A. Introduction

The City of Albany (City) purchased a property from the California Department of Transportation in 2011, and the City is currently negotiating with a non-profit developer, Satellite Affordable Housing Associates, to develop affordable housing on a portion of it. As the property was acquired by the City, a copy of the proposed sale or lease agreement and a summary report that describes specific financing elements of the proposed transaction must be available for public inspection prior to the public hearing.

This Summary Report has been prepared in accordance with California Health and Safety Code Section 33433 (Section 33433) and contains the following information where it is relevant to the proposed transaction:

- The cost of the agreement to the City, including land acquisition costs.
- The estimated value of the interest to be conveyed or leased, determined at the highest and best use permitted under the plan.
- The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease.
- An explanation regarding why the sale or lease of the property will assist in the elimination of blight.
- The purchase price or sum of the lease payments that the lessor will be required to make during the term of the lease.
- If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the City shall provide as part of the summary an explanation of the reasons for the difference.

This report outlines the relevant parts of the proposed Land Disposition, Development and Loan Agreement (LDDLA) between the City and the Developer (Satellite Affordable Housing Associates or SAHA). The LDDLA requires the Developer to redevelop this Property for affordable housing. The purpose of this report is to provide the necessary information required in Section 33433. This report is based upon information in the proposed LDDLA and is organized into the following sections:

A. **Introduction** – This section outlines the structure of the report and provides pertinent definitions.

B. **Project Description** – This section describes the Property, the Developer, the proposed project, compliance with the Surplus Land Act, and provides further background on the analysis.

C. **Summary of the Proposed Agreements –** This section outlines the major provisions of the LDDLA, including the City’s and the Developer’s responsibilities.

D. **Cost of Agreements to the City** –This section describes the historical expenditures of the City, potential revenues from the ground lease of the properties and the value of the tax increment generated by the LDDLA.

E. **Highest and Best Use Value** – This section presents the value of the property at its highest and best use, as determined by an independent appraisal.

F. **Reuse Value** – This section estimates the value of the Property to be conveyed, determined at the use and with the conditions, covenants, and development costs required for the sale and development of the Property under the Agreements (referred to as the "reuse value" of the Property).

G. **Justification for City Loan and Financing Assistance** – This section explains why the City Loan is needed and the value to the City of the regulatory restrictions for affordable housing.

H. **Blight Alleviation** – This section explains why the sale and redevelopment of the Property pursuant to the Agreements will assist in the elimination of blight.

I. **Conclusion –** The report concludes with a final summary of findings.

B. Project Description

The City of Albany purchased a vacant property from the California Department of Transportation (Caltrans) that is located adjacent to the Highway 80 interchange in 2011. The City is negotiating with the Developer to develop affordable housing on a portion of this site in accordance with the proposed LDDLA. This section provides an overview of the site, the Developer, the proposed Development of affordable housing, and provides further background on the analysis.

1. Property Description

In 2011, the City entered into an agreement with Caltrans to purchase approximately 4.5 acres of vacant land located between Cleveland Avenue and Pierce Street. The property was purchased by the City through an enforceable obligation between the City and Caltrans to facilitate the revitalization efforts of the former Redevelopment Agency of the City of Albany (Former RDA) using Former RDA tax increment proceeds. The property was not part of the Former RDA's property assets at the time of redevelopment dissolution and was not included in either the Long Range Property Management Plan or the Housing Asset Transfer List.

A portion of this former Caltrans property, located at 755 Cleveland Avenue, is being proposed to be developed as affordable housing for families.[1] This 1.13 acre portion of the former Caltrans land is hereafter referred to in this report as either the Property or Cleveland Avenue Family Housing Property.

The Property is located in the Pierce Street neighborhood adjacent to the new Peggy Thomsen Pierce Street Park, which will eventually be connected with a bike path to Cleveland Avenue. The Property is adjacent to an existing 4-story apartment building on Calhoun Street and a single-family home facing Washington Avenue.

2. Developer

The Developer, Satellite Affordable Housing Associates (SAHA), submitted a proposal to the City in 2017 to develop the Property as affordable housing. SAHA has over 50 years of experience in developing and managing affordable housing throughout the Bay Area. SAHA specializes in creating residential and mixed-use developments for very low-income families, seniors, and people with special needs.

