

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

Honorable Chair and
Members of the Community Improvement Commission

From: Debra Kurita
City Manager/Executive Director

Date: August 5, 2008

Re: Approve Affordable Housing Agreement with Warmington Homes for the
Grand Marina Project

BACKGROUND

On November 14, 2006, the City Council approved the Grand Marina Master Plan for a new 40-unit subdivision at Grand Avenue and Fortmann Way. Grand Marina Master Plan Conditions #15 and #16 require the applicant to enter into an affordable housing agreement with the Community Improvement Commission (CIC) consistent with CIC Resolution No.04-127, establishing an inclusionary housing policy for the Business and Waterfront Improvement Project (BWIP). The inclusionary housing requirement for the BWIP is 25 percent; the Grand Marina Master Plan provides for 30 market-rate homes and ten affordable housing units to be constructed within the proposed Marina Village residential community. The applicant, Warmington Homes, has signed an Affordable Housing Agreement, which is on file with the City Clerk's office. The proposed Affordable Housing Agreement would provide Warmington Homes the option of off-site construction of the low- and very low-income units at Island High in lieu of providing five of the ten total required affordable units on site. On June 23, 2008, the Planning Board considered a Master Plan amendment in order to facilitate the construction of a portion of the affordable housing off site and made a finding that construction of affordable housing units off site, at the former Island High School site, would support and better serve the City's affordable housing policies.

DISCUSSION

The proposed Affordable Housing Agreement requires Warmington Homes to provide ten units, affordable to very low-, low-, and moderate-income households, within the Grand Marina residential community. At the applicant's request, the agreement includes a provision that would allow Warmington Homes to replace the five low- and very low-income units in the project with market rate homes if Warmington Homes constructs an affordable housing project with at least nine low- and very low-income units at a property

Honorable Chair and
Members of the Community Improvement Commission

known as the "Island High Site" located at the corner of Eagle Avenue and Everett Street, one block east of Park Street. The potential Island High site project could yield as many as 16 to 18 Measure A-compliant, affordable units, or up to 36 units constructed under the Guyton exemption. The Island High Site is currently owned by the Alameda Unified School District (AUSD) and is designated in the AUSD master facilities plan for affordable housing purposes. As such, it is proposed that the affordable units constructed on this site could be offered on a first come, first served basis to AUSD employees.

If Warmington Homes was unable to secure control of the land from AUSD or unable to secure the necessary land use entitlements for the project, then all ten units would be provided at the Grand Marina site. Alternatively, if Warmington were to identify an alternative site, then they would be required to return to the Planning Board for approval of that alternative site. Approval of the Affordable Housing Agreement in no way implies approval of any specific development project at the Island High Site.

Off-site development of affordable units is allowable under the CIC's inclusionary housing policy provided that the Planning Board makes a finding that the City's affordable housing policy is better served by the off-site development. On June 23, 2008, the Planning Board adopted Planning Board Resolution No. PB-08-15 (Attachment 1) and made the following finding:

- 1) *The construction of affordable housing units off-site at the Island High site would support and better serve the City's Affordable housing policies.*
 - a. *The relocation of affordable housing from the Grand Marina site to the Island High site would result in a better distribution of the affordable housing units across the City. The vast majority of the City's existing and proposed affordable housing units are located in western Alameda. The Island High Site is located in the east end of Alameda in an area of Alameda that has very little affordable housing.*
 - b. *The City of Alameda would gain more affordable housing units if Warmington Homes is allowed to move five units off-site to the Island High Site. Under the existing plan, the City would gain 10 affordable units at the Grand Marina site. Under the proposed plan, the City would gain five (5) units at the Grand Marina site and nine (9) units at the Island High Site for a total of 14 affordable housing units.*
 - c. *The Island High Site is well located for affordable housing. The site is within one block of the major Park Street bus routes and retail services and three blocks from the Bridgeside Shopping Center.*

Honorable Chair and
Members of the Community Improvement Commission

The Planning Board also recommended two changes to the Affordable Housing Agreement:

Recommendation 1:

Amend Section 3.3 of the Affordable Housing Agreement to clarify that if an alternative site is considered because the development of Island High becomes infeasible, that yet to be determined alternative site would require a finding by the Planning Board pursuant to CIC Resolution #04-127 Section 4.b that the need for affordable units in the area of the proposed site is greater than the need for units in the area of the Grand Marina project.

Recommendation 2:

Consider maintaining a mix of very low, low, and moderate income units at the Grand Marina site and providing a mix of very low, low and moderate income units at the off-site location instead of the current proposal to move all the low and very low income units to the off-site location and maintain only moderate income units at the Grand Marina site for the purposes of maximizing the diversity of income levels in all housing developments.

With respect to Recommendation 1, since the Planning Board has made a very specific finding that allows off-site construction exclusively at the Island High site, Warmington Homes would have to return to the Planning Board for consideration of an alternative site. Recommendation 2 reflects the City's existing policy and preference to mix all income levels within proposed new housing developments. However, in this case, adhering to this preference may significantly reduce the ability of the City to produce housing at the low- and very low-income levels at all.

