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OAKLAND

2019 SEP 12 AM 5:02

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Maraskeshia Smith
Assistant City Administrator

SUBJECT: Measure KK Affordable Housing
Programs

DATE: August 30, 2019

City Administrator Approval

Date:

9/12/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Her Designee To:

- 1. Make Acquisition And Conversion To Affordable Housing (ACAH) Loans From Bond Proceeds Without Returning To Council; And**
- 2. Reallocate Funding From Projects Currently Scheduled To Be Funded By The First Tranche Of Measure KK Funds (Fund 5331), Notwithstanding Any Previous Action By The City Council, To Any New Projects Initiated Pursuant To Programs Authorized To Receive Funding From Measure KK Bonds, Including But Not Limited To Projects Initiated Pursuant To The ACAH Program, To The Extent Necessary To Maximize Spend Down Of Outstanding Bond Funds And Ensure Cost Efficiency.**

EXECUTIVE SUMMARY

In August 2017, the City issued a first tranche of Measure KK Affordable Housing bond proceeds in the amount of \$55,000,000. The specific housing programs identified for the first tranche of Measure KK funds and approved in Resolution No. 86774 C.M.S. and 86814 C.M.S. were as follows:

- 1) Acquisition of Transitional Housing Facilities
- 2) Site Acquisition Program
- 3) Housing Rehabilitation and Preservation
- 4) New Construction
- 5) One-To-Four Housing Programs:
 - a. Acquisition and Rehabilitation
 - b. Owner Occupied Rehabilitation
 - c. Rental Rehabilitation
 - d. Community Buying Program
 - e. Accessory Dwelling Unit Legalization Pilot Program

Of the \$55,000,000 first tranche, \$43,941,648 (80 percent) has been committed to a total of 21 projects, including administrative costs. Out of this amount of committed funds, \$28,041,748

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(64 percent) has been expended and \$15,899,900 (36 percent) in committed funds have yet to be expended. The remaining \$11,058,352 are uncommitted funds which will be used to fund upcoming projects as described further below.

The City's fiscal year (FY) 2019/21 budget allocates \$45,000,000 in Measure KK funds for additional affordable housing activity of which \$12,000,000 is to be designated for affordable housing projects of 25 units or less, utilizing community land trusts and limited equity cooperatives.

Housing and Community Development (HCD) staff have reviewed progress made to date ensuring that bond fund uses are consistent with the intent of the voter approved bond measure and the uses stipulated in City Ordinance No. 13403 C.M.S. which enacted the City of Oakland Affordable Housing and Infrastructure Bond Law.

This review also included an analysis of timely use of funds and identified modifications needed to ensure that all bond funds, both the balance from the first tranche as well as the upcoming second tranche, are expended in an expeditious and fully effective manner. The key modifications identified are:

- Revise the Site Acquisition Program in the following ways, and rename it the "Acquisition and Conversion to Affordable Housing" (ACAH) Program
 - Vacant land and existing affordable housing properties are no longer eligible projects;
 - The program will be bifurcated into two subprograms: one program for projects with 25 units or less and one program for projects with 26 units and greater; and
 - Projects will be evaluated and scored based on established criteria, however, there will be priority points given to projects that are being acquired by land trusts or limited equity cooperatives (for projects with 25 units or less) and the degree to which projects prevent the displacement of existing tenants. The criteria are currently being developed with input from various community stakeholders and will be finalized for release of the ACAH Notice of Funding Availability (NOFA) in November 2019.
- Reprogram the balance of uncommitted One-To-Four Unit Housing Program funds (totaling \$4,000,000) to the ACAH Program.

This Agenda Report presents: 1) an overview of how Measure KK affordable housing funds have been committed and expended to date, 2) a plan for deploying the remaining funds available, and 3) a request for City Council actions that will ensure the smooth deployment of remaining Measure KK funds.