As indicated in the LDDLA, the City has determined that the Developer has the necessary expertise, skill and ability to carry out the commitments set forth in the LDDLA and will materially contribute to the implementation of the City's vision to create a vibrant economy and sustainable system through the timely construction of the Development as affordable housing.

3. Proposed Development

SAHA is proposing to develop 62 units of affordable family housing that will complement the East Shore/Solano Hill neighborhood, help activate Pierce Street park, allow a future bike path connection, and meet the City's sustainability goals and principles. The proposed residential building is cut into the sloped site to minimize the massing of the building and will allow for a partially below grade parking podium.

Three residential units, the apartment's main lobby and its management office will face Cleveland Avenue. The building will also activate Washington Avenue with apartments at the courtyard level, new trees and landscaping, as well as a second residential entrance. The building will include a landscaped courtyard on the podium to serve the residents, which will be screened from the adjacent properties. The improved

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[1] The Property is located at the northeast corner of Washington Ave and Cleveland Ave and is also considered to be a portion of the property with the address of 701 Washington Avenue, Albany, CA 94706.

sidewalks and landscaping will enhance pedestrian and bicycle connections along the property and to the surrounding area.

SAHA is proposing to secure a broad range of private and public funding sources to build the Development as affordable housing, including Federal Low Income Housing Tax Credits that will require all of the units to be affordable to lower income households with incomes at or below 80% of areawide median income. Furthermore, the City will restrict 30 units to be occupied by extremely low, very low and low income households in compliance with the City's Inclusionary Housing Ordinance and State Density Bonus Law through the terms of the LDDLA and a regulatory agreement. The anticipated mix of units by affordability level is shown below in Table 1.

Table 1
City Restricted Units
Cleveland Avenue Family Housing Property

Unit Type	Number of Units[a]
20% of AMI	
Studio	2
One-Bedroom	4
Subtotal	6
50% of AMI	
One-Bedroom	1
Two-Bedroom	2
Three-Bedroom	2
Subtotal	5
60% of AMI	
One-Bedroom	6
Two-Bedroom	7
Three-Bedroom	6
Subtotal	19
Total City Restricted Units	30

a. The unit mix is based on the best available information but may differ from the actual development mix.

Source: City of Albany, Satellite Affordable Housing Associates.

4. Compliance With Surplus Lands Act

Under Government Code Section 54234, if a local agency entered into an exclusive negotiating agreement or legally binding agreement to dispose of property on or before September 30, 2019, the revisions to the Surplus Lands Act, adopted under Assembly Bill 1486, do not apply to the transfer of the property so long as the property is disposed of prior to December 31, 2022. The provisions of the Surplus Lands Act that existed on December 31, 2019, continue to apply.

Under the 2019 Surplus Land Act, property held by a public agency for exchange is exempt from the Surplus Lands Act noticing requirements. The City acquired the property with the intent to transfer the property to facilitate the revitalization efforts of the Former RDA. Government Code Section 52201 authorizes the City to sell or lease property to which it holds title which it held for exchange for the purpose of creating economic opportunity.

Under Government Code Section 52200.2(c), the creation of affordable housing to meet demonstrated affordable housing needs identified in the housing element of a city's general plan constitutes an economic opportunity. The City can therefore transfer the Property as contemplated in the LDDLA without violating the Surplus Lands Act noticing requirements.

C. Summary of the Proposed Land Disposition, Development and Loan Agreement

The proposed LDDLA requires the Developer (SAHA) to develop affordable housing on the Property. This section describes key definitions and provisions of the proposed LDDLA that are relevant to the proposed Development and the value of the Property, as well as other legal agreements that are exhibits to the LDDLA (collectively referred to as Agreements). It concludes with a summary description of the responsibilities of the City and Developer that are relevant to the implementation of the proposed Development and the Property value.

Land Use Entitlements and Environmental Review – The City approved the land use entitlement application for the Development in December 2019 pursuant to Government Code Section 65913.4, and the Development is therefore exempt from review under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080(b)(1), which states the general rule that CEQA does not apply to ministerial projects.

