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OFFICE OF THE CITY CLERK
OAKLAND

REDEVELOPMENT AGENCY AND THE CITY OF OAKLAND

2011 FEB 29 AM 11:47

AGENDA REPORT

TO: Office of the City/Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: March 3, 2011

RE: **A Total of Twenty Resolutions Regarding Affordable Housing Activities: One Agency Resolution and One City Resolution Appropriating Previously Unappropriated Revenue in an Aggregate Amount of \$1,371,386 for the Housing Development Program; Ten Agency Resolutions and One City Resolution Authorizing Development Loans in an Aggregate Amount Not to Exceed \$23,663,000 for Ten Affordable Housing Projects; One Agency Resolution and One City Resolution to Extend Funding Reservations; Two City Resolutions Authorizing Extensions or Changes to Existing City Loans; One Agency Resolution to Reduce the Number of Units in the Emancipation Village Project; and One City and One Agency Resolution to Permit Savings From the Saint Joseph Senior Project to be Added to the Loan for the Saint Joseph Family Project**

SUMMARY

The Community and Economic Development Agency (CEDA) is recommending funding awards for ten affordable housing development projects (totaling \$23,663,000) that applied for funds in response to the City/Agency's 2010-2011 Notice of Funding Availability (NOFA) for Affordable Rental and Ownership Housing (the "Original NOFA") and the City/Agency's 2010-2011 NOFA for the Preservation and Rehabilitation of Existing Affordable Housing (the "Rehabilitation NOFA"). The Original NOFA targets the new construction and substantial rehabilitation of affordable housing, while the Rehabilitation NOFA targets existing affordable housing projects with urgent capital needs that are impacting their operations. A total of sixteen applications were received; twelve for the Original NOFA and four for the Rehabilitation NOFA. One application for the Original NOFA was withdrawn, reducing the total number of applications to fifteen. The total amount requested is \$47,135,000. Only one homeownership application was received.

Due to the urgent physical and financial needs of the existing affordable housing portfolio (including properties formerly operated by Oakland Community Housing, Inc. (OCHI)), and the shortage of state and federal financing for new affordable housing projects, the resolutions attached to this report are guided by the following priorities, in addition to the score and rank of the submitted projects: 1) funding of existing affordable housing in need of rehabilitation; 2)

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funding of the OCHI portfolio projects; 3) funding of properties previously funded by the City/Agency that need additional financing; and 4) to fund the highest ranking new projects.

Staff is also recommending extensions of commitments for two previously funded NOFA projects, authorization to extend or amend existing City loans, a reduction in units for the Emancipation Village project, and authorization to utilize excess funds remaining from the Saint Joseph Senior project for the family housing phase of the Saint Joseph project.

Funds are available from the U.S. Department of Housing and Urban Development (HUD) HOME funds, the City's Affordable Housing Trust Fund, the Redevelopment Agency's Low and Moderate Income Housing Fund, and the Redevelopment Agency's 2000 and 2006 affordable housing bonds. Included with this report is an Agency and a City resolution appropriating previously unappropriated revenue. Although sufficient funding is not currently available to fund all submitted projects, the 2011 housing set-aside bond, which was pending as of the writing of this report, may generate additional funds for submitted unfunded NOFA projects. If bond funds become available, staff will return to Council at a later date with additional funding recommendations.

FISCAL IMPACTS

Funding for the proposed projects will come from a combination of funds already budgeted and available in the Low and Moderate Income Housing Fund (LMIHF), balances in fund balance, and an advance commitment of a portion of the anticipated HOME grant for FY 2011-12.

Funds Currently Available

HOME Fund (2109)	\$168,000
LMIHF Citywide (9580)	\$11,143,517
LMIHF Central City East (9580)	\$1,318,408
LMIHF West Oakland (9580)	599
2000 Housing Bond Funds (9583)	20,429
2006 Housing Bond Funds Citywide (9584)	6,537,059
2006 Housing Bond Funds Central City East (9584)	103,602
Total from Budgeted Funds	\$19,291,614

Appropriations from Fund Balance

Affordable Housing Trust Fund (7450)	275,000
LMIHF Citywide (9580)	176,182
LMIHF Central City East (9580)	144,254
LMIHF West Oakland (9580)	85,879
2000 Housing Bond Funds (9583)	243,267
2006 Housing Bond Funds Citywide (9584)	393,188
2006 Housing Bond Funds Central City East (9584)	53,616
Total From Fund Balance	\$1,371,386