One of the main purposes of the request to move the low- and very low-income units to one off-site location is to bundle the units to create a project attractive for affordable housing financing: specifically, State Multi-family Housing Program (MHP) funds and housing tax credits. Both sources of funding are proposed to be used for a project on the Island High site for low-, and very low-income rental units. These funds are not available for for-sale units, rendering the units at Grand Marina, if distributed throughout the development, ineligible for low-interest/supportive funding. The size of the Grand Marina site, as well as the small number of required low- and very low-income inclusionary units, makes the development of an affordable rental component infeasible. Also, bundled together, Alameda gets the benefit of more affordable units than would be developed at Grand Marina, and the units benefit from an on-site manager and permanent, on-going maintenance and screening of residents to ensure a well-kept site.

In addition, affordable for-sale units citywide have presented their own set of challenges. While ownership is an admirable goal, it does not always present the best

Honorable Chair and
Members of the Community Improvement Commission

way to deliver housing to all. It is very difficult, and has become increasingly more difficult, to qualify very low- and low-income buyers for mortgages. Applicants must possess credit scores of 630 or above, and have savings for a down payment and closing costs. At very low- and low-income levels, households that can qualify for conventional mortgages, especially in the current credit market, are very few. Once the home is purchased, the home must remain available for very low- or low-income residents; therefore, residents are restricted from taking out equity loans. At the time of sale, they are further restricted from equity participation as the next owner must be able to purchase the home at the very low- or low-income-qualified level.

In addition, very low- and low-income residents typically do not benefit from the tax advantages of home ownership, because households at these income levels do not have tax liabilities large enough to utilize the home mortgage deduction. Finally, most households who qualify for the homes at these restricted income levels have a limited ability to save. Therefore, when maintenance or repairs are required, e.g., a roof must be replaced; or carpets, cabinets, and plumbing need repair; the homeowner has little or no resources to care for the property. For these reasons, staff does not recommend requiring Warmington to create very low- and low-income for-sale units on site.

BUDGET CONSIDERATION/FINANCIAL IMPACT

All costs associated with the implementation of the Affordable Housing Agreement, through either on-site or off-site construction, would be borne solely by the applicant, Warmington Homes, with no contribution of City or CIC funds.

MUNICIPAL CODE/POLICY DOCUMENT CROSS REFERENCE

The proposed Affordable Housing Agreement is consistent with CIC Resolution No.04-127, establishing an inclusionary housing policy for the Business and Waterfront and West End Community Improvement Projects.

ENVIRONMENTAL REVIEW

Pursuant to Section 15162 of the CEQA Guidelines, no additional environmental review is required for the application to amend the Master Plan because there have been no significant changes in circumstances that require revisions to the previously approved environmental documentation for the Grand Marina project.

Honorable Mayor and
Members of the City Council

August 5, 2008
Page 5 of 5

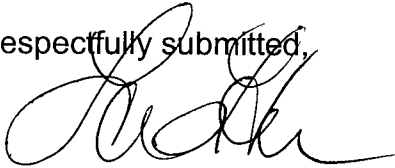
Honorable Chair and
Members of the Community Improvement Commission

RECOMMENDATION

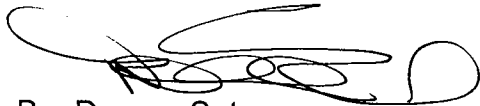
City Council: Authorize the City Manager to enter into the Affordable Housing Agreement with Warmington Homes for the Grand Marina Project.

Community Improvement Commission: Authorize the Executive Director to enter into the Affordable Housing Agreement with Warmington Homes for the Grand Marina Project.

Respectfully submitted,



Leslie A. Little
Development Services Director



By: Dorene Soto
Manager, Business Development Division

DK/LAL/DES:rv

Attachment

1. City of Alameda Planning Board Resolution No. PB-08-15

CITY OF ALAMEDA PLANNING BOARD
RESOLUTION NO. PB-08-15

A RESOLUTION OF THE PLANNING BOARD OF THE CITY OF ALAMEDA RECOMMENDING THAT THE CITY COUNCIL AMEND THE GRAND MARINA MASTER PLAN TO ALLOW FOR A PORTION OF THE AFFORDABLE HOUSING UNITS TO BE BUILT OFF SITE AND FINDING THAT PROVISION OF AFFORDABLE HOUSING AT THE ISLAND HIGH SITE WOULD SUPPORT THE OBJECTIVES OF THE CITY OF ALAMEDA AFFORDABLE HOUSING POLICIES.

