



STAFF REPORT

DISCUSSION AND DIRECTION ON LMI PROPERTIES AND FUNDING

Honorable Chair and Board Members:

Summary

The Board is requested to provide direction on the use of its Low and Moderate Income (LMI) Fund and real property assets.

Background and Discussion

Over the past several years, the RDA has explored ways to use its Low and Moderate Income (LMI) Fund as well as the use and disposition of some of the five properties (the Emmett House, 1055 Sixth Avenue, 1365 Fifth Avenue / Old City Hall site, the corner of Sixth and O'Neill, and the Belmont House). Several memoranda have been prepared and forwarded to the Board describing the legal issues and time limits applicable to the Fund and properties. On March 8, 2005, the Agency's legal counsel made a presentation to the Board on a variety of LMI issues. Last week, a confidential memo from the Agency's legal counsel was distributed to the Board, providing more specific information on these assets.

Staff is seeking direction from the Board on specific actions it wishes to take, and thereby avoid any consequences that might result from exceeding legal time limits or producing an 'excess surplus', as defined by state law.

Options

There are a variety of options available regarding the LMI Fund and properties. Each is summarized below:

1. *LMI Fund* – The Fund has a five-year spending plan attached to it, which was shared with the Board this past March. We are presenting it again for the Board's review (see next page).

Belmont Redevelopment Agency Low and Moderate Income Housing Fund					
5 Year Operating and Capital Pro-Forma					
In Constant Dollars					
Year	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Opening Balance	\$3,741,330	\$2,531,367	\$2,504,367	\$2,477,367	\$2,465,367
Revenue	1,806,116	1,573,000	1,573,000	1,573,000	1,573,000
Less: Mid Year Adjustments					
Property Tax Administration	232,637				
Revenue	1,573,479	1,573,000	1,573,000	1,573,000	1,573,000
Gross Available	5,314,809	4,104,367	4,077,367	4,050,367	4,038,367
Less: Administrative Costs					
Administration	629,069	630,000	630,000	630,000	630,000
Debt Service	317,373	318,000	318,000	318,000	318,000
Less: Contracts					
Belmont House	10,000	10,000	10,000	10,000	10,000
Belmont Vista	152,000	152,000	152,000	152,000	152,000
Subtotal	1,108,442	1,110,000	1,110,000	1,110,000	1,110,000
Administrative and Other Costs					
Less: Capital Improvement Program					
Revolving Projects					
Single Family Rehabilitation	75,000	75,000	75,000	75,000	75,000
Multi-Family Rehabilitation	100,000	100,000	100,000	100,000	100,000
Homebuyer Assistance	300,000	300,000	300,000	300,000	300,000
One Time Projects					
1055 6th Avenue	5,000	5,000	5,000		
Emmett House	1,195,000				
730 El Camino Real		10,000	10,000		
Subtotal Revolving & One Time Projects	1,675,000	490,000	490,000	475,000	475,000
Mid Year Adjustment					
F Street Project	360,118				
Subtotal Capital Improvement Projects	2,035,118	490,000	490,000	475,000	475,000
Expenditures	2,783,442	1,600,000	1,600,000	1,585,000	1,585,000
Available Funds	\$2,531,367	\$2,504,367	\$2,477,367	\$2,465,367	\$2,453,367

Notes: 1) Amounts are in constant FY 2005 dollars and no adjustment has been made for inflation or tax increment growth, 2) Capital Improvement Projects based on 5 Year CIP FY 2005 Budget.

As presented, the Plan poses no concerns for creation of an ‘excess surplus’, and no specific changes are recommended.¹ However, the surplus will increase in the event that one or more of the capital programs identified in the Plan under perform or any of the properties identified below are sold for purposes other than affordable housing. The actual performance of the Fund’s programs will be monitored by staff to provide a guard against developing any potential surplus problems.

In addition, the Fund’s annual balance of \$2 to 2.5 million allows the Board to consider new housing initiatives that it may deem appropriate. A variety of opportunities are possible, including subsidizing affordable housing development at lower densities than would be possible under market conditions. Options for the LMI fund include:

- Conduct a public workshop to develop community-based ideas for the Fund’s use.
- Hire a consultant to prepare a comprehensive long-term spending plan.

2. *The Emmett House* – Based on the Board’s most recent direction, the Emmett House structure will be moved to the Sixth and O’Neill site and developed for two units. At this time, staff is working on the zoning entitlements and right-of-way vacation to allow this to occur. In addition, a revision to the interior floor plan and preparation of landscape plan are underway.

