

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM  
Meeting Date: November 19, 2008  
Request Infill Grant Approval**

Prepared by: *Center for Creative Land Recycling (CCLR) & Mike Smith, CPCFA*

<b>Applicant:</b> First Community Housing	<b>Type of Funding Requested:</b> Grant
<b>Developer:</b> First Community Housing	<b>Amount Requested:</b> \$957,730
<b>Project Name:</b> Bay Avenue Senior Apartments	<b>Strategic Partner:</b> CCLR
<b>Project Location:</b> Capitola (Santa Cruz County)	

**Summary.** First Community Housing (the “Applicant”) requests approval of a grant in an amount not to exceed \$957,730 to finance the remediation of a brownfield to develop Bay Avenue Senior Apartments. The Applicant anticipates the Infill Development Project will create 109 rental units of which 92% will be Affordable, including 61 rental units at 50-60% AMI and 39 units of supportive housing for special needs populations at less than or equal to 40% AMI, while two units at 60% AMI. The remaining units include six units restricted at 60-90% AMI and one manager’s unit.

**Applicant.** First Community Housing, established April 1986 and based in San Jose, is a California nonprofit public benefit Corporation

**Legal Questionnaire.** The Strategic Partner and Staff have reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Brownfield Project Description.** The project is located on an approximately 4.6-acre site. During the 1970s, the site was developed for high-density residential dwellings, which included five multi-story buildings, carports and paved parking areas. The property is currently operated by the Salvation Army as the Silvercrest Apartments for seniors and is restricted to persons 55 years and older. Prior to the 1970s, the site was cultivated for agricultural use.

Current constituents of concern include elevated levels of both Chordane, commonly used for termite fumigation, and dieldrin, which was used as an insecticide in farming applications. In addition, existing buildings on the property include asbestos containing materials and lead based paint.

<b>Description of Activity</b>	<b>Amount Financed by Infill Grant</b>
Building #4 abatement	\$ 561,859
Site clearing and soils replacement	291,371
Soil sampling	36,800
Dust monitoring	8,100
Soil stockpile sampling	9,000
Import material characterization	7,100
SMP implementation monitoring	14,200
SMP reporting and documentation	17,800
Regulatory interface	<u>11,500</u>
<b>TOTAL ESTIMATED COST:</b>	<b><u>\$957,730</u></b>

**Oversight Agency.** Department of Toxic Substances Control (DTSC) and Monterey Bay Unified Air Pollution Control District.

**Infill Development Project Description.** Bay Avenue Senior Apartments is a combination of renovation of existing units and new construction which will result in a six-building campus serving 109 senior (age 55 and over) households, including 39 disabled seniors earning less than 40% of the area median income. Most of the residents will be single-person households. As stated above, 61 of the rental units will be restricted at 50-60% AMI, two units at 60% AMI, one manager’s unit. The remaining six units will be at 60-90% AMI to accommodate existing tenants to avoid permanent relocation.

The existing senior development consists of six buildings with 16 units each, a total of 96 units of two-story walk-up type flats. One of these six buildings will be demolished and replaced with a new three-story structure consisting of 33 fully ADA adaptable one-bedroom units and an elevator. The remaining five buildings will be renovated in phases. Renovation will include replacement of four existing residential units with common area uses, including exercise room, community room and individual case manager/office space to support special needs case management and other uses.

**Permits.** First Community Housing has an approved Zoning Permit and has applied for a building permit.

**Anticipated Timeline.**

- Cleanup Began: October 2008
- Cleanup to be Completed: September 2009
- Development Began: November 2008
- Development to be Completed: July 2010

**Local Government Support.** The Bay Avenue Apartments project is consistent with the City of Capitola General Plan, the City of Capitola Housing Element, the Monterey Bay region’s Blueprint goals as outlined by the California Department of Transportation, and the Association of Monterey Bay Area Governments Livable Community Initiative for the Monterey Bay Region. The City of Capitola is highly supportive of reusing this Brownfield site for the proposed new construction and renovation project. Bay Avenue Senior Apartments will be the

City's largest affordable housing development in decades, and the City has committed approximately five years' worth of its RDA allocation funds to enable the project to move forward. In addition, various local groups and agencies such as Senior Network Services and the Santa Cruz County Division of Adult and Long Term Care support the project.