Capitalized Ground Lease– The Property is being conveyed to the Developer in the form of a long-term, 99-year ground lease that carries a capitalized land rent of $4.65 million based on the market value of the property. The LDDLA calls for the capitalized land rent to be treated as a residual receipt loan as part of the City Loan with a 55 year term bearing simple interest at a rate of 0% per annum. The Capitalized Ground Lease will be an attachment to the LDDLA.

Regulatory Agreement –The Regulatory Agreement and Declaration of Restrictive Covenants will be recorded against the Developer's leasehold interest in the property upon execution of the Capitalized Ground Lease and will restrict the Development and use of the property as affordable housing. The Regulatory Agreement will detail income restrictions for each type of unit. The proposed LDDLA specifies that 30 of the units will be set at a rent level affordable to households earning 80% or less of Alameda County median income as described in Section B. The precise distribution and mix of units by income level will be determined prior to execution of the Capitalized Ground Lease based on final project financing and development costs.

City Loan and Financial Assistance –To facilitate affordable housing on the site and associated public improvements, the City is proposing to provide the Developer with a City Loan to fund capitalized lease payments for the Capitalized Ground Lease and to help pay for a portion of the fees for the Development. The LDDLA calls for the City Loan to be treated as a residual receipt loan with a 55 year term bearing simple interest at a rate of 0% per annum. The Developer will not use the City Loan funds for any other purpose without the prior written consent of the City. The amount of the City Loan is intended to be equal to the amount of the City's financial contribution necessary to make the construction and operation of the Development financially feasible and to satisfy all of the covenants in the LDDLA and the Regulatory Agreement. The City Loan and related financial assistance are further described below.

In summary, the City and the Developer are entering into the LDDLA to accomplish the Development, which includes the provision of 62 units of affordable housing that will be restricted to occupancy by low income households pursuant to the LDDLA and related agreements. To accomplish the Development, the City and Developer will assume the following major responsibilities. (Please refer to the actual agreements themselves for the full set of responsibilities and obligations.)

1. City Responsibilities

The City would have the following key responsibilities according to the LDDLA:

- Clear the Caltrans Abutter's Rights restrictions from the title of the property.
- Rezone the property to allow the proposed project.
- Approve a parcel map creating a parcel sized to accommodate the proposed project.
- Authorize the City of Albany's base allocation portion of the Alameda County Measure A1 affordable housing fund to the project.
- Provide necessary permits and approvals to facilitate development of the Property.
- Provide a long-term Capitalized Ground Lease of the Property to the Developer for a term of 99 years, which will be repaid out of residual receipts from the development via the City Loan Agreement.
- Provide a loan to fund many of the City-imposed planning application, building permit, and plan check fees for the Development, which will be part of the City Loan Agreement.
- Pay the City costs necessary to administer and carry out its respective responsibilities and obligations under the LDDLA.

2. Developer Responsibilities

The Developer would have the following key responsibilities according to the LDDLA:

- Prepare a planning application for City approval.
- Prepare construction documents suitable for issuance of a building permit.
- Undertake all geotechnical, air quality, noise, and other due diligence investigations of the property to ensure the property is suitable residential use.
- Prepare grant and loan applications for project financing.
- Obtain necessary permits and approvals for the development of the Property and submit a certification from the Developer's architect that the plans, specifications and design documents meet the terms of the LDDLA.
- Enter into a long-term lease for the Property in an "as is" condition, consistent with the terms in the LDDLA and Capitalized Ground Lease.
- Assure that the Development will only be used for residential use as affordable housing consistent with the Capitalized Ground Lease and the Regulatory Agreement
- Obtain binding commitments for loans and funding sufficient to complete the project.
- Manage all aspects of the development, pay the costs of developing the site and constructing all improvements (except for work set forth in the LDDLA to be performed or paid for by the City or others) and implement the Developer's responsibilities and obligations under the LDDLA.
- File all required federal and other material tax returns and reports in a timely manner, and pay all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its income or its interest in the Property in a timely manner, except those which are being contested in good faith.
- Will not transfer, convey, assign or lease the site or buildings or improvements without prior approval of the City.

D. Cost of Agreements to the City

This section describes the projected City expenditures and revenues pursuant to the Agreements with the Developer. The cost of these Agreements to the City is defined as the net cost to the City, which is the difference between estimated City costs and revenues.