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Advance Fund from FY 2011-12 Grants

HOME (2109)	\$3,000,000
Total FY 2011-12 Funds	\$3,000,000

TOTAL FUNDS \$23,663,000

Resolutions have been prepared for the City Council to appropriate amounts in Fund Balance. The Affordable Housing Trust Fund amount represents funds that the City has collected from the Jobs-Housing Impact Fee that went into effect in 2005. Revenues to date have been limited because no major office or warehouse/distribution facilities have been built.

Advance award of the HOME funds is needed to meet critical funding commitment and expenditure requirements from HUD. The City has provided advance commitments of HOME funds in each of the last two NOFAs. This corresponds to long-standing practice for the City's CDBG grant where those funds are appropriated in May of each year, through the adoption of the Consolidated Plan, in advance of the beginning of the grant year. Advance awards of these funds (which will not be legally committed nor expended until the grant agreement with HUD is executed) will ensure that the City meets its obligations for timely commitment and expenditure of HOME funds. Failure to meet these deadlines could result in HUD recapturing grant funds from the City. Staff is recommending a conservative appropriation of an amount equal to less than 75 percent of the current year grant, to allow for the possibility that Congress may reduce the grant amount for next year.

Staff proposes to allocate funds to projects as follows:

	Total	Citywide Funds				Central City East		W Oakland		
		ORA						ORA Low/Mod Fund 9550 P209310	ORA 2006 Bond Fund 9584 L290410	ORA Low/Mod Fund 9580 P209310
		City HOME Fund 2109 G172111	City Housing Trust Fund Fund 7450	Low/Mod Fund 9550 P209310	ORA 2000 Bond Fund 9553 P151710	ORA 2006 Bond Fund 9584 L290410				
Total Sources	\$23,163,000	\$3,168,000	\$275,000	\$10,819,699	\$263,696	\$6,930,247	\$1,462,662	\$157,218	\$86,478	
Proposed Allocations										
James Lee Court	1,529,000			1,529,000						
Kenneth Henry	1,375,000						1,375,000			
Madison Park	1,250,000			1,250,000						
Marcus Garvey	352,000			352,000						
Brookfield Court	1,867,000					1,867,000				
California Hotel	8,421,000	3,168,000		1,597,324		3,569,198			86,478	
Cathedral Gardens	5,840,000			5,840,000						
MacAnhur Apartments	635,000			390,120			87,662	157,218		
Saint Joseph Family	2,094,000		275,000	61,255	263,696	1,494,049				
Fairmount Apartments	300,000			300,000						
Total Allocations	23,663,000	\$3,168,000	\$275,000	\$11,319,699	\$263,696	\$6,930,247	\$1,462,662	\$157,218	\$86,478	

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Key to Fund and Project Numbers:

Fund 2109: HUD – HOME Fund

Fund 7450: Affordable Housing Trust Fund

Fund 9580: Low Mod Operations Fund

Fund 9583: 2000 Subordinated Housing Set-Aside Revenue Projects Fund

Fund 9584: 2006 Subordinated Housing Set-Aside Revenue Bonds Fund

Project G172111: HOME Housing Development Program

Project P209310: Low/Mod Housing Development Program

Project H236510: Housing Development - HOME Match Repayments

Project P151710: 2000 Housing Bond Funds

Project L290410: 2006 Housing Bond Funds

BACKGROUND

CEDA issued both the Original NOFA and the Rehabilitation NOFA on September 3, 2010. The two NOFAs required different application materials and included their own threshold requirements and ranking criteria appropriate for each program.

For the Original NOFA, eligible activities include new construction and substantial rehabilitation of ownership, rental, supportive, or transitional housing. Projects must meet basic standards regarding developer experience, income targeting, site control, and other requirements. The Original NOFA also sets forth criteria by which projects will be scored and ranked including targeting units to lower income households, exceeding minimum developer experience requirements, project location, revitalization potential, targeting to households with special needs, energy efficiency, percentage of City/Agency subsidy, and other criteria.