WHEREAS, on November 14, 2007 the City Council approved the Grand Marina Village Master Plan proposed by the applicant, Warmington Homes; and

WHEREAS, the Grand Marina Master Plan provided for 30 market rate homes and 10 affordable housing units to be constructed within the proposed Marina Village residential community; and

WHEREAS, on March 31, 2008, the applicant submitted an application to modify the approved Master Plan to provide the opportunity to move five of the affordable homes to an off-site location as part of a larger affordable housing project; and

WHEREAS, pursuant to the Alameda Municipal Code Section 30-16.6.b, the affordable units may be built at an off site location if the Planning Board is able to find that the purposes of the City's affordable housing policies would be better served by the construction of off-site units;

WHEREAS, the Planning Board held a public hearing on the proposed Master Plan Amendments and considered the Island High Site for affordable housing on June 23, 2008 and made the following findings relevant to the proposals:

- 1) The construction of affordable housing units off-site at the Island High site would support and better serve the City's Affordable housing policies.**
 - a. The relocation of affordable housing from the Grand Marina site to the Island High site would result in a better distribution of the affordable housing units across the City. The vast majority of the City's existing and proposed affordable housing units are located in western Alameda. The Island High Site is located in the east end of Alameda in an area of Alameda that has very little affordable housing.
 - b. The City of Alameda would gain more affordable housing units if Warmington Homes is allowed to move five units off-site to the Island High Site. Under the existing plan, the City would gain 10 affordable units at the Grand Marina site. Under the proposed plan, the City would gain five (5) units at the Grand Marina site and nine (9) units at the Island High Site for a total of 14 affordable housing units.
 - c. The Island High Site is well located for affordable housing. The site is within one

block of the major Park Street bus routes and retail services and three blocks from the Bridgeside Shopping Center.

2) The proposed Master Plan amendments would support the City's affordable housing program while maintaining the integrity and quality of the Grand Marina Village Project.

NOW, THEREFORE, BE IT RESOLVED THAT the Planning Board of the City of Alameda hereby determines that the Grand Marina Master Plan proposal was evaluated previously in a Mitigated Negative Declaration prepared by Lamphire-Gregory and approved by the City Council on November 14, 2006. Under Section 15162 of the CEQA Guidelines, no additional environmental review is required for this application to amend the Master Plan. Pursuant to CEQA Guidelines Section 15162, there have been no significant changes in circumstances that require revisions to the previously approved environmental documentation for the Grand Marina project.

NOW, THEREFORE, BE IT FURTHER RESOLVED THAT the Planning Board of the City of Alameda hereby determines that findings regarding the Island High Site are exempt pursuant to Public Resources Code 21159.23 (Exemption for Affordable Low-Income Housing) Furthermore, the Planning Board's recommendation regarding the Island High site constitutes a finding about the potential benefits of a potential future project for the City's affordable housing program. The Board's finding does not constitute a preliminary or final approval of that project, nor does it commit any funding or other, nor does it commit the City to pursue or approve the project at a future date. The finding has no legally binding effect on later activities by the City of Alameda that may result in physical changes to the environment. Any future proposal for the Island High Site will be subject to a full environmental review and the City of Alameda reserves its ability to approve or deny the project for environmental or if the finding cannot be made for project approval.

BE IT FURTHER RESOLVED THAT the Planning Board of the City of Alameda hereby recommends that the City Council amend the Grand Marina Master Plan as follows:

1. Amend Section III, subsection "Affordable Housing" to include the following text:

"Up to five (5) affordable units may be replaced with five (5) market rate units, provided that the City of Alameda Community Improvement Commission has approved an Affordable Housing Agreement for the project, which establishes the conditions and requirements for the relocation of the units to an alternate site within Alameda and that the Planning Board has made the finding that the purposes of the City's inclusionary housing policies would be better served by the construction of off-site units. In the event that five (5) units are relocated to an alternate site, parcels number 1, 8, 10, 26, and 28 shown on the Landscape Master Plan shall be reserved for the five remaining affordable units."

2. Amend the Master Plan to include the revised Site Plan shown in Attachment 4 of the June 23, 2008 Staff Report.

BE it further resolved that the Planning Board of the City of Alameda recommends that the Community Improvement Commission:

1. Amend Section 3.3 of the Affordable Housing Agreement to clarify that if an alternative site is considered because the development of Island High becomes infeasible, that yet to be determined alternative site would require a finding by the Planning Board pursuant to CIC Resolution #04-127 Section 4.b that the need for affordable units in the area of the proposed site is greater than the need for units in the area of the Grand Marina project.
2. Consider maintaining a mix of very low, low, and moderate income units at the Grand Marina site and providing a mix of very low, low and moderate income units at the off-site location instead of the current proposal to move all the low and very low income units to the off-site location and maintain only moderate income units at the Grand Marina site for the purposes of maximizing the diversity of income levels in all housing developments.

The decision of the Planning Board shall be final unless appealed to the City Council, in writing and within ten (10) days of the decision, by filing with the Planning and Building Department a written notice of appeal stating the basis of appeal and paying the required fees.

PASSED AND ADOPTED this 23rd day of June 2008 by the Planning Board of the City of Alameda by the following vote:

AYES: (5) Cook, Kohlstrand, Autorino, Cunningham, Ezzy Ashcraft
NOES: (0)

ABSENT: (2) Lynch, McNamara

ATTEST:



Andrew Thomas, Secretary
City of Alameda Planning Board