Given the nature of the proposed Development and the Agreements, future costs and revenues cannot be accurately predicted. Therefore, the projections presented in this report should be considered to be the best estimates currently available based upon analysis of information provided by the City, Developer and consultants as of September 2020. Actual costs and revenues to the City may vary from these projections.

1. Estimated City Cost

The City has incurred and will continue to incur costs related to the acquisition and development of the Property, which consist of two major components:

- Property Related Costs – This cost includes expenditures by the City for the acquisition of the properties as well as property related costs specified in the LDDLA.
- City Fee Contribution – This is the cost to the City of providing a City Loan to help fund a portion of the fees associated with the Development as identified in the LDDLA.

a. Property Related Costs

As described earlier, the City purchased approximately 4.5 acres of land from Caltrans based on an Agreement of Purchase and Sale of Real Estate.[2] According to this Agreement, the City paid $1,950,000 to purchase this land including associated closing costs.

The Property consists of the 1.13-acre portion of this land that is being proposed to be developed as affordable housing at the corner of Cleveland and Washington. Based on the proportion of land area in acreage, the allocated share of the purchase price for the Property was $490,000.

As further described below in Section E, the property has significantly appreciated in value since the property was purchased in 2011. A recent appraisal indicates that the property value is $4,650,000 based on its highest and best use as a 62 unit multifamily development.

According to the LLDA, the Developer will be responsible for paying any other costs related to the property, such as the cost of title insurance, document preparation, recordation fees, transfer tax, if any, and any additional recording costs to close the Escrow for the leasehold of the Property, as well as all ad valorem taxes for the Property. The City has no obligation ($0) for these costs.

b. City Financial Assistance

The City will also provide approximately $406,100 in additional financial assistance to help the Developer meet its permit and building fee obligations (referred to as the City Fee Contribution), which will be in the form of a City Loan payable out of residual receipts from the Development.

[2] The Agreement of Purchase and Sale of Real Estate was dated November 15, 2010, and the sale was executed in January 2011 according to the City Council records from its meeting on January 17, 2011. According to the meeting records, the City completed a Phase 1 and Phase 2 Environmental Assessment (Ninyo and Moore) of the parcel. The findings of the Assessment included a recommendation for a Soils Management Plan during construction but did not find significant contamination that would preclude development of the parcel.

c. Total Cost to City

The total cost to the City including all of these cost components is projected to be $5,056,100, as itemized below in Table 2.

Table 2
Total Cost to City
Cleveland Avenue Family Housing Property

Cost Items	Estimated Cost
Property Related Costs and City Financial Assistance	
Capitalized Lease Payment	**$4,650,000**
City Fee Contribution	$406,100
Total Costs to City	**$5,056,100**

Source: City of Albany, Satellite Affordable Housing Associates.

2. Estimated City Revenue

Given the Development's restricted use as affordable housing, it is not anticipated to generate significant revenue to the City. The City will only receive revenues after all of the Development obligations are met, and it will only receive a portion of the residual receipts from the development because a significant share of the remaining cash flow will be distributed to other public lenders and the Developer.

The City also does not expect to receive any property tax or tax increment revenues from the Property because the Developer (as a non-profit corporation) is anticipated to file for and receive a welfare property tax exemption on the property given its restricted use as affordable housing for lower income households.

The estimated revenue to the proposed development is currently projected to be $0 in 2020 dollars.

3. Net Cost to City

The estimated net cost to the City is the difference between projected revenues and costs, as shown below in Table 3. The net cost to the City is estimated to be about $5,056,100.

Table 3
Net Cost to City
Cleveland Avenue Family Housing Property

Net Cost to City	Estimated Net Costs
Total Cost to City	$5,056,100
Less: Total Revenue to City	**$0**
Net Cost to City	**$5,056,100**

Source: City of Albany, Satellite Affordable Housing Associates.

E. Estimated Value at Highest and Best Use

As described earlier, the Property was acquired by and is owned by the City. The highest and best use for the Property is multifamily residential at R-3 (High Density Residential) according to the City's General

Plan and its Zoning Ordinance. This land use and zoning designation permits the development of apartments. According to the City, the Property was approved December 20, 2019 for development of 62 multifamily apartments, which is considered to be its highest and best use.