Several letters of support have been received for the project including:

**Local Community Support.**

- Brenda Moss, Executive Director, Senior Network Services (A-1)

**Government Officials Support.**

- David A. Foster, Housing and Redevelopment Project Manager, City of Capitola (A-2)

**Application Score.** The project earned a score of **120** out of **120** points in the following categories:

**(a) Readiness to Proceed. TOTAL- 40/40.**

- (1) Applicant has demonstrated that environmental review can be completed and all necessary entitlements can be received from the local jurisdiction within two years if receiving the award - 10/10.** Applicant confirms, by evidence of approved zoning permit, that all environmental review and clearances can be completed within two years of receiving the award.
- (2) Funding commitments are in place, or financing applications are under review, for the Infill Development Project -10/10.** Funding commitments totaling full construction costs of \$27.4 Million are all either committed or under review.
- (3) The Infill Development Project has local community and government support - 10/10.** Local community support includes Senior Network Services; government support includes City of Capitola Housing and Redevelopment Project Manager.
- (4) Cleanup Plan has been approved by Oversight Agency -5/5.** Project's Voluntary Cleanup Agreement was approved by DTSC June 5, 2008. Project's asbestos abatement plan was approved by Monterey Bay Unified Air Pollution Control District September 18, 2008.
- (5) Applicant has building permits, and all other governmental permits (i.e. encroachment, ROW, etc.) in place or under review -5/5.** Project's building permit set has been approved by the Building Department, pending approval of the Soquel Creek Water District and the Santa Cruz County Sanitation District and Zone 5 Flood Control District.

**(b) Location within an Economically Distressed Community. TOTAL -30/30.** Project is an existing established community with a poverty level of 89%, well above the 14% required to qualify as an Economically Distressed Community.

- (c) **Location within a Priority Development of a Local Governmental Entity. TOTAL - 10/10.** A letter from the City of Capitola designates this Project a “Priority Development Area.”
- (d) **Depth of Affordability. TOTAL -10/10.** 36% of the Project’s 109 units are restricted to residents at or below 40% AMI, well above the 15% threshold for 10 points.
- (e) **Percentage of Affordability. TOTAL -15/15.** 92% of the Project’s, 100 out of 109 units are Affordable, well above the 50% threshold for full 15 points.
- (f) **Utilization of Green Building Methods. TOTAL -5/5.** The preliminary GreenPoint Checklist indicates that the Project would score 134 points, well above the 60 point threshold for 5 points.
- (g) **Cleanup Plan for the Brownfield Infill Project does not require Ongoing Operation and Maintenance. -TOTAL - 10/10.** The Project does not include any long term operation and maintenance activities.

Tie-Breaker.

- (a) Total Brownfield Infill Project Cleanup Plan Cost: \$957,730
- (b) Total no. residential housing units produced and/or promoted by Infill Development Project: 109
- (c) Tie-breaker ratio [(a) / (b)]: \$8,787/ unit

**Financing Details.**

- Amount of Overall Financing to be Leveraged:
  - Total Project Cost = \$27,351,693
  - Total CALReUSE Infill Grant Funding = \$957,730
  - CALReUSE remediation funding is leveraged **29 to 1**
- Sources of Financing for Brownfield Infill Project: CALReUSE grant
- Sources of Financing for Infill Development Project: California Housing Finance Agency loan, MHP loan, City of Capitola HOME loan, City of Capitola RDA loan, Income from operations, general partner contribution, deferred fee, accrued interest on deferred loans, Tax Credit Equity

**Staff Recommendation.** Staff recommends approval of the attached Resolution for First Community Housing for an amount not to exceed 957,730.

A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING  
AUTHORITY APPROVING EXECUTION AND DELIVERY OF GRANT FUNDING FOR  
FIRST COMMUNITY HOUSING  
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM

November 19, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Regulations adopted to implement and make specific the statutory provisions of the California Recycle Underutilized Sites (CALReUSE) Remediation Program;

WHEREAS, the statutory provisions of the CALReUSE Remediation Program authorize grant and loan funding for the purpose of brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans;

WHEREAS, the Authority solicited applications for the CALReUSE Remediation Program and such applications were evaluated and scored pursuant to the Authority’s Regulations;

WHEREAS, First Community Housing has submitted an application for the CALReUSE Remediation Program for a grant in the amount of \$957,730 for the Bay Avenue Senior Apartments Project;

WHEREAS, the Strategic Partner Center for Creative Land Recycling has reviewed the application and determined to recommend Bay Avenue Senior Apartments Project to the Authority for funding consideration;

WHEREAS, the Authority staff has reviewed the Strategic Partner’s recommendation and has determined to recommend the Bay Avenue Senior Apartments Project for funding; and

WHEREAS, approval of a grant for the First Community Housing (“Applicant” and “Grantee”) by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. Pursuant to the Regulations, the Authority hereby finds that the Bay Avenue Senior Apartments Project (the “Project”) is eligible for financing and hereby approves the grant described in the staff summary for the Project described in the Applicant’s CALReUSE Infill Application to the Authority.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority to take all steps necessary with respect to the Applicant including notifying the Applicant that its Application has been approved for funding, preparing a commitment letter that contains the terms and conditions of funding for the Grantee, preparing and executing the final

form of grant agreement and disbursing funds pursuant to the grant agreement and the Authority's Regulations.