BACKGROUND / LEGISLATIVE HISTORY

In November 2016, Oakland voters passed Measure KK, the Affordable Housing and Infrastructure Bond that provides \$100,000,000 in funding for affordable housing. On November 29, 2016, the City Council approved Ordinance No. 13403 C.M.S. that enacted the City of Oakland Affordable Housing and Infrastructure Bond Law.

On June 19, 2017, the City Council approved Resolution No. 86774 C.M.S. identifying the programs that are authorized for funding with proceeds from the first tranche of Measure KK bonds (initially set as \$50,000,000 and then amended by Resolution No. 86814 C.M.S. to increase the first tranche to \$55,000,000). The programs identified were:

- 1) Acquisition of Transitional Housing Facilities
- 2) Site Acquisition Program
- 3) Housing Rehabilitation and Preservation
- 4) New Construction
- 5) One-To-Four Housing Programs:
 - a. Acquisition and Rehabilitation
 - b. Owner Occupied Rehabilitation
 - c. Rental Rehabilitation
 - d. Community Buying Program
 - e. Accessory Dwelling Unit Legalization Pilot Program

The first tranche of affordable housing bond funds was issued in August of 2017 and at the same time a NOFA was released for the Housing Rehabilitation and Preservation and New Construction programs. Seventeen projects were awarded funds through that NOFA process. In addition, since the issuance, a 70-unit transitional housing facility (The Holland) was acquired and four one-to-four unit Acquisition and Rehab loans have been committed.

ANALYSIS AND POLICY ALTERNATIVES

Overview of Measure KK Expenditures to Date

In accordance with Measure KK Affordable Housing Bond Law, the affordable housing programs must prioritize strategies, programs and projects that increase the supply of affordable housing for those who are homeless and households most vulnerable to displacement, including extremely low-income renters, and limited income seniors, veterans, and people with disabilities.

The City has very successfully committed the majority of the first tranche of bond funds (79.7 percent), and all funded projects meet the needs identified above. The one program area where there has been a lack of progress is within four of the five One-to-Four Housing Program subcomponents. HCD staff are proposing to reprogram the uncommitted funds from this program into a slightly revised Site Acquisition Program, described below. This program has a track record of success and will meet the needs and intentions articulated in the bond law and the bond ordinance.

The following is a brief description of each program component and the status of each. **Attachment A** provides a list of all Measure KK-funded projects with information on incomes, target population, and use of project-based vouchers.

1) Acquisition of Transitional Housing (TH) Facilities (\$14,000,000 budgeted):

- a) The Holland: The City acquired this Single Room Occupancy (SRO) property located at 641 West Grand Avenue in 2018. It is now a successful transitional housing facility consisting of 70 units and serving approximately 160 individuals per year. The program design is modelled on the Henry Robinson Center.

- b) The Silver Dollar Hotel: In June 2019, the City Council approved an offer being made on 2327 San Pablo Avenue, a 24-unit SRO property called the Silver Dollar Hotel. A Purchase and Sale Agreement in the amount of \$3,100,000 was executed and City staff from Real Estate, HCD, Human Services, City Attorney's Office, and Planning and Building are involved in the due diligence process which will conclude in early October 2019.
- c) Additional Facilities: Two other sites are being explored for acquisition with remaining funds.

2) Site Acquisition Program (\$18M budgeted):

A total of six properties were awarded funds, however one property will not be moving forward. The remaining five properties total 210 units. The properties have all been successfully acquired and there is a remaining uncommitted balance of \$2,350,850.

3) Housing Rehab & Preservation (\$10M budgeted):

A total of three properties were awarded funds, totaling 110 units. One of these projects is in construction and the remaining two are in predevelopment, seeking funding from other sources. There is a remaining uncommitted balance of \$712,000 in this program area.

4) New Construction (\$7M budgeted):

A total of eight properties were awarded funds, totaling 565 units. One of these projects is in construction and the remaining seven are in predevelopment, seeking funding from other sources and/or building permits. There is a remaining uncommitted balance of \$680,000 in this program area.

