THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
Consideration and Approval of a Revision to Resolution 08-75 for the Bay Avenue Senior Apartments (08-087)
(Agenda Item No. 4)

ACTION:
Approve the revision to Resolution 08-75 for the Bay Avenue Senior Apartments (08-75).

BACKGROUND:
At the time of application, CalHFA and the Project Sponsor, First Community Housing ("FCH"), anticipated that there would be 108 restricted rental units following completion of the Bay Avenue Senior Apartments ("Project") rehabilitation. However, after FCH purchased the property from the Salvation Army in October 2008 and hired the property management firm, John Stewart Company, to conduct a comprehensive income certification of existing tenants, it was discovered that income data previously provided by the Salvation Army and relied upon by FCH had been incorrect and that several existing households earned incomes above the restricted levels established for the project.

While some of the original over-income tenants have since moved away from the Project, four over-income senior households (3 one-person households and 1 two-person household) continue to live there. Two of the residents, an 86-year old and a 74-year old, are nearly income-eligible, with incomes just slightly above 60% and 62% of AMI respectively. Another household, a married couple of ages 65 and 67, is at 76% of AMI and has told property management that they expect to retire this summer, at which point they would likely become income-eligible. The fourth over-income household, a 63-year old at 87% of AMI, is disabled. He wears an emergency pendant provided by property management, receives dialysis treatment a couple times a week, and uses a walker. He relies heavily on the neighborhood center located directly across the street due to the fact that he does not own a vehicle. Based on the current rents, it will be extremely difficult to find appropriate replacement housing for these four households if they cannot remain at Bay Avenue. To move into a market rate apartment in the area, the households would face a rent increase of at least $300 per month.

The City of Capitola supported the rehabilitation and construction of the Project on the conditions that the rents would be frozen during construction and that none of the existing senior residents, many of whom had lived at the property since the early 1990s, would be permanently displaced. Additionally, preventing permanent displacement was a top priority for the Housing and Community Development Department ("HCD"), which provided HOME funds to the Project. HCD provided an additional $1 million to the Project (increasing its loan commitment from $1.9M to $2.9M) to allow for the provision of a rental subsidy that enables the rents for the Project's 50 original tenants (not including any over-income tenants) to be maintained at their pre-rehab levels for as long as these households reside at the property.

Although the four over-income units are not eligible to be considered restricted rental units under CDLAC and IRS regulations, FCH intends to rent these units to qualified low-income households as soon as they become vacant; consistent with FCH's original intent to operate the Project as a 100% low-income development. It is FCH's preference to allow the four over-income senior households to continue residing at the property until they move out of their own accord, rather than force them to leave. If CDLAC disallows the requested reduction in restricted rental units from 108 to 104, the four households will need to be permanently relocated at an estimated cost to the Project of $50,000-$70,000.

DISCUSSION:

While the Project Sponsor's assumption that they would rent 100% of the restricted units to qualified low-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. 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 08-75 that reflects a modified affordability requirement of 103 units (95%) @ 50% or less of AMI; 1 unit (< 1%) @ 60% or less of AMI; and 4 market rate units.

RECOMMENDATION:

Staff recommends a revision to Resolution 08-75 that reflects a modified affordability requirement of 103 units (95%) @ 50% or less of AMI; 1 unit (< 1%) @ 60% or less of AMI; and 4 market rate units.

Prepared by Annie Ong