SAHA commissioned Thomas E. Dum Real Estate Appraisers, Inc. to appraise the property at its highest and best use. Their analysis and valuation conclusion is documented in their Appraisal Report dated January 29, 2020, which is available from the City upon request. The Appraisal Report indicates that the property value is $4,650,000 based on its potential development as 62 multifamily units.

F. Estimated Fair Reuse Value

The reuse value is the value of the Property given the allowable development program and the reuse restrictions associated with the properties given the conditions, covenants, and development obligations that are required in the LDDLA and associated Agreements regarding the lease and development of the Property as affordable housing.

The reuse value of the Property is estimated in this report utilizing a residual land value analysis that assumes the proposed development program and the reuse restrictions that are contained in the draft LDDLA and related Agreements as of September 2020. The residual land value analysis takes into account all of the costs associated with the proposed Development for the Property and compares these costs with the potential revenues from the Development given the reuse restriction as affordable housing.

Given its planned development as affordable housing, revenues from the Property will be significantly restricted, and future revenues will not be sufficient to support the projected development costs without substantial public assistance from the City and other public entities. Thus, the residual land value analysis in this report incorporates all of the public and private sources that will provide funding for the Development and considers these sources as development revenues, which are then compared with the anticipated development costs as further described below.

1. Estimated Development Revenues (Sources)

The City and the Developer have been working collaboratively to assemble public and private funding sources that will be sufficient to fully fund the development costs for the Property. The Developer's proposed funding plan achieves this goal, but the proposed Development is not financially feasible without substantial public subsidies as there is a significant gap between the amount of supportable private debt that future project revenues can support the cost of Development.

The Developer provided financial projections of revenue and expenses for the Property that were used as the basis for the reuse appraisal. The proposed Development consists of 62 affordable apartments that will be rented to lower income households at an average household income of about 47 percent of the Alameda County Areawide Median Income (AMI). The typical household size of future residents is proposed to be similar to the City's typical household size of about 3 persons per household, which means that a typical household will have an income of about $50,000 based on 2020 Alameda County AMI data.

Rents will be restricted to thirty percent (%) of income, and the average rent of the Development will be about $1,280 per month.[3] As shown below in Table 4, the Property is projected to generate about $934,000 per year in effective gross income from the apartments after taking into other income and a vacancy allowance. After deducting operating expenses, net operating income will leverage about $3.9 million in supportable debt as a Permanent Loan.

[3] The affordable rent is based on affordable rents established by the California Tax Credit Allocation Committee at specific restricted income levels and is calculated net of tenant-paid utilities, which are estimated to average about $80 per month.

Appendix Table A-2 at the end of this report shows the projected Permanent Loan as well as the estimated revenues (sources) for the property, as further described below.

Table 4
Estimated Revenues and Supportable Debt
Cleveland Avenue Family Housing Property

	Total	Per Unit
Rental Income		
Residential Rent	$934,100	$15,100
Other Income	$11,200	$200
Less: Vacancy	($47,300)	($800)
Effective Gross Income (EGI)	$898,000	$14,500
Less: Operating Expense	($588,400)	($9,500)
Net Operating Income	$309,600	$5,000
Less: Bond Monitoring Fee	($4,000)	($100)
Less: Loan Compliance	($3,900)	($100)
Less: HCD TOD Mandatory Interest Payment	($33,800)	($500)
Adjusted Net Available Income	**$267,900**	**$4,300**
Supportable Debt	**$3,914,900**	**$63,100**

Source: Satellite Affordable Housing Associates.

a. Development Revenues (Sources)

The Developer has submitted a funding plan for the development of the Property that has been reviewed by City staff and used by Seifel Consulting to prepare this reuse appraisal. Given the restricted use of the Property as affordable housing, revenue from the apartments will not be sufficient to support the cost of their development, and numerous public sources will be required to provide financial assistance to the development. Each of the key revenue sources is described below, and Appendix Table A-1 summarizes the estimated revenues that are associated with each of them:

- **Permanent Loan–** As indicated above, the net operating income (NOI) from the Property given its restricted rental income is anticipated to support about $3.9 million in permanent debt. This Permanent Loan amount is calculated based on an interest rate of about 4.1 %, a 30-year amortization period and a debt coverage ratio of 1.18 (adjusted net available income to debt service).
- **Tax Credit Equity (Limited Partner Equity Investment)**– The Developer anticipates raising about $28 million in private equity investment from an investor limited partner in exchange for Federal and State Low Income Housing Tax Credits. This amount of equity investment is dependent on the receipt of an allocation of tax credits from the State of California and many market factors.
- **City Financial Assistance**– The City will also provide about $406,100 in additional financial assistance through a City Loan that will cover of the City's planning, building and permit fees as described above.
- **County of Alameda Funding Assistance**– The Developer has received a commitment from the County of Alameda of about $2.7 million in HOME funds and $2.3 million in Measure A1 funds.
- **Transit Oriented Development Program (TOD)–** The California TOD program is anticipated to provide a low-interest, permanent loan of about $8.1 million with a deferred, long-term payment obligation and minimum annual payments.

- **Affordable Housing Program (AHP)**– The Federal Home Loan Bank (FHLB) Affordable Housing Program is anticipated to provide $610,000 in funding, which will be structured as a deferred loan that will be forgivable on a pro-rata basis until about five years after closing.
- **Developer Fee**– To help meet the development's funding gap, the Developer is also proposing to defer about $1.0 million of their developer fee.

In summary, the Permanent Loan is only able to support about 8% of the anticipated development costs. The City, County and State are anticipated to provide about $13.3 million in soft loan funding to subsidize the development. In addition, Federal and State Low Income Housing Tax Credits are proposed to leverage about $28 million in private equity from tax credit investors to help pay for residential development costs, and the AHP program is proposed to contribute $610,000.

Without this substantial commitment of funding resources for the provision of affordable housing from the City, County, State, as well as Federal and State tax credits that leverage private equity, the development would not be financially feasible as these sources represent about $42.3 million in funding. Table 5 below summarizes the estimated revenues for each major funding category.

2. Estimated Development Costs (Uses)

The Developer has been conducting due diligence on the property and has prepared recent estimates of the development costs associated with the Property given their planned development as affordable housing. Each of the key cost factors is described below, and Appendix Table A-2 shows the estimated costs for each of these categories that are associated with the property and the (excluding the land cost):

- **Property Related Costs**– Property related costs consist of offsite and onsite improvements.
- **Hard Construction Costs**– Hard construction costs include building construction costs as well as general contractor costs and contingency.
- **Project Related Soft Costs**– Project related soft costs include professional fees, such as architecture, engineering and legal, government fees and building permit costs, operating and service reserves, marketing costs and other project costs and soft cost contingency.
- **Project Financing**– Project financing costs include costs related to construction and bond financing, as well, as fees and costs that are required to secure debt commitments.
- **Developer Costs**– The developer fee and overhead costs are the amount that is allowed according to the California Tax Credit Allocation Committee based on the project costs. As described above, a significant portion of the developer fee will be deferred to help fund the development.

The total development cost of the proposed development is approximately $47.2 million, as summarized below in Table 5.

3. Residual Land Value (Reuse Value)

As described earlier, the reuse value is the value of the Property given the proposed development program and the reuse restrictions associated with its development as affordable housing. The reuse value is calculated based on the residual land value, which is the difference between the estimated development revenues and costs.

As indicated in Table 5 below, the total estimated revenues (sources) from development of the Property and the total estimated development costs (uses) are each approximately $47.2 million, as the Developer is seeking funding sources to offset the financial gap that occurs given the significant difference between the amount of supportable debt that the apartments can generate and the property's development cost. The residual land value is the difference between these projected revenues and costs, and thus, the residual land value and reuse value is $0.

Without the approximately $42.3 million in funding resources that will be provided by public agencies and private partners to support the provision of affordable housing, the Development would have a significant funding gap, and the reuse value would be negative.