5) One-to-Four Housing Programs (\$6M budgeted)

- a) Acquisition/Rehabilitation (\$3,000,000) – A NOFA was released in January 2019 and five applications were received. One was ineligible, and the remaining four have received a commitment of funds totaling \$1,500,000. These four projects total 10 units. One of the projects is a single-family home being used as a transitional housing facility.
- b) Owner Occupied Rehabilitation– No funds expended to date.
- c) Rental Rehabilitation– No funds expended to date.
- d) Community Buying Program– No funds expended to date.
- e) Accessory Dwelling Unit Pilot Program - No funds expended to date.

Programs b), c), d), and e) were collectively budgeted at \$3,000,000.

The bond ordinance specifies two income-targeting requirements which have been successfully met to date, presented in Table 1.

Table 1. Income Targeting Requirements

Requirement	Progress to date in meeting requirement
Not more than 15% of funds may be used for housing affordable to moderate income households	15% of \$55,000,000 = \$8,250,000 To date, \$8,000,000 has been committed to projects under the Site Acquisition Program that serve households at moderate-income levels, thereby meeting this requirement. However, this program requires that buildings will achieve an average of low-income (80% of AMI) tenants through attrition.
A minimum of 20% of funds must serve extremely low-income households.	20% of \$55,000,000 = \$11,000,000 To date, \$29,450,942 has been committed to projects with extremely low-income units thereby meeting this requirement.

A report on the latter requirement is to be provided to the City Council annually.

Plan for Use of Remaining Measure KK Funds

Uncommitted funds from the first tranche of Measure KK totals \$11,058,352. In addition, \$45,000,000 has yet to be issued. The following is HCD's plan for deploying these remaining funds, which includes funding to cover administrative costs associated with the housing bond program.

1. **Transitional Housing Acquisition:** Expend the remaining funds by acquiring additional properties in 2019 and 2020 and set aside an additional \$1,000,000 to fund renovations needed at The Holland. These include addressing plumbing issues including improvement of all bath facilities, exterior siding and painting, and improvement of supportive services space. It is not certain that \$1,000,000 will be needed, and if not, then the funds would be used toward an additional TH acquisition or one of the programs below.
2. **Site Acquisition Program:** Recast as the "Acquisition and Conversion to Affordable Housing Program" (ACAH) which includes a subcomponent for properties with 25 units or less and described further below. Utilize approximately \$30,000,000 in funding from both the second tranche and the balance of uncommitted funds from the One-to-Four Housing Programs for this program.
3. **Housing Rehabilitation and Preservation:** HCD released a NOFA for Acquisition, Rehabilitation, and Preservation projects on August 9, 2019 utilizing the same program design approved by City Council for the first tranche in Resolution No. 86774 C.M.S. Utilize approximately \$15,000,000 from the second tranche for this program component.
4. **New Construction:** HCD staff also released a NOFA for New Construction projects on August 9, 2019, but since the bond ordinance stipulates that bond funds cannot be used for new construction unless it is matching applications for Alameda County A1 funds, this NOFA

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will utilize non-KK funds (Affordable Housing Trust Funds, HOME Funds, Excess Redevelopment Bond proceeds, and Loan Repayments). This NOFA is limited to new construction projects that are in the City's pipeline and need additional local resources to commence construction in 2020.

5. **One-to-Four Housing Programs:** Due to the challenges experienced in fully expending or committing the funds budgeted for these program subcomponents, staff will reprogram most of the funds to ensure they are utilized in a timely and effective manner, as follows:
- a. *One-To-Four Unit Acquisition Rehab Program:* By providing funding to one-to-four unit properties through the above referenced ACAH program, the need for a stand-alone one-to-four program component is eliminated. The remaining balance of funds for this program will be reprogrammed to the 25-units-or-less set aside within ACAH.
 - b. *Owner-Occupied Rehabilitation:* No funds were drawn down for this activity to date, however there are Community Development Block Grant (CDBG) funds allocated to this activity that are presently available. As such, these Measure KK funds will be reprogrammed to the 25-units-or-less set aside within ACAH.
 - c. *Rental Rehabilitation Program:* No funds were drawn down for this activity to date based on lack of staff capacity and the level of effort required to start up such a program. As such, these Measure KK funds will be reprogrammed to the 25-units-or-less set aside within ACAH. As staff capacity becomes available, a renewed effort to build out a rental rehabilitation program should focus on properties subject to either or both the mandatory seismic retrofit program and code compliance relocation requirements, as well as those identified through the upcoming proactive inspection program.
 - d. *Community Buying Program:* No funds were drawn down for this activity to date based on staff capacity issues. As such, these Measure KK funds will be reprogrammed to the 25-units-or-less set aside within ACAH.
 - e. *Accessory Dwelling Unit (ADU) Legalization Pilot Program:* While this program component has not drawn down funds, staff currently is awaiting a proposal from a third-party program administrator to design and implement a program. As such, the funds designated for this program component (\$500,000) are recommended to remain set aside for this use.