For the Rehabilitation NOFA, eligible activities include the rehabilitation of existing affordable housing currently restricted by City or Agency loan or regulatory agreements. The Rehabilitation NOFA prioritizes projects that meet certain urgency of need criteria. These criteria include major building or structural components in critical condition, code violations, fire, health, and safety hazards, or other building deficiencies that create safety threats, insufficient operating and replacement reserves, or substantial ongoing operating deficits which threaten the long-term physical or financial health of the property. Applications are also evaluated based on development team experience and other project attributes, such as the age of the property, reserves requested, and outside funding leveraged. Permanent relocation of tenants is not an eligible use of City/Agency funds under the Rehabilitation NOFA. Applicants are required to submit a tenant outreach plan regarding plans for notifying residents of the planned rehabilitation work and any temporary relocation or inconveniences that may result.

KEY ISSUES AND IMPACTS

City/Agency Funding Constraints

As in past NOFAs, there is a high level of demand for the City's housing funds this year, accompanied by a reduction in Redevelopment Agency funds available due to declining revenues and the use of a portion of the 5% voluntary housing set-aside to cover some of the state-mandated Supplemental Educational Revenue Augmentation Fund (SERAF) payments. Foreseeing the reduced funds available, staff limited the number of NOFA applications that could be submitted by each developer, but still received many more applications than there are funds available.

In addition, the Agency has a number of commitments that will come due, including funding of \$16 million for the affordable housing units at the MacArthur BART Transit Village, an estimated \$28 million to purchase the land for affordable housing in the Oak to 9th project, and a need for up to \$15 million to \$20 million to provide the remaining affordable housing units required in the Central Station project to meet the statutory affordable housing production requirements for the Oakland Army Base redevelopment project area. It is anticipated that these obligations will be funded with proceeds from a 2011 Affordable Housing Taxable Allocation Bond. To the extent that there are additional bond proceeds available, it may be possible to fund lower ranking projects that are not currently recommended for funding.

With these constraints in mind, staff is recommending that awards be allocated based on the funding priorities described below.

Rehabilitation Needs of Existing Affordable Housing

Many of the older existing affordable housing developments are experiencing urgent rehabilitation needs. Over the years, the cost of utilities, insurance, labor and materials, and other costs for these projects have increased more rapidly than their rental incomes have increased. For these projects, rental income (which is restricted by regulatory agreements) has become insufficient to fund ongoing replacement reserves. In addition, some existing buildings may not have been fully rehabilitated when originally funded, due to lack of available funds at that time, and now require additional subsidy to complete the rehabilitation. There are few funding sources available for rehabilitation of these developments. They are not competitive for the state and federal funding sources typically used for new affordable housing projects, and they lack the cash flow to leverage additional private debt.

Oakland Community Housing, Inc. Portfolio Properties

The need for rehabilitation funds has been well documented over the last few years as staff has dealt with the physical and financial problems at the older affordable rental properties developed by OCHI. As reported previously to Council, OCHI suffered a financial and organizational collapse, requiring those properties be transferred to new ownership. Since 2007, City staff has

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diligently worked to keep the OCHI properties open, while coordinating the transfer of ownership to new entities that are rehabilitating and preserving them as affordable rental housing. An update on the status of the OCHI portfolio was presented to the City Council on February 15, 2011.

NOFA funds are a critical component to ensuring the successful transfer and future operations of the OCHI portfolio properties. Three OCHI properties requested funding this year: the California Hotel submitted under the Original NOFA, and James Lee Court and Kenneth Henry Court requested funds under the Rehabilitation NOFA. These properties are recommended for funding due to their urgent physical needs and to ensure the properties can transfer to stable ownership as soon as possible.

Challenges for Previously Funded Projects

A number of affordable projects with previously committed City/Agency funds are facing challenges due to the current economic and housing market conditions. Rental projects currently in the pipeline are facing a highly competitive pool of projects applying for Low Income Housing Tax Credits and a reduction in other state sources of affordable housing funding. Although Oakland projects are consistently maximizing their projects' tax credit application scores, the current tax credit tie-breaker process is based on the amount of local funds committed, which requires that Oakland commit a higher subsidy than was needed in the past. Because bond funded programs from the State Department of Housing and Community Development (HCD) have been exhausted or put on hold, affordable projects have few options other than local sources to secure the financing commitments needed to move forward.

