



Housing Authority
- of the -
City of Alameda

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To: Honorable Chair and Members of the Board of Commissioners

From: Tonya Schuler-Cummins, Director of Data and Policy

Date: November 20, 2024

Re: Accept the Update on the Independence Plaza Faircloth to RAD transaction; Approve the Authorizing Resolution 1084 for Independence Plaza Faircloth to RAD Transaction Documents; Approve expenditures of up to \$4M from AHA reserves to repay the Fannie Mae mortgage and to create a replacement reserve for the property and to cover other related costs as needed; Cancel the \$34M seller carry back loan to AAHC.

BACKGROUND

Independence Plaza (IP) is currently owned by Alameda Affordable Housing Corporation (AAHC), a non-profit instrumentality of the Housing Authority of the City of Alameda (AHA). The property was originally developed by AHA in 1990 and has been continuously owned and operated in good condition. In 2019, the AHA transferred the property (including both the land and improvements) to AAHC because of a federal requirement to have a separate owner and PBV administrator and provided a \$34,200,000 seller carryback loan to cover the market value of the property.

IP consists of five (5), four-story multifamily residential buildings situated between the Atlantic and Constitution Avenues. The project has a total of 186 units - 159 one-bedroom, one-bathroom units and 27 two-bedroom, one-bathroom units. Ten units are accessible, and four units have sight/hearing features; twenty other units were upgraded recently for accessibility features. The site contains a community room, laundry, elevators, property management and social service offices and parking. The property currently has a project-based voucher (PBV) contract for 25 units with an expiration date in 2040. This HAP contract covers non-Faircloth to RAD units. Up to ten Veterans Affairs Supportive Housing (VASH) PBV units are also in the process of being added to this contract at this site.

The City through its residual Redevelopment Agency funding currently subsidizes the property up to \$2.5M a year. However, this subsidy will run out in 2026 or 2027, so staff have been planning for 8 years to replace this funding source and to fill the budget gap.



In June 2023, the Board authorized Resolution 1054 to approve an application for and implementation of a Faircloth to RAD program for Independence Plaza.

In May 2024, the Board approved an application and up to a \$3 million grant to this project through the Alameda Affordable Housing Trust Fund (AAHTF) and State of California Local Housing Trust Fund (LHTF) application. Staff submitted the LHTF application on September 17, 2024, and has not yet received an update on the award.

As discussed in previous Board updates, the Independence Plaza Faircloth to RAD transaction is a transfer of IP, without refinancing or rehabilitation, which is proposed to financially restructure its operations to deal with an expiring operating subsidy and permanent loan. In June 2024, the Board approved the submittal of a Mixed Finance Development Proposal (MFDP) to HUD to initiate this transaction. The MFDP was submitted on July 11, 2024.

The deal is complex, requiring a property transfer to AHA, then entry into the public housing program, then participation in RAD with a project-based voucher contract. It will bring approximately \$2.6-\$3.2 million in subsidies to the property each year for 20 years and will provide much needed housing stability and low rents for the families living at Independence Plaza.

DISCUSSION

The staff wishes to update the Board on additional details regarding the Faircloth to RAD application to HUD and other refinements.

1. Feedback from HUD on the MFDP - AHA submitted its Significant Amendment to the Annual Plan, mentioned in the last Board update and also brought before the Board for approval, to HUD for approval. AHA received HUD approval of its Significant Amendment regarding the Elderly preference on October 18, 2024, and of the Site and Neighborhood Standards on November 15 with civil-rights-related concerns expressed. The AHA has heard back from HUD regarding revisions and requests for clarifications on the MFDP.
2. Subordination of AHA's regulatory agreement the - AHA will provide a Subordination Agreement subordinating the Housing Authority's Regulatory Agreement to the public housing Declaration of Trust and then the RAD Use Agreement for the unsubsidized units.
3. Submission of the RAD Closing Documents - Unlike other RAD and Faircloth to RAD transactions, for AHA's Faircloth to RAD project at Independence Plaza there is no construction taking place. (Significant rehabilitation has taken place in the prior 18 months in anticipation of the transaction.) In the hopes of having the Faircloth to RAD Project-Based Voucher HAP contract be effective December 1, 2024, AHA staff submitted documents associated with the RAD Closing, which is the final step in the conversion process, on October 23, 2024 and October 24, 2024. AHA is still finalizing both public housing and RAD documents with HUD.
4. Non-RAD PBV units – AHA will own these units, along with the rest of the property after the transfer.

AHA had originally anticipated receiving HUD approval in September 2024 to begin the Faircloth to RAD conversion, which staff is pushing to occur December 1, 2024. To meet this goal, staff have almost finished income certifications for existing residents to pre-qualify them for the vouchers. Existing households who do not qualify for the Project-Based Voucher program or who choose to opt-out will be allowed to remain in their unit without subsidies and continue to pay the current rents, which will be increased at the state maximum until they reach 80% tax credit rent levels. AHA met with tenants in October 2024 to explain this. AHA has had various additional meetings with the residents regarding conversion.

AHA does not expect to have 120 qualified households at the initial conversion, but it is possible to obtain a contract with HUD for 120 vouchers and to lease up units under the PBV program over time. Staff have also inspected all units at Independence Plaza in order to meet HUD's Housing Quality Standards requirements. Almost all inspections have passed at this time and AHA is working with FPI Management and residents to resolve the HQS issues for those that have not yet passed.

At this time, it is hopeful that HUD will approve the AHA's Faircloth to RAD plans for Independence Plaza before the end of the year. HUD has determined that the deal may be able to close on or about November 26, 2024. So, while AHA hopes to have the vouchers in place by December 1, 2024, it is possible that the vouchers will be put in place in 2025.

Authorizing Resolution

As part of this transaction, the AHA will exercise its purchase agreement option (approved in March 2020, attached) to transfer the land and improvements from Alameda Affordable Housing Corporation (AAHC) to the Housing Authority of the City of Alameda (AHA) at closing. The Option to Purchase and proposed Grant Deed are attached for review. In addition, AHA will cancel its existing \$34,200,000 loan and provide a grant of up to \$4,000,000 to meet HUD's requirements for the Faircloth to RAD transaction. The attached proposed resolution provides for these actions, and for the Executive Director to negotiate and execute needed documents.

FISCAL IMPACT

AHA has already been approved for up to \$3 million of agency funds for this transaction. The additional subsidy received is expected to be \$2.6-\$3.2 million per year for 20 years once all vouchers are fully leased and in place. This will take several years. Also, the income from the IP property will increase significantly once the additional vouchers are added. At the same time, this will lessen the impact of the expiring CIC funds. Approximately \$300,000 is expected to be incurred on consulting, reports, testing, legal fees and other costs to complete this deal.

CEQA

Not applicable

RECOMMENDATION

Accept the Update on the Independence Plaza Faircloth to RAD transaction; Approve the Authorizing Resolution 1084 for Independence Plaza Faircloth to RAD Transaction Documents; Approve expenditures of up to \$4M from AHA reserves to repay the Fannie Mae mortgage and to create a replacement reserve for the property and to cover other related costs as needed; Cancel the \$34M seller carry back loan to AAHC.

ATTACHMENTS

1. Attachment A - Grant Deed Independence Plaza 2024
2. Option to Purchase Agreement
3. DRAFT HACA Resolution 1084 Independence Plaza

Respectfully submitted,

Tonya Schuler-Cummins, Director of Data and Policy