The Acquisition and Conversion to Affordable Housing (ACAH) Program

In 2017, the City's Housing and Community Development Department began accepting applications for the Measure KK Site Acquisition Program. The Department awarded approximately \$17,000,000 in Measure KK funds on an "over the counter" basis in August 2017. Approximately \$15,650,000 was expended by the end of 2018. One commitment in the amount of \$1,340,000 was returned to the City since the project did not move forward.

The Measure KK Site Acquisition Program is now being renamed the Acquisition and Conversion to Affordable Housing (ACAH) Program and HCD is planning to release the ACAH NOFA in November 2019. After learning from experiences with the 2017 Site Acquisition Program, receiving input from many community stakeholders, and considering best practices that have been developed in the affordable housing preservation field over the past few years, the program is being updated to be more effective and efficient in preventing displacement of residents and creating new affordable housing opportunities in Oakland.

Many aspects of the ACAH Program will remain the same as the 2017 Measure KK Site Acquisition Program, including the following:

- Eligible projects include existing market rate housing projects that are currently not regulated by the City of Oakland and require minor rehabilitation;
- The application process is designed to be straightforward and streamlined, and a much quicker and less onerous process compared to the other HCD housing programs;
- The City's loan closing process is designed to be faster and less onerous compared to the process required with the City's Housing and Community Development Department development loans;
- Maximum loan amount will be \$150,000 per unit, up to a maximum of \$5 million per project and;
- Individual projects do not need to return to City Council for approval for funding in order to expedite the loan closing process.

Modifications to the program include the following:

- Vacant land and existing affordable housing properties are no longer eligible projects;
- The program will be bifurcated into two subprograms: one program for projects with 25 units or less and one program for projects with 26 units and greater; and
- Projects will be evaluated and scored based on established criteria, however, there will be priority points given to projects that are being acquired by land trusts or limited equity co-ops (for projects with 25 units or less) and the degree to which projects prevent the displacement of existing tenants. The selection criteria and point scoring system are currently being developed with input from various community stakeholders and will be finalized for release of the NOFA in November 2019.

As noted above, the impetus to modify the existing Site Acquisition Program is based on various factors and is described in more detail below in Table 2.

Table 2. Rationale to Modify Existing Program

Change	Rationale
Bifurcate into subprograms – one for projects with 25 units or less and one for projects with 26 units or more.	<ul style="list-style-type: none"> • The FY 2019-21 budget approved by the City Council in June 2019 allocates funds for the acquisition and preservation of properties with 25 units or less with a focus on land trust and coop housing models, also known as the Permanent Affordability Program (discussed further below). To meet this budget policy directive, the 25 units or less subcategory is being created and fits best within the Site Acquisition program in general terms. However, it necessitates various modifications (which will be incorporated into ACAH) to align with the directive. • Since there is a considerable demand for funds to acquire larger properties, a second