Since the withdrawal of Mid-Peninsula Housing Corporation from the project, the Agency must seek another developer. In addition, a decision may be needed regarding the development of the project for ownership or rental housing; that is, the Emmett House may be subdivided as a condominium as two for-sale units, or sold as an apartment building. Options for the Emmett House are

- Move it to the Sixth and O’Neill Avenue site and develop it as:
 - Two apartment units, or
 - Two ownership units, or
 - A different number of affordable units
- Move it to another site and develop it for some number of affordable units.
- Use it for some purpose other than affordable housing and reimburse the LMI fund for its value (to be determined).

Staff will return with a report on the status of the Emmett House within two months.

3. *1055 Sixth Avenue* – This small property is presently – and temporarily – used as a parking lot. It may be developed as affordable housing, held for some other Agency use or sold for

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1. The following clarifications are offered regarding the chart:

- The Opening Balance (FY 2005), and annual revenues and administrative costs are provided by the Finance Department
- Contract costs and the Capital Improvement Program are taken from the adopted FY 2005 budget, with the following adjustments:
 - The Emmett House project is increased by \$175,000 to account for inflation and additional design and processing costs
 - The F Street project costs of \$360,118 are included, based on the mid-year adjustment

development. Its small size will make affordable housing development a challenge, but no efforts to design a project have been undertaken to date. Options for the 1055 Sixth Avenue site are:

- Develop it for affordable housing
- Sell the property for affordable housing development
- Use the property for some other Agency purpose and reimburse the LMI Fund for its value (to be determined)
- Sell the property without an affordable housing restriction and reimburse the LMI Fund for its value

4. *1365 Fifth Avenue (old City Hall site)* – The Board considered two schemes for affordable housing development in 2004 but deemed each of them to be too dense and inappropriate for the neighborhood. In addition, the portion of the site currently occupied by the Center for the Independence of the Disabled (in the former Fire Station) must be resolved as CID is not a housing services operator and cannot be considered a long-term, LMI-funded tenant. Options for the 1365 Fifth Avenue site are:

- Develop it for affordable housing (Agency as developer)
- Sell the property for affordable housing development, including working with one or of the developers who has previously expressed interest in the site.
- Use the property for some other Agency purpose and reimburse the LMI Fund for its value (to be determined). This option could be applied only to the CID site, if desired.
- Sell the property without an affordable housing restriction and reimburse the LMI Fund for its value. Again, this solution could apply to the entire property or to the CID portion only.

5. *The Corner of Sixth and O’Neill* – This vacant site is presently considered the ‘receiving’ site for the Emmett House, and staff is pursuing actions to complete this relocation / refurbishment project as described above. Options for the site include:

- Develop it with the Emmett House, as currently planned
- Develop it for another affordable housing project (Agency as developer)
- Sell the property for affordable housing development
- Use the property for some other Agency purpose and reimburse the LMI Fund for its value (to be determined)
- Sell the property without an affordable housing restriction and reimburse the LMI Fund for its value

6. *The Belmont House* – This development has been held by the Agency and operated under contract as a group home by Kainos for adults with developmental disabilities. Options for the Belmont House include:

- Sell / lease it to Kainos or similar agency for group home use
- Develop it for affordable housing (Agency as developer)
- Sell the property for affordable housing development
- Use the property for some other Agency purpose and reimburse the LMI Fund for its

- value (to be determined)
- Sell the property without an affordable housing restriction and reimburse the LMI Fund for its value

Conclusion

Each of these projects offers a variety of options for the development of affordable housing, and the properties may be considered for other purposes, as well. The Board may well consider that the underlying affordable housing resource is money – whether held as cash in the bank or as land – and that the Agency has wide latitude in deciding how to spend this resource on the provision of affordable housing. The constraints of “excess surplus” and time (in the holding the lands and building) are of concern, and the Board needs to consider that decisions are needed soon, especially on the Sixth and O’Neill property and the 1055 Sixth Avenue site.

Fiscal Impact

None at this time. Based on direction provided by the Board, the fiscal impact of any selection option would be analyzed prior to final Board action.

Public Contact

Posting of RDA Board Agenda and mailing of invitation to property owners near the 1365 Fifth Avenue and Sixth & O’Neill Avenues sites.

Recommendation

This report raises numerous issues surrounding the difficult and complex issue of affordable housing development in the City. The Board may not be prepared to address all of them at one meeting, and it is not necessary that it do so. However, the report does provide a ‘global’ look at the Agency’s housing resources and to the extent the Board is prepared to give direction at this meeting, staff will provide the appropriate follow-through. It should be noted that of the options that are most time-sensitive, the Emmett House and the 1055 Sixth Avenue site are of earliest priority, and staff would direct the Board’s attention to those projects.

Alternatives

1. Continue the item with direction from the Board.

Respectfully submitted,

Craig A. Ewing, AICP
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