Table 5
Reuse Value Based on Residual Land Value Analysis
Cleveland Avenue Family Housing Property

Development Revenues and Costs	Project Estimates
Estimated Development Revenues Excluding Land	
Permanent Loans	$3,914,900
Tax Credit Equity	$28,013,700
City Fee Contribution	$406,100
Other Public Funding Assistance	$13,881,100
Deferred Developer Fee	$1,000,000
Subtotal - Development Revenues	**$47,215,800**
Estimated Development Costs Excluding Land	
Property Related Costs (Except Land)	$1,819,400
Hard Construction Costs	$34,825,600
Project Related Soft Costs	$4,795,600
Project Financing	$2,624,300
Developer Costs	$3,150,900
Subtotal - Development Costs	**$47,215,800**
Residual Land Value (Fair Reuse Value)	**$0**

Source: City of Albany, Satellite Affordable Housing Associates.

G. Justification for the City Loan and Financial Assistance

As described previously, the City will be restricting the affordability of 30 units to be occupied by extremely low, very low and low income households in compliance with the City's Inclusionary Housing Ordinance and State Density Bonus Law, as well as the terms of the LDDLA and the City Loan Agreement. The provision of affordable housing will help the City meet its housing obligations in the City's Housing Element and its Regional Housing Needs Allocation, as well as provide an important affordable housing resource for lower income households.

Utilizing 2020 Alameda County AMI data, Seifel analyzed the difference between the restricted value for these 30 units given the affordability restrictions and the development cost of the restricted units, which is referred to as the affordability gap. As shown in Table 6, the affordability gap is $18.5 million, which is well in excess of the City Loan amount of about $5.1 million. (Please refer to Appendix Table A-4 for supporting calculations.)

In summary, the City Loan and Financial Assistance will provide the City with an important affordable housing resource for lower income households, help the City meet its housing obligations and will provide an economic benefit to the City and its residents that is well in excess of the City Loan amount.

Table 6
City Restricted Units– Affordability Gap
Cleveland Avenue Family Housing Property

	Total	Per Restricted Unit
Affordability Gap of Restricted Units		
Average Value of City Restricted Units	$4,295,100	$143,200
Less: Development Cost of City Restricted Units	($22,845,000)	($761,500)
Affordability Gap	**($18,549,900)**	**($618,300)**
Property Related Costs and City Financial Assistance		
Capitalized Lease Payment	$4,650,000	$155,000
City Fee Contribution	$406,100	$13,500
Total Costs to City	**$5,056,100**	**$168,500**

H. Blight Elimination

According to the City and its former Redevelopment Agency, the property has suffered from blighting conditions, and these conditions will be alleviated with the proposed Development:

- The redevelopment of the property will eliminate the current physical blighting conditions on the site and help create a higher quality environment for the surrounding neighborhood.
- The redevelopment of the property will also result in the remediation of hazardous materials, provide a future bike path connection, enhance Pierce Street park, and meet other environmental goals.
- The proposed Development will provide much needed affordable housing, which will serve
- households that may be currently experiencing residential overcrowding.

I. Conclusion

The proposed development of the Property will help meet the City's housing goals and its former Redevelopment Agency's revitalization goals. The Property will be retained by the City and leased to SAHA in order to provide 62 units of much-needed affordable housing. The reuse analysis in this report finds that the reuse value of the property is $0.

Given the restricted revenues from rental of the affordable apartments, project revenues could only support a permanent mortgage of about $3.9 million, which represents 8% of development costs. Without the approximately $42.3 million in funding resources that will be provided by public agencies and tax credit investors to support the provision of affordable housing, the Development would have a significant funding gap, and the reuse value would be negative.

1. Limitations to this Analysis

The information presented in this report and the financial estimates used to support the reuse appraisal were prepared based on relevant development, financial, appraisal and real estate data collected from the City and Developer from March to September 2020. While Seifel has made reasonable efforts to verify the accuracy of the figures, information and analysis presented in this report and presumes that the information received from the City and Developer can be relied upon as being accurate and timely, Seifel makes no warranty or guarantee as to the accuracy of this information or to the projections that are based on this information.

Although Seifel has prepared the analysis in this report based on reasonable assumptions and information, projections of current and future revenues may be lower or higher than what is shown in this report and may not reflect actual future revenues received or costs incurred by the City, Developer or any other entity. The tables and analysis in this report have been prepared for the sole purpose of providing background information and analysis to assist the City and other public agencies in understanding the financial characteristics of the proposed Development.

Appendix Tables

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