	<p>subcategory for projects with 26 or more units is needed.</p> <ul style="list-style-type: none"> The Measure KK One-to-Four Unit Housing Program was determined to be an ineffective model and did not meet the current demands of the community. However, the acquisition and preservation of one-to-four unit properties is a high priority for HCD. Folding the One-to-Four Unit Housing Program into the ACAH Program allows for more flexibility and makes the successful acquisition of one-to-four unit properties more feasible.
<p>Limiting Eligible Projects to Existing, Market Rate Housing Projects</p>	<p>Considerable feedback was received requesting that the ACAH Program solely target the acquisition of existing market rate housing projects in order to maximize the impact of Measure KK funds on anti-displacement activities.</p>
<p>Competitive vs. Over the Counter Evaluation Process</p>	<p>Given the expected high demand for ACAH Program funds, the City wants to ensure that it awards its limited funds to projects that best meet the priorities of the City. These priorities include projects that are owned by land trusts and/or coops from projects with 25 units or less and projects that most effectively prevent displacement of existing Oakland tenants. A competitive NOFA process (compared to an over the counter evaluation process that awards funds to projects on a non-competitive, first-come, first-serve basis) enables the City to award funds to projects that best meet the priorities established in conjunction with community stakeholders.</p> <p>Funds for property acquisitions must be made available quickly. As a result, the competitive evaluation process will still be done expeditiously and will be considerably less onerous than the other HCD NOFA programs. Staff is also weighing the advantages of providing rolling funding rounds so applicants have multiple opportunities to apply with various projects.</p>

Permanent Affordability Program

The ACAH Program is incorporating one of the policy directives included in the City's FY 2019-21 budget. On June 24, 2019, Oakland City Council passed the Fiscal Year 2019-21 Budget with \$12,000,000 allocated to a Permanent Affordability Program (PAP). The goal of the PAP is to help community land trusts and limited equity housing cooperatives acquire and preserve properties with 25 units or less. City staff is incorporating this City Council directive into the ACAH Program using Bond Measure KK funds. However, at this point, funds provided to PAP projects are not anticipated to be repaid such that a revolving fund can be established. This is based on the nature of the financing needed to achieve long-term affordability to very low and

extremely low-income households. However, staff will explore other ways to secure ongoing funding for this program.

As discussed above, the ACAH Program will prioritize acquisition and preservation projects by community land trusts and limited equity housing cooperatives by awarding priority points to such projects. Other affordable housing developers will also be eligible for the ACAH Program. Staff is developing the prioritization criteria with input from community stakeholders.

Ensuring Timely Release of Funds

Staff is requesting that the City Administrator be authorized to fund site acquisition loans under the ACAH Program without returning to the City Council for approval, since the program funds the purchase of real estate within the open real estate market and requires rapid approval of eligible applications to secure properties and avoid further price increases through speculation. The City Administrator had this authority for the Measure KK Site Acquisition Program in FY 2017-18 and it enabled staff to close loans much more quickly, thereby meeting the demands of the market.

Flexibility Needed To Maximize Spend Down of Bond Funds

Of the \$43,941,648 currently committed to projects from the first tranche of Measure KK, \$15,899,900 has yet to be expended. Several of these are projects that will be assembling their funding from multiple sources and may include several attempts at obtaining the very competitive Low Income Housing Tax Credits. In addition, for some projects, City funds will not be drawn down until later in construction or at permanent close following completion of construction. As such, while the draw down is near certain, the schedule for these projects needing City funds is of a longer duration. At the same time, staff intends to move the ACAH Program forward quickly upon release of that NOFA in November and draw down of these funds will be more immediate as they are for acquisitions.

Staff is requesting that the City Administrator have the authority to reallocate funding from projects previously approved by the City Council to be funded by the first tranche of Measure KK funds (Fund 5331) to new projects prior to the issuance of the second tranche of Measure KK funds to maximize spend down and cost efficiency. The second issuance will be in the approximate amount of \$45,000,000 and is anticipated to be issued in the first, or early in the second, quarter of 2020.

FISCAL IMPACT

The budgeting of first tranche Measure KK funds was approved by City Council in Resolution No. 86774 C.M.S., later amended by Resolution No. 86814 C.M.S. Budget Bureau staff are working with HCD staff to ensure accurate accounting of all expenditures to date and accounting of balances to be deployed moving forward.