PROJECT DESCRIPTION

The total amount requested under both NOFAs is \$47,135,000; of which \$42,629,000 is requested under the Original NOFA and \$4,506,000 is requested under the Rehabilitation NOFA. Applications received under the NOFAs were reviewed first for completeness and second to determine whether the City's minimum standards for project and developer qualifications had been met. The applications were then evaluated and ranked according to prepared criteria outlined in each NOFA. To coordinate local funding efforts, the Oakland Housing Authority also follows the City's competitive NOFA process as their method of awarding project-based Section 8 rental subsidy vouchers to developments.

In addition to the scoring and ranking process set forth in the NOFAs, funding recommendations this year were guided by the following priorities: 1) to fund existing affordable housing in need of rehabilitation; 2) to fund the OCHI projects; 3) to fund properties previously funded by the City/Agency that need additional funds; and 4) to fund the highest ranking new projects.

Following is a **Project Recommendation Table** for the each NOFA, listed in order of ranking.

Project Recommendation Table – Rehabilitation NOFA

Rec for Funding	Rank	Project Name/Developer	OCHI Property	Council District	Requested Amount
X	1	James Lee Court (<i>Dignity Hsg/CHDC</i>)	Yes	3	\$1,529,000
X	2	Kenneth Henry Court (<i>Satellite Housing</i>)	Yes	6	\$1,375,000
X	3	Madison Park Apartments (<i>EBALDC</i>)	No	2	\$1,250,000
X	4	Marcus Garvey Commons (<i>EBALDC</i>)	No	3	\$352,000

Project Recommendation Table – Original NOFA

Rec for Funding	Rank	Project Name/Developer	Project Type	Council District	Requested Amount
X	1	Brookfield Court (<i>Habitat for Humanity</i>)	Ownership -- Family, New Construction	7	\$1,867,000
X	2	California Hotel (<i>EBALDC/Eviction Defense</i>)	Rental -- Special Needs, Rehabilitation (OCHI)	3	\$8,421,000
X	3	Cathedral Gardens (<i>EAH/Oakland Housing Initiatives</i>)	Rental – Family, New Construction (<i>returning</i>)	3	\$5,840,000
	4	Lakeside Senior (<i>Satellite Housing</i>)	Rental -- Senior, New Construction	3	\$4,400,000
X	5	MacArthur Apartments (<i>AMCAL Multi-Housing Inc.</i>)	Rental – Family, New Construction (<i>returning</i>)	7	\$635,000
X	6	St. Joseph's Family Apartments (<i>BRIDGE Housing</i>)	Rental -- Family, New Construction (<i>returning</i>)	5	\$2,094,000
	7	Red Star (<i>Oakland Housing Investors, LP</i>)	Rental -- Senior, New Construction	3	\$2,000,000
	8	1701 Martin Luther King Jr. Way (<i>Resources for Comm Dev</i>)	Rental -- Family, New Construction	3	\$3,081,000
X	9	Fairmount Apartments (<i>AHA</i>)	Rental – Family, Rehabilitation (<i>returning</i>)	3	\$300,000
	10	11 th and Jackson (<i>EBALDC</i>)	Rental -- Family, New Construction	2	\$11,277,000
	11	94th & International (<i>Related Companies/Acts CDC</i>)	Rental -- Family, New Construction (<i>returning</i>)	7	\$2,714,000

Please see *Attachment A* to this report for detailed information on all submitted Original NOFA projects and their rankings, and *Attachment B* for this information on all submitted Rehabilitation NOFA projects.

Summary of Funding Recommendations

Existing Affordable Housing Rehabilitation Projects

All of the four projects requesting funds under the Rehabilitation NOFA, as well as the California Hotel rehabilitation project, are recommended for funding due to the urgent need to improve and preserve these existing affordable housing units. The Rehabilitation NOFA initially received \$7,455,554 in total requests. After multiple detailed staff reviews and consultation with the City's construction monitors, City staff assisted the Rehabilitation NOFA applicants to revise each project's budget and scope of work to reflect the most critical and urgent items, resulting in total reduced requests of \$4,506,000.

