THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

September 28, 2011
Consideration and Approval of a Revision to Resolution 08-235 for the Nihonmachi
Terrace Apartments (08-238)
(Agenda Item No. 5)

ACTION:
Approve the revision to Resolution 08-235 for the Nihonmachi Terrace Apartments (08-238).

BACKGROUND:
At the time of application, the Nihonmachi Terrace Apartments Project ("Project") was financed under HUD's Section 236 program. As a HUD 236 project, households in the market rate units are not required to provide annual income information. So while the project sponsor had conducted an informal income survey of all residents prior to applying to CDLAC, it was not until after a San Francisco Redevelopment Agency (SFRA) Regulatory Agreement was recorded against the property (and when the bond financing closed), that the Project Sponsor was able to require all households to provide verifiable income information. It was then that the Project Sponsor discovered there were thirteen (13) over-income households at the property.

The Project Sponsor has indicated that they applied to CDLAC as a 100% affordable housing project assuming that all over-income households would accept relocation packages and voluntarily relocate. During the formal income verification process, however, only 2 of the 13 over-income households agreed to move out. The Project Sponsor believes that two key demographic factors contributed to the lack of acceptance of the relocation package. First, a few of the families are multi-generational and would need to find a large family unit to relocate to. Large family units in San Francisco are few and far between, and those families likely had a difficult time trying to find a comparably-sized unit to relocate to. Second, others of these households were elderly who have aged in-place. The Project Sponsor believes that these residents were very reluctant to leave their long-term home (7 of the remaining 11 over-income households have lived in their units since the opening of the housing development in 1975) despite the generous relocation package that was offered.

The Project Sponsor has indicated that they never intended to be less than fully transparent when applying for allocation; instead acknowledging that they perhaps relied too much on their relocation plan to maximize the number of restricted units through employing the voluntary relocation incentives to relocate the over-income households. As a community-based service and development organization centered in this neighborhood, the Project Sponsor believes the reduction of restricted units at the site under the CDLAC Resolution is appropriate when weighed against the potential negative impacts to the current multi-generational and elderly households.

DISCUSSION:
While the Project Sponsor's assumption that they would be able to voluntarily relocate all the over-income households was clearly incorrect, they still plan to transition these units to income qualified households as over-income households leave the property over time. This plan is specifically addressed and detailed in the SFRA Regulatory Agreement for the property. While IRS, CDLAC and TCAC Regulations do not accommodate such a transitional strategy, staff believes that the ultimate policy goal of having all of the units at this housing development eventually serve low-income families will be achieved through the SFRA Regulatory Agreement. Though these currently over-income households may not transition anytime soon, the Project Sponsor is confident that this will occur well before the 55-year compliance period expires.

It should be noted that this allocation award was made in a non-competitive CDLAC round, and the Applicant's CDLAC application score would not have been impacted by this change. Based on this information, staff recommends a revision to Resolution 08-235 that reflects a modified affordability requirement of 97%.

RECOMMENDATION:
Staff recommends approval of a revision to CDLAC Resolution 08-235.

Prepared by Misti Armstrong