The program plans described in this Agenda Report are designed to ensure that all of the remaining uncommitted funds from the first tranche, as well as the upcoming second tranche, are committed and expended in a timely and effective manner and in accordance with Measure KK, the bond law, and the bond ordinance.

PUBLIC OUTREACH / INTEREST

Staff has been gathering input from community stakeholders and housing preservation experts on the design of the ACAH Program. This input is valuable to help design a program that meets the anti-displacement goals of Measure KK and responds to the opportunities and constraints in the housing market.

COORDINATION

Staff produced this report in coordination with the City Attorney's office, the Budget Bureau, and Treasury.

SUSTAINABLE OPPORTUNITIES

Economic:

- Projects funded with Measure KK funds will generate construction, professional services, and ongoing property management jobs in Oakland.
- Providing individuals and families with affordable housing helps provide financial stability for low- and very low-income households which could free up income to spend on other goods and services in Oakland.
- Providing viable housing creates activity on underutilized properties which can stimulate demand for goods and services in Oakland.

Environmental:

- By developing in already built-up areas, in-fill projects reduce the pressure to build on open spaces and other undeveloped land.
- Projects will be near public transportation which enables residents to reduce dependency on automobiles and thereby reduce any adverse environmental impacts of development.
- Project selection criteria includes prioritization of projects that use Leadership in Energy and Environmental Design (LEED) or Alameda County's GreenPoint Rating system.

Social Equity:

- Affordable housing is a means of achieving greater social equity.
- The focused use of these funds is to ensure that current low-income Oakland residents can stay in their homes with long term affordable rents.
- The developments will provide affordable rental and ownership housing for low and very low-income residents, as well as social services such as computer centers and youth-oriented activities.

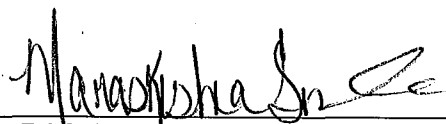
ACTION REQUEST OF THE CITY COUNCIL

Staff recommends that the City Council Adopt a Resolution authorizing the City Administrator or her designee to:

1. Make ACAH loans from bond proceeds without returning to Council; and
2. Reallocate funding from projects currently scheduled to be funded by the first tranche of Measure KK funds (Fund 5331), notwithstanding any previous action by the City Council, to any new projects initiated pursuant to programs authorized to receive funding from Measure KK bonds, including but not limited to projects initiated pursuant to the ACAH Program, to the extent necessary to maximize spend down of outstanding bond funds and ensure cost efficiency.

For questions regarding this report, please contact Maryann Leshin, Deputy Director of Housing and Community Development Department at (510) 238-6225.

Respectfully submitted,



MARAKESHA SMITH
Assistant City Administrator

Prepared by:
Maryann Leshin, Deputy Director
Housing and Community Development Department

Meg Horl, Housing Development Coordinator
Housing and Community Development Department

Attachment (1):