Two of the properties that submitted for Rehabilitation NOFA funds are part of the OCHI portfolio, James Lee Court (which also received an award of Rehabilitation NOFA funds last year) submitted by Dignity Housing West and Community Housing Development Corporation (CHDC), and Kenneth Henry Court, submitted by Satellite Housing. The other two projects recommended are Madison Apartments and Marcus Garvey Commons, both owned by East Bay Asian Local Development Corporation (EBALDC). *Attachment B* provides more information on the properties and their proposed scope of rehabilitation work. Staff recommends funding all four properties to improve and protect these important existing affordable housing resources.

The California Hotel, another former OCHI property, was submitted through the Original NOFA due to the substantial scope of work and the project's ability to leverage substantial funding from other sources. The California Hotel is currently managed by the building's trustee, Eviction Defense Center, and only twenty-five percent of units (or 37 units) are currently occupied. The sponsor, EBALDC, will apply for Low Income Housing Tax Credits this month and all of the units will receive project-based rental subsidies from the Oakland Housing Authority, increasing the marketability, affordability, and financial feasibility of the property. The property will serve a range of household income levels up to 50% of area median income, and will reserve 25% of units for formerly homeless individuals. The project will include wrap-around services for residents, and EBALDC has also demonstrated a commitment to community development and revitalization in the surrounding neighborhood. The City has provided significant operating support to the property after OCHI's collapse, and if the plan for rehabilitation does not move forward, the property is likely to require additional operating support to remain open. Staff therefore recommends the California Hotel for funding to stabilize this property for the long-term.

Returning Projects Creating New Affordable Units

Five projects that will create new affordable housing units returned for additional funds from the Original NOFA. Four of these are recommended for funding: Cathedral Gardens, MacArthur Apartments, Saint Joseph Family, and Fairmount Apartments.

Three of the projects, Cathedral Gardens (EAH), MacArthur Apartments (Amcal Multi-housing), and Saint Joseph Family (BRIDGE Housing), submitted applications in last year's very competitive 9% Low Income Housing Tax Credit rounds, and despite receiving perfect scores, were not awarded funds based on the tie-breaker. The tie-breaker benefits projects with the most leveraged public and local funding. These projects re-evaluated their financing plans and all require additional funds to leverage sufficient outside financing. These projects have already obtained significant commitments from other private, State, and County sources, have achieved approvals, and could move into construction this year if they receive sufficient City funds and compete successfully for tax credits. Staff is recommending additional funding for all three of these projects.

For the Saint Joseph project, the developer, BRIDGE Housing, anticipates that the senior phase of this project, which is currently under rehabilitation, will come in slightly under budget. BRIDGE has reduced their request for NOFA funds this round and has requested that any savings they realize on the senior phase be added to the loan amount of Saint Joseph Family, and staff supports this proposal. In addition, a resolution is included to extend the existing City funding commitment for Saint Joseph Family to allow them the time required to obtain additional financing commitments this year.

The Fairmount Apartments project, sponsored by Affordable Housing Associates, is an existing building under rehabilitation that is being converted to affordable housing. The project faced significant challenges during the crash of the financial markets which required them to change private lenders and trim their budget. The project then experienced cost overruns and delays due to unforeseen conditions in the existing building, which had a much lower standard of construction than normal, and due to thefts during the construction period. The sponsor has received significant additional funding from other funding sources, and insurance proceeds to cover thefts, but still has a gap of \$300,000 to complete the project. Staff recommends additional funds for this project to ensure it can complete construction.

The final project returning for additional funds, 94th and International (Related Companies), is not recommended for NOFA funding because the project needs to identify additional outside sources of funding to meet the City's leveraging requirements and because it was the lowest ranked project. The project's existing Agency funding commitment of \$5,597,000 does not expire for another year, allowing more time for the project sponsor to identify financing for the project.

New Projects

Only one new project is being recommended for funding, Habitat for Humanity's Brookfield Court development. This new homeownership development will construct twelve homes on a

City-owned parcel, to be sold to households between sixty and eighty percent of area median income.

If the recommended projects are approved for funding, the rehabilitation of 364 existing and new units of affordable housing will move forward. Also, the local, state, federal, and private financing already committed for the construction of 194 rental units already in the pipeline will be protected. These projects, totaling 570 units, will create jobs in the construction and professional services trades, having a positive ripple effect on Oakland's economy.

Although there are not sufficient funds at this time to make awards to the next ranked new projects, staff anticipates that proceeds from the