



Office of the City Manager

ACTION CALENDAR

February 28, 2017

(Continued from January 24, 2017)

To: Honorable Mayor and Members of the City Council

From:  Dee Williams-Ridley, City Manager

Submitted by: Paul Buddenhagen, Director, Health, Housing & Community Services Department

Subject: Companion Report: Support for Oregon Park Senior Apartments

RECOMMENDATION

Refer the Housing Advisory Commission's recommendation that staff work with Oregon Park Senior Apartments (OPSA) to the Council prioritization process so that the Council can evaluate this recommendation in the context of other recommendations for the use of Housing & Community Services staffing resources.

FISCAL IMPACTS OF RECOMMENDATION

More information and analysis is required before the fiscal impacts of funding OPSA can be estimated.

CURRENT SITUATION AND ITS EFFECTS

OPSA is a 61-unit, resident-managed senior rental housing development. OPSA representatives reported that tenant incomes are restricted to 120% of median. The property has private funding and is not regulated by any public agency. At the November Housing Advisory Commission (HAC) meeting, OPSA representatives indicated a need for \$349,000 for repairs related to multiple housing code enforcement cases and sewer lateral work, including at least \$78,000 for work that had already been completed. They presented conceptual projections of future rent scenarios to support loan repayment.

The City previously offered to fund predevelopment work in 2005 and 2010, but OPSA did not agree to the terms of City funding either time. City funds supported capacity building technical assistance for the board before the development went into receivership a few years ago.

In light of the extent and duration of housing code enforcement issues at OPSA, the organization's capacity to complete repairs and maintain the property should be evaluated before providing public funds. Based on the age of the property and the housing code issues that have already been identified, it is likely that Oregon Park Senior Apartments has more extensive capital needs that should be assessed before the City funds repairs to ensure the longevity of this housing.

Typically requests for housing development funding go through the Housing Trust Fund (HTF). OPSA may not meet the HTF Guideline's standards for tenant incomes, which require a significant percentage of units in a building to be rented to tenants with income below 60% AMI and some to tenants below 30% AMI. Otherwise, however, OPSA is similar to other projects that have been funded through the City's HTF.

BACKGROUND

The City approved predevelopment funding for the property in 2005 and 2010 in response to housing code violations. In 2005, City staff worked with OPSA on a predevelopment loan agreement to pay for independent legal counsel. OPSA decided against signing the loan agreement. Board members expressed concerns to staff at that time regarding agreeing to City oversight and repaying the loan. In 2010, staff and OPSA were unable to come to an agreement regarding predevelopment loan terms for \$15,000 to pay for a physical needs assessment.

Considering prior experiences, the HAC's recommendation would require substantial staff time, and would include working on at least the following issues:

- Legal status and make-up of the organization, in order to be able to enter into a contract for public funds. In 2010, staff determined that OPSA was organized as a nonprofit organization, not a cooperative.
- Financial capacity of the organization, including examining reserves available for repairs, income and expenses, and terms of the existing debt.
- Organizational capacity and technical expertise to complete the proposed work. The HTF guidelines, as an example, require that applicants demonstrate a successful track record with similar projects either with current staff or through consultants. This 61-unit property is larger than many HTF-funded developments.
- A comprehensive physical needs assessment and a study of OPSA's replacement reserve needs (funds set aside annually to fund regular maintenance). Housing code compliance issues from 2005 to present are an indicator that the property probably has more physical needs than those identified for emergency repair. Since City housing funds typically come with 55 years of restrictions related to incomes, rents, and building quality standards, the comprehensive needs and assessment of OPSA's interest in moving forward given City restrictions, should be evaluated before the City commits development funding.
- Evaluating existing income and rent restrictions along with current rents. It is relatively common for tenant-managed housing to keep rents very low, which can result in too little rental income to operate the property, maintain it, and fund reserves for larger repairs. At the November HAC meeting, OPSA representatives reported that tenancy was restricted to households with incomes at or below 120% of Area Median Income (AMI), with an average tenant rent of

less than \$800 per month. Currently, affordable one-bedroom rents for households at 120% of AMI are \$2,340, around three times as much. Staff would need to work with OPSA on reviewing tenant incomes and rents for sustainability before committing development funds.

The City would need to evaluate the availability of funds for OPSA in the context of funds available in the Housing Trust Fund (HTF) and other proposed projects, including the Berkeley Way project which has been identified as a priority by Council. Measure U1 business license tax revenue will start being collected soon, and revenue from the Harold Way development depends on if and when the project proceeds.

The City's recent experience with Strawberry Creek Lodge (SCL) and William Byron Rumford Sr. Plaza (WBR) provide examples that may have parallels with OPSA. Although not a cooperative, SCL (150 units developed in 1962) was owned by the Strawberry Creek Lodge Foundation (SCLF), which exists solely to support that development and its residents. In 2008, SCLF applied to the City for \$126,500 for repairs through the City's Public Facilities RFP. In recognition of the scale of the needs, the project was referred to the City's Housing Trust Fund. Ultimately, SCLF partnered with Satellite Affordable Housing Associates, which was able to secure low income housing tax credits and completed more than \$12 million in rehabilitation with just \$820,000 in City funds.

In the case of WBR (43 units developed in 1990), South Berkeley Community Housing Development Corporation partnered with Resources for Community Development (RCD) for rehabilitation. RCD eventually concluded that it would not be feasible to use low income housing tax credits since tenant incomes were too high to qualify. The City provided more than \$4.6 million to support the rehab, including refinancing \$1.3 in outstanding City loans. These projects illustrate the scale of recent rehabilitation projects, and benefits of low income housing tax credits for projects that can qualify. If directed to work with OPSA, staff will recommend that the OPSA board reach out to tenant leaders at SCL and WBR to learn about their experiences.

ENVIRONMENTAL SUSTAINABILITY

There are no direct environmental effects associated with the content of this report.

RATIONALE FOR RECOMMENDATION

OPSA provides affordable housing for seniors, which are needed now more than ever. Housing code issues at OPSA evidence the need for more rehabilitation. Granting rehabilitation funds to this unrestricted property could assist with the current situation but would not address any underlying needs. Based on past experience, working with OPSA will require an investment of staff time and future funding, and should be evaluated alongside other housing priorities.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

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