A: List of Measure KK Project From First \$55M Tranche

Attachment A: Measure KK Funded Projects

Project Name	Location/Address	Total Number of Units	Income Mix (# of units)				Target Population (# of units)				Units Receiving Operating Subsidy	Percentage of PBV units
			Extremely Low-Income @ 20% AMI	Extremely Low-Income @ 30% AMI	Very Low-Income @ 31-50% AMI	Low-Income @ 51-80% AMI	HIV/AIDS	Homeless	Persons with Disabilities	Veterans		
Camino 23	1233-1253 23rd Avenue & 2285 International Blvd	37		9	27		5	5	4		26	70%
Coliseum Place	905 72nd Avenue	59	12	13	33		6	12	18		37	63%
Aurora Apartments	657 W. MacArthur Blvd	44	43					43	4		43	98%
3268 San Pablo	3268 San Pablo Avenue	51	10	3	18	19		13	5	13	50	98%
Fruitvale Transit Village II-B	E 12th Street & 35th Avenue	181		46	29	104		46	17		75	41%
7th & Campbell	7th Street & Campbell Street	79		39	20	19		20	39		39	49%
Longfellow Corner	3801, 3807, 3823, & 3829 Martin Luther King Jr. Way	68	14	5	41	7		15	9		16	24%
Ancora Place	2227-2257 International Blvd	77	16	15	23	22		15			31	40%
West Grand & Brush	760 22nd Avenue & 2201 Brush Street	59	12	3	29	14		28	9	15	28	47%
Howie Harp Plaza	430 28th Street	20				19			1		19	95%
Empyrean Tower	344 13th Street	66		17	10	38		7			32	48%
Fruitvale Studios	2600 International Blvd.	24	6	5	1	11		12	3		12	50%
Highland Palms	1810 E. 25th Street	23				22						0%
10th Ave Eastlake	2515 10th Avenue	35				34						0%
95th and International	9401 International Boulevard	55		14	40			11	8		27	49%
812 East 24th Street	812 E. 24th Street	7				7						0%
The Holland (Transitional Hsg)	641 W. Grand Avenue	70	70					70				0%
Harvest House (Transitional Hsg)	5940 Hayes Street	1	1					1				0%
789 - 61st Street Coop Homes	789 - 61st Street	4				4						0%
OakCLT 3 - SF Homes	8020 Hillside, 2684 Ritchie, 2735 - 76th Avenue	3				3						0%
285 Newton Avenue	285 Newton Avenue	2				2						0%
TOTALS		965	184	169	271	325	11	298	117	28	435	

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Approved as to Form and Legality


City Attorney's Office
Ravi S. Patel

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HER DESIGNEE TO:

- 1) MAKE ACQUISITION AND CONVERSION TO AFFORDABLE HOUSING (ACAH) LOANS FROM MEASURE KK BOND PROCEEDS WITHOUT RETURNING TO COUNCIL; AND**
- 2) REALLOCATE FUNDING FROM PROJECTS CURRENTLY SCHEDULED TO BE FUNDED BY THE FIRST TRANCHE OF MEASURE KK FUNDS (FUND 5331), NOTWITHSTANDING ANY PREVIOUS ACTION BY THE CITY COUNCIL, TO ANY NEW PROJECTS INITIATED PURSUANT TO PROGRAMS AUTHORIZED TO RECEIVE FUNDING FROM MEASURE KK BONDS, INCLUDING BUT NOT LIMITED TO PROJECTS INITIATED PURSUANT TO THE ACAH PROGRAM, TO THE EXTENT NECESSARY TO MAXIMIZE SPEND DOWN OF OUTSTANDING BOND FUNDS AND ENSURE COST EFFICIENCY**

WHEREAS, at the statewide general election held on November 8, 2016, voters approved "Measure KK," which authorized the issuance of infrastructure bonds in an amount not to exceed \$600 million, including up to \$100 million to support affordable housing; and

WHEREAS, pursuant to City Council Resolutions No. 86774 C.M.S. and No. 86814 C.M.S., in June 2017, the City identified programs authorized to receive funding from Measure KK bonds to support affordable housing and approved estimated allocations to those programs in a total amount of \$55 million, subject to the City Administrator's authority to adjust estimated allocations to meet demand, community need, and timely expenditure of funds; and

WHEREAS, the programs authorized to receive funding included the "Site Acquisition Program," which provides site acquisition loans to affordable housing developers; and

WHEREAS, the Measure KK Site Acquisition Program was highly successful and the City Administrator executed five loans totaling \$15.65 million to acquire land, preserve existing properties for long-term affordable housing and prevent displacement in 2018; and

WHEREAS, the City is preparing to issue a second tranche of Measure KK bond funds in 2020; and

WHEREAS, the Housing and Community Development (HCD) staff is renaming the Site Acquisition Program to the "Acquisition and Conversion to Affordable Housing (ACAH) Program" and retooling the program to improve its ability to prevent displacement and preserve affordable housing in Oakland neighborhoods; and

WHEREAS, because the ACAH Program will finance the purchase of real estate in the open real estate market, the program requires rapid approval of eligible applications to secure properties and avoid price increases through speculation; and