Section 3. The Executive Director is hereby authorized for and on behalf of the Authority to approve any changes in the Project described in Exhibit A of the grant agreement as the Executive Director shall deem appropriate and authorized under the Regulations (provided that the amount of the grant may not be increased above the amount approved by the Authority).

Section 4. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Proposition 1C (2006) funds allocated to this Program not to exceed those amounts approved by the Authority for the Project approved in Section 1. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver for the Project identified in Section 1 any and all documents necessary to complete the transfer of funds. The authority of the Executive Director is limited to payment of claims made by the Grantee in accordance with the Regulations and the grant Agreement.

Section 5. Any notice to the Applicant approved hereunder shall indicate that the Authority shall not be liable to the Applicant in any manner whatsoever should such funding not be completed for any reason whatsoever. Notice to the Applicant shall include a provision making it clear that continued funding under the program is not guaranteed but is entirely dependent upon funds being available to the CALReUSE Program and the Grantee continued compliance with the grant agreement and the regulations governing the CALReUSE Program.

Section 6. The Executive Director of the Authority is hereby authorized and directed, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Exhibit A

**Term Sheet**

**Name of Project:** Bay Avenue Senior Apartments

**Maximum Amount of Grant:** \$957,730

**Strategic Partner:** Center for Creative Land Recycling

**Grantee:** First Community Housing

**Financing Structure:** Grant

**Maximum Grant Term:** Not to exceed 6 years from first draw on funds

**Oversight Agency:** CA Department of Toxic Substance Control and Monterey Bay Unified Air Pollution Control District

**Project Location:** 750 Bay Avenue  
Capitola, Santa Cruz County, 95010

**Infill Development Description:** 109 rental units of which 92% will be Affordable, including 61 rental units at 50-60% AMI and 39 units of supportive housing for special needs populations at less than or equal to 40% AMI, while two units at 60% AMI. The remaining units include six units restricted at 60-90% AMI and one manager’s unit.

<b>Description of Activity</b>	<b>Amount Financed by Infill Grant</b>
Building #4 abatement	\$ 561,859
Site clearing and soils replacement	291,371
Soil sampling	36,800
Dust monitoring	8,100
Soil stockpile sampling	9,000
Import material characterization	7,100
SMP implementation monitoring	14,200
SMP reporting and documentation	17,800
Regulatory interface	<u>11,500</u>
<b>TOTAL ELIGIBLE BROWNFIELD INFILL COSTS:</b>	<b><u>\$957,730</u></b>

Attachment A

*SENIOR NETWORK SERVICES*

1777-A Capitola Road  
Santa Cruz, CA 95062  
(831) 462-1433

---

Page 1 of 1

9/19/08

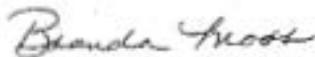
Geoffrey Morgan, Senior Project Manager  
First Community Housing  
75 East Santa Clara Street, Suite 1300  
San Jose, CA 95113

Dear Geoffrey,

Senior Network Services has, for many years, been responsible for support and referral services for seniors across Santa Cruz County. I can say on behalf of many advocates and seniors that we wholeheartedly support the new construction and renovation of Bay Avenue Senior Apartments. This project will preserve affordability for housing for low-income seniors which is in critically short supply in Capitola and the county. Furthermore, 39 of these units are to be set aside for the most vulnerable seniors with special needs.

Senior Network Services stands behind your efforts to develop this important project and looks forward to supporting your efforts in the years ahead to improve the lives of our county's seniors.

Sincerely,



Brenda Moss  
Executive Director



Attachment A



420 CAPITOLA AVENUE  
CAPITOLA, CALIFORNIA 95010  
TELEPHONE (831) 479-7300  
FAX (831) 479-8879

September 19, 2008

Geoffrey Morgan  
Project Manager  
First Community Housing  
75 E Santa Clara St, Ste 1300  
San Jose, CA 95113

RE: 750 Bay Avenue Senior Apartments, Capitola

Dear Mr. Morgan,

I would like to submit this letter to express the City of Capitola's strong support for the 750 Bay Avenue Senior Apartments project and to commend the work of First Community Housing in making this project a reality.

The Bay Avenue Senior Apartments project is an appropriate infill project which will preserve affordability and provide critically needed services for low-income and special needs seniors in the community.

The Capitola City Council and the Redevelopment Agency Board of Directors have shown their support for this project through the issuance of the necessary use permit, participation in the funding process with the HOME program, and through the provision of direct loan assistance from the Redevelopment Agency.

The preservation of existing affordable housing and the utilization of infill sites are the hallmarks of good planning. Capitola looks forward to the grand opening of this important project.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Foster".

David A. Foster  
Housing and Redevelopment Project Manager