

# FREMONT, CA: HOUSING DEVELOPMENT CONTRIBUTES TO COMPREHENSIVE NEIGHBORHOOD REVITALIZATION STRATEGY

*The City of Fremont, California, in its capacity as a subrecipient to HOME participating jurisdiction Alameda County, invested HOME funds to develop new affordable housing units that were made available for sale to low-income families. This development, the Adams Avenue Homes and Street Improvements project, was undertaken as part of an overall redevelopment strategy for a neighborhood that had been neglected for decades. The project included the development of 17 affordable housing units and extensive street improvements that improved the provision of services to residents on the block. The housing component of the project was developed by two nonprofit agencies working in partnership to serve both low- and moderate-income residents.*

## Background

Fremont, California is the fourth largest city in the San Francisco Bay Area. It covers 92 square miles and is home to a population of approximately 209,000 residents. The city is a major high tech center and lists a top automobile manufacturer as its largest employer.

Within the boundaries of Fremont, there is a one-block stretch of dirt and gravel road called Adams Avenue that was never fully incorporated as part of the city prior to the Adams Avenue Homes and Street Improvement redevelopment project. As a result, the block remained virtually unimproved since the tract map was first recorded in 1884. Maintenance to the roadway was sporadic and limited to the periodic pouring of gravel by residents to smooth out the ruts and bumps. Adams Avenue stopped at railroad tracks, yet no sound or safety wall protected residents. Police did not routinely patrol the street, since the road was difficult to maneuver and did not allow for a safe and rapid turn around. Fire safety was also limited, since no hydrants were located along the street. In 1980, the City's Redevelopment Agency included Adams Avenue in the Irvington Redevelopment Project Area. The street remained largely neglected until 1999, when transformation efforts finally began.

Single-family and small multifamily rental units constructed between 1950 and 1957 occupied one side of Adams Avenue. Some of these homes had illegal additions and the structures were functionally obsolete, with outdated floor plans and a lack of covered parking or paved driveways. These homes had fallen into severe disrepair and were owned by an absentee landlord. Very low- to moderate-income families lived in these rental units. Owner-occupied homes, also constructed in the 1950s, occupied the other side of the street.

No affordable single-family housing had been produced in Fremont since the late 1980s and early 1990s and the City's Redevelopment Agency sought an opportunity to create new single-family housing to meet growing needs for affordable homeownership units. The Redevelopment Agency initiated the development of Adams Avenue Homes, a homeownership community for first-time homebuyers and local workers, and hired an architectural firm<sup>1</sup> to oversee project design. The Project Architect convened numerous community meetings to discuss the project, and Adams Avenue Homes was ultimately designed and approved for seventeen single-family detached homes, to be built on small lots of approximately one acre.

## Program Design

Eden Housing, headquartered in Hayward, is a highly experienced nonprofit rental housing developer. It had developed over 4,000 affordable rental units in Northern California and was looking to expand into homeownership activities. East Bay Habitat for Humanity, located in Oakland, uses volunteers to build for-sale housing to low-income households. The Redevelopment Agency believed that Eden Housing and the East Bay Habitat for Humanity could develop Adams Avenue Homes, combining Habitat's expertise in homeownership housing development with the strength of a nonprofit developer that had an excellent production record in the rental housing market.

Eden Housing, the lead developer, constructed fourteen homes and East Bay Habitat for Humanity constructed three. The three Habitat housing units were sold to low-income families.<sup>2</sup> Assisting Habitat for Humanity were numerous volunteers,

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<sup>1</sup> The firm of Van Meter Williams Pollock served as project architect, under the direction of Project Architect Rick Williams.

<sup>2</sup> The East Bay Habitat for Humanity targeted low-income families whose incomes were between 60 and 80 percent of area median income. In Fremont, that is \$45,950 to \$61,300 per year for a 4-person household, in 2003.

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including the Agency Board, the Mayor, AmeriCorps, and volunteers from local churches and corporations. Habitat for Humanity also secured private financial support from many donors, including Merrill Lynch, Intel Corporation, Santa Clara Development Corporation, and New United Motors Manufacturing, Inc. The homebuyers have "Habitat first mortgages," which are zero-interest, 20-year loans requiring monthly payments.

The remaining fourteen housing units built by Eden Housing were targeted for households with moderate incomes.<sup>3</sup> These homebuyers secured traditional first mortgages from private lenders, at market rates. Eden Housing also constructed the off-site and on-site improvements and built the foundations and provided utilities for all seventeen homes.

All homebuyers were assisted with a "soft-second" deferred payment loan, funded by the Redevelopment Agency. The deferred-payment loans require no monthly payments as long as the homebuyer lives in the home and continues to meet the program requirements throughout the affordability period. Each home has a 50-year affordability period that is enforced by recorded trust deeds on each property.

The two-story bungalow-style homes consist of detached and semi-attached units that are clustered around courtyards to use the land more efficiently. All the homes have three bedrooms, two baths and a two-car garage. The approximate size of each home is 1,600 square feet on lots ranging from 2,500 to 4,100 square feet. Adams Avenue Homes exemplifies "neo-traditional" or "new urbanist" communities. The site plan was developed to create a traditional residential streetscape with rear yard garages accessed by side drives and a unique courtyard home style built at the maximum density for detached single-family homes.

### Financing

The total cost for the completion of the Adams Avenue Home and Street Improvements was \$6,773,000. The City of Fremont granted \$100,000 in HOME funds to East Bay Habitat for Humanity to be used for new construction costs of its units. The Affordable Housing Program (AHP) of the Federal Home Loan Banks provided \$70,000 for down payment assistance for low-income households. The Redevelopment Agency's Affordable Housing Fund, which is supported through tax increment financing revenue, provided \$2,228,000 to finance a pre-development loan, a property acquisition loan, and a gap loan for development expenses. These funds were converted into the homebuyer's deferred-payment loans. An important component of the Agency's loan covered relocation costs for the six families that occupied the substandard housing that was demolished to make way for the new homes. As required by State law, a Relocation Plan was approved by the Agency and the displaced tenants were assisted with full relocation benefits, which allowed them to move to safe, decent, and affordable housing.

The City of Fremont also extended a \$1,500,000 construction loan funded through the State CalHFA HELP program. As each home was sold, a portion of the HELP construction loan was repaid, and fully repaid upon the sale of the last home. Private bank financing, grants, and contributions from private donors provided the balance of the project's financing. In addition to the direct funding sources, each family that purchased a unit developed by Habitat for Humanity was required to contribute 500 hours of sweat equity into each of the units.

### Production

The Adams Avenue Homes redevelopment project was completed in August 2002. Due to the overwhelming demand, buyers for the fourteen homes developed by Eden Housing were selected by lottery. The affordable sales prices of the homes ranged from \$143,000 to \$297,000, affordable to households with low- and moderate-incomes.<sup>4</sup> Buyers for the East Bay Habitat for Humanity homes were selected from the pool of graduates from the City's award-winning Housing Scholarship Program.

As a result of this project, dilapidated housing has been demolished and renters became owners of safe, decent, and affordable housing. Adams Avenue now meets city standards for a new street, utilities have been placed under ground, and pedestrians enjoy the new sidewalks. Off-site improvements have been completed and periodic flooding no longer occurs. New street lighting makes the neighborhood more secure, and police now offer patrol services. Fire safety has been enhanced with the

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<sup>3</sup> Eden Housing targeted families whose incomes were between 80 and 120 percent of area median income. In Fremont, that is between \$61,300 and \$91,900 per year for a four-person household, in 2003.

<sup>4</sup> As of November 2003, the median sales price of a single-family home in Fremont was \$492,500 while the median sales price of a condominium was \$316,000. According to the California Association of Realtors, only 22% of Bay Area households could afford to purchase a median price home compared to 24% in the prior year (Source: San Francisco Chronicle 12/20/02).

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addition of a new mid-block hydrant. Existing homes have been improved with new front yard fencing, new landscaping, and driveway approaches. New sidewalks have been extended beyond the development's frontage, adding benefits to the surrounding neighbors.

### **Keys to Success**

The Redevelopment Agency's vision for this block, and its subsequent investment of time and funds were key to the success of this neighborhood redevelopment project. In addition, the early efforts of the architectural firm, in working with the neighborhood residents generated the necessary community support the project needed to succeed—and ensured that the development would meet the housing needs of the residents for whom the project was designed to serve. Finally, the combined expertise of Eden Housing and East Bay Habitat for Humanity, and sufficient funding commitments from a variety of sources, secured the project's ultimate development.

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