WHEREAS, the first tranche of Measure KK bond funds has not been fully expended, although the majority of the funds are committed to affordable housing projects; and

WHEREAS, some unexpended but committed bond funds will not be drawn down until additional financing is obtained for some of the projects and/or later in construction or at permanent close following completion of construction; and

WHEREAS, while the draw down for these projects is of a longer duration, HCD staff want to move the ACAH Program forward quickly upon release of a Notice Of Funding Availability (NOFA) in November 2019 and draw down bond funds in the short term as the funding is for acquisitions on the open real estate market; and

WHEREAS, the ability to move bond funds from the current Measure KK Bond Fund, Fund 5331, to new projects prior to the issuance of the second tranche of Measure KK funds will maximize spend down and cost efficiency; now, therefore, be it

RESOLVED: That the City Council establishes the Acquisition and Conversion to Affordable Housing (ACAH) Program as set forth in Exhibit A and in addition to the programs previously authorized to receive funding from the first tranche of Measure KK bonds; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator or her designee to select borrowers and make loans under the ACAH Program in an amount not to exceed \$30 million without returning to Council; and be it

FURTHER RESOLVED: That the making of each loan under the ACAH Program shall be contingent on and subject to such appropriate terms and conditions as the City Administrator or his or her designee may establish; and be it

FURTHER RESOLVED: That as a condition of the loans under the ACAH Program, the City will require that appropriate restrictions on project occupancy, rents and operations be recorded against the property and any project improvements; 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 her designee to subordinate the priority of any of the City's recorded interests in each project property to a lien or encumbrance of another private or governmental entity providing financial assistance to the project, if the City Administrator or her designee determines that (1) an economically feasible alternative method of financing the project on substantially comparable terms and conditions but without subordination is not reasonable available, (2) the City's investment in the project in the event of default is reasonable protected, and (3) subordination is in the best interests of the City; and be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator and her designee as agent of the City to conduct negotiations, execute and submit all documents, administer the loans, extend or modify the repayment terms and take any other actions with respect to the ACAH Housing Program consistent with this Resolution and its basic purposes; and be it

FURTHER RESOLVED: That the City Council authorizes the City Administrator, or her designee, to reallocate funding from projects currently scheduled to be funded by the first tranche of Measure KK funds (Fund 5331), notwithstanding any previous action by the City Council, to any new projects initiated pursuant to programs authorized to receive funding from Measure KK bonds, including but not limited to projects initiated pursuant to the ACAH Program, to the extent necessary to maximize spend down of outstanding bond funds and ensure cost efficiency.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES – FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES –

ABSENT –

ABSTENTION –

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California

Exhibit A

Acquisition and Conversion to Affordable Housing (ACAH) Program

Program Name/ Eligible Activity Per Bond Law	Program Description	Project Attributes per Ordinance
<p>Acquisition and Conversion to Affordable Housing (ACAH) NOFA</p> <p>Protect Existing Homes (Rental), Protect Existing Homes (Ownership)</p>	<p>Loans for acquisition and minor rehabilitation costs. The program will be bifurcated into two subprograms: one for projects with 25 units or less and one for projects with 26 units and greater. Projects are awarded on a competitive basis, but there will be priority points given to projects that are being acquired by land trusts or limited equity co-ops (for projects with 25 units or less) and the degree to which projects prevent the displacement of existing tenants. Protects and preserving long-term affordable housing for both ownership and rental. City Administrator will approve loans without returning to City Council for approval to meet timing constraints of the market. Applies 55 year affordability restrictions.</p>	<p>Social and geographic equity: Creates affordable housing through long-term affordability restrictions.</p> <p>Impact on City's existing core capital assets: Does not directly improve core capital assets but may provide collateral improvements.</p> <p>Impact on City's existing operations and maintenance costs: Operations and maintenance cost will be covered by the property owner.</p> <p>Improvements to energy consumption, resiliency and mobility: Rehabilitation will improve energy consumption based on current standards and possibly address other resiliency issues.</p>