for no more than the outstanding debt. The Agency loan would be due upon refinancing exceeding the outstanding debt, sale of the property, or at the end of the 55-year period.

If the Agency loan is approved, the Agency and Hayward-Pacific Associates will enter into a Regulatory Agreement memorializing the operation, occupancy, maintenance, and affordability requirements for the project. The Agency will also enter into a Loan Agreement and other loan documents to evidence and close the Agency loan requirements. The Developer's cash flow projections indicate that the Agency loan could be paid off by approximately 2027. However, the Regulatory Agreement will remain recorded on the property to ensure that the owners of the property comply with the affordable requirements until 2062. The Agency will restrict the affordability of as many units as permitted by applicable law.

The Majestic Apartments complex is located outside the Agency's project area. Council resolution adopted on October 22, 1991 concluded among other things that Low-Mod funds spent to create affordable housing outside the project area will benefit the project area because there is a citywide need for affordable housing. Staff therefore recommends that the Agency Board approve a loan to Hayward-Pacific Associates for this project in the amount of up to \$750,000 to cover the cost of seismic retrofit work to The Majestic Apartments, and appropriate the loan funds from the Agency's Low and Moderate Income Housing fund.

FISCAL IMPACT:

The Agency's Low and Moderate Income Housing Fund currently has a fund balance of approximately \$7,589,799 in uncommitted funds. These funds must be spent on affordable

housing. During the preceding two years Council has approved loans for the acquisition and/or rehabilitation of affordable housing developments ranging from \$200,000 for the acquisition of Cypress Glenn Apartments to over \$1 million for the rehabilitation of Huntwood Commons Apartments. This loan represents an average Agency funding amount, has the benefit of adding 81 refurbished units to the City's affordable housing portfolio, and will enable the Developer to undertake the urgently needed seismic retrofit requested by Council on June 26, 2007.

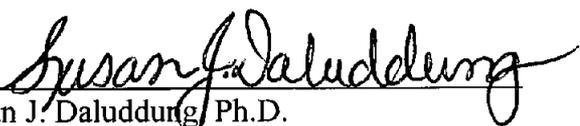
NEXT STEPS:

Upon approval of the loan, the Agency will start to negotiate the Regulatory Agreement and other loan documents to evidence the Agency loan and affordability requirements. No further action is required from Council during staff's negotiation of the loan documents with the Developer.

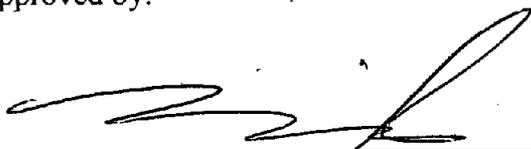
Prepared by:


Omar Cortez
Housing Development Specialist

Recommended by:


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

Approved by:


Fran David
Acting City Manager

Attachment(s): Draft Resolution

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-07-_____

Introduced by Agency Member _____

hmc
9/4/07

RESOLUTION AUTHORIZING APPROVAL OF A LOAN FOR SEISMIC RETROFIT OF THE MAJESTIC APARTMENTS

WHEREAS, Majestic Apartments located at 959 Torrano Avenue is under contract to be acquired by Hayward-Pacific Associates, which, upon acquisition and rehabilitation will be converted to affordable housing for a period of 55 years; and

WHEREAS, on June 26, 2007, the City Council approved the issuance of up to \$7.3 million in tax-exempt and \$1.1 million in taxable multi-family housing revenue bonds in order to assist in the acquisition and rehabilitation of the development; and

WHEREAS, staff recommends that the Agency Board authorize the Executive Director to execute a loan to Hayward-Pacific, for this project from the Agency's Low and Moderate Income Housing fund in the amount of \$750,000, wherein Hayward-Pacific would be required to make monthly payments at 3% simple interest which would be made from residual income on the property, after payment of the bond debt, part of the deferred developer fee, and the seller's carry back loan. The Agency loan would be due upon refinancing exceeding the outstanding debt, sale of the property, or at the end of the 55-year period.

NOW, THEREFORE, BE IT RESOLVED, by the Redevelopment Agency Board of the City of Hayward, that the Executive Director is hereby authorized and directed to negotiate and execute all documents necessary for the seismic retrofit of the Majestic Apartments located at 959 Torrano Avenue, in an amount not to exceed \$750,000, in form to be approved by the General Counsel.

HAYWARD, CALIFORNIA _____, 2007

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
 CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA 07-

Introduced by Agency Member _____

me
9/4/07

RESOLUTION AMENDING RESOLUTION RA 07-16, AS AMENDED, THE REDEVELOPMENT BUDGET RESOLUTION FOR FISCAL YEAR 2007-2008, RELATING TO AN APPROPRIATION OF FUNDS FROM THE REDEVELOPMENT AGENCY'S LOW AND MODERATE INCOME HOUSING FUND, FUND 452 FOR SEISMIC RETROFIT OF THE MAJESTIC APARTMENTS

BE IT RESOLVED by the Redevelopment Agency that Resolution No. RA 07-16, as amended, is further amended by appropriating \$750,000 from the Redevelopment Agency's Low and Moderate Income Housing Fund, Fund 452, for seismic retrofit of the Majestic Apartments.

HAYWARD, CALIFORNIA _____, 2007

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
 CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS: None

ABSENT: AGENCY MEMBERS: None

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel