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OFFICE OF THE CITY CLERK  
OAKLAND

2013 FEB 14 AM 11:06

# AGENDA REPORT

TO: DEANNA J. SANTANA  
CITY ADMINISTRATOR

FROM: Michele Byrd

SUBJECT: Transfer of NSP 1 Funds

DATE: February 5, 2013

City Administrator

Date

Approval

2/13/13

COUNCIL DISTRICT: City-Wide

## RECOMMENDATION

Staff requests that the City Council approve:

A Resolution Amending Resolutions No. 81933 C.M.S. and No. 83641 C.M.S. To Swap Up To \$750,000 Of HUD Neighborhood Stabilization Program 1 (NSPI) Funds Allocated To Urban Strategies Council For The Oakland Community Land Trust Project With Up To \$750,000 Of HUD HOME Funds Allocated To East Bay Asian Local Development Corporation For The California Hotel Rehabilitation Project,

## EXECUTIVE SUMMARY

The Department of Housing and Community Development (HCD) is recommending swapping \$750,000 in HUD Neighborhood Stabilization Funds 1 (NSP 1) funds previously allocated to the Urban Strategies Council for the Oakland Community Land Trust (OakCLT) project to acquire, rehabilitate and resell foreclosed single homes, with \$750,000 in HUD HOME funds previously allocated to East Bay Asian Local Development Corporation (EBALDC) for the rehabilitation of the California Hotel. The swap of these funds will allow for the transfer and immediate disbursement of the NSP 1 funds to the California Hotel to ensure the expenditure of all NSP 1 funds by the March 18, 2013, HUD deadline.

NSP 1 regulations require the expenditure of all funds within four years of the award date, which in this case is March 18, 2013. The City would lose any unexpended funds after the March 13, 2013 expenditure deadline.

Item: \_\_\_\_\_

Community and Economic Development Committee  
February 26, 2013

## OUTCOME

Approval of the resolution will allow for the swapping of the NSP1 funds to the California Hotel and would allow for the immediate disbursement of the funds to ensure the City meets the March 18, 2013 NPS 1 expenditure deadline.

## BACKGROUND/LEGISLATIVE HISTORY

The City Council approved Resolution No. 81933 C.M.S. on April 21, 2009 approving a loan in the amount of \$5,025,000 to Urban Strategies/Oakland Community Land Trust for the acquisition and rehabilitation of foreclosed single family homes under the Neighborhood Stabilization Program. With these funds, OakCLT has acquired and rehabilitated 17 single family homes to remove blight and provide decent housing to low income households in East Oakland.

The City Council approved Resolution No. 83641 C.M.S. on December 6, 2011 approving a loan in an amount not to exceed \$3,168,000 to East Bay Asian Local Development Corporation for the California Hotel project, the rehabilitation of a 137-unit rental housing project at 3501 San Pablo Avenue.

## ANALYSIS

While OakCLT acquired 17 single family homes, only three of the properties have been sold thus far, and the remaining 14 are in various stages of preparation to go on the market. Given the state of the housing market, OakCLT will not be able to sell the remaining 14 properties prior to the expenditure deadline of March 18, 2013. As a part of the OakCLT budget there are soft costs designated for the disposition of the properties which include housing counseling, legal fees, marketing and broker fees. The soft costs for the remaining 14 properties are approximately \$631,682, and the remaining developer fee is \$180,505. There will be a release of approximately \$60,000 of the developer fee after completion of the rehabilitation on the remaining 14 properties. Release of the soft costs the remaining developer fee cannot take place until the properties are sold. As stated above, OakCLT will not have properties sold prior to the March 18 spending deadline, so it is necessary to transfer approximately \$750,000 to an eligible project to comply with the expenditure deadline.

In order to ensure the expenditure of funds in an expeditious manner, there is a need to transfer funds to a project that already meets the NSP 1 requirements and can spend the funds at a rapid pace. The California Hotel Project is eligible under the NSP 1 requirements to receive funding and the project is spending approximately \$1 million dollars a month due to the nature and size of the project. Based upon the above, staff is recommending the California Hotel Project as the

Item: \_\_\_\_\_

Community and Economic Development Committee  
February 26, 2013

project to swap the NSP 1 funds to ensure the expenditure of funds by the March 13, 2013 expenditure deadline.

### **PUBLIC OUTREACH/INTEREST**

OakCLT went to City Council in April, 2009, and the California Hotel project was heard by Council in December, 2011, affording the public the opportunity to comment on the respective projects.

### **COORDINATION**

Housing staff worked with the City Attorney's Office to review resolutions, the loan agreement, and any modifications to the promissory note and deed of trust.

### **COST SUMMARY/IMPLICATIONS**

If the resolution is approved it will ensure the City will expend all of its NSP1 funds and meet the expenditure deadline of March 18, 2013 and not have to return any unexpended funds to the U. S. Department of Housing and Urban Development (HUD).

### **SUSTAINABLE OPPORTUNITIES**

The housing development projects recommended for this swap will address the "3 E's" of sustainability in the following ways:

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**Economic:** The projects involved in this swap will continue to expand the affordable housing inventory in Oakland and generate construction and professional service jobs.

**Environmental:** The projects involved in this swap will continue to address such issues as removal of blight and abatement of environmental hazards such as lead-based paint and other building conditions of the foreclosed properties. The developers encourage contractor to use green building techniques, including energy-efficient design, use of recycled building materials and water-conserving fixtures and landscaping.

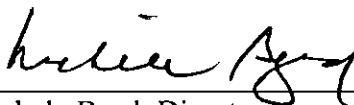
**Social Equity:** By definition, the projects involved in this swap target the improvement of the conditions for low and moderate income communities. Through NSP, there is an improvement in Oakland's neighborhood-level environment by the rehabilitation of foreclosed and blighted properties. The projects are providing affordable rental and ownership housing for low and very low-income individuals and families.

Item: \_\_\_\_\_

Community and Economic Development Committee  
February 26, 2013

For questions regarding this report, please contact Loyd Ware, Residential Lending Manager, at 510-238-6197.

Respectfully submitted,

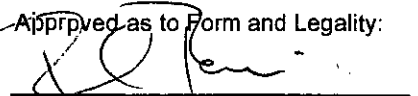


Michele Byrd, Director  
Department of Housing and Community Development

Reviewed by:  
Loyd Ware  
Manager, Residential Lending

2013 FEB 14 AM 11:06

Approved as to Form and Legality:



Deputy City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**A RESOLUTION AMENDING RESOLUTIONS NO. 81933 C.M.S. AND NO. 83641 C.M.S TO SWAP UP TO \$750,000 OF HUD NEIGHBORHOOD STABILIZATION PROGRAM 1 (NSP1) FUNDS ALLOCATED TO URBAN STRATEGIES COUNCIL FOR THE OAKLAND COMMUNITY LAND TRUST WITH UP TO \$750,000 OF HUD HOME FUNDS ALLOCATED TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION FOR THE CALIFORNIA HOTEL REHABILITATION PROJECT**

**WHEREAS**, Resolution No. 81933 C.M.S. dated April 21, 2009 authorized a loan in the amount of \$5,025,000 to Urban Strategies/Oakland Community Land Trust (OakCLT) for the acquisition and rehabilitation of foreclosed single family homes under the Neighborhood Stabilization; and

**WHEREAS**, the Resolution allocated \$5,025,000 from HUD Neighborhood Stabilization Funds 1 (NSP 1) for the loan; and

**WHEREAS**, Resolution No. 83641 C.M.S. on December 6, 2011 authorized a loan in an amount not to exceed \$3,168,000 to East Bay Asian Local Development Corporation for the California Hotel rehabilitation project; and

**WHEREAS**, the Resolution allocated \$1,316,750 from HUD Home funds for the loan; and

**WHEREAS**, the NSP 1 funds have a March 18, 2013 expenditure deadline; and

**WHEREAS**, OakCLT will not expend all of its funds by the expenditure deadline and there is a need to transfer these funds to another project; and

**WHEREAS**, In order to ensure the expenditure of funds in an expeditious manner, there is a need to transfer funds to a project that already meets the NSP 1 requirements and can spend the funds at a rapid pace; and

**WHEREAS**, the California Hotel project is eligible under the NSP 1 requirements to receive funding and the project is spending approximately \$1 million dollars a month due to the nature and size of the project; now, therefore, be it

**RESOLVED:** That the City Council hereby amends Resolution No. 81933 C.M.S. and No. 83641 C.M.S to swap up to \$750,000 of HUD NSP 1 funds allocated to Urban Strategies Council for the Oakland Community Land Trust with up to \$750,000 of HUD HOME funds allocated to East Bay Local Asian Development Corporation for the California Hotel project to ensure the expenditure of NSP 1 funds by the March 18, 2013 deadline; and be it

**FURTHER RESOLVED:** That \$750,000 will be allocated from the Community Development Block Grant Program (2108), Residential Lending Organization (89939), Neighborhood Stabilization Program 1 Funds Project (G368130) and HUD-HOME Fund (2109); Housing Development Organization (89929), HOME Housing Development Project (G17211) for this swap; and be it

**FURTHER RESOLVED:** That all loan documents shall be reviewed and approved by the City Attorney's Office for form and legality prior to execution; and be it

**FURTHER RESOLVED:** That the City hereby authorizes the City Administrator or his or her designee to conduct negotiations, execute documents, administer the loans, and take any other action with respect to the swap of funds consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON-MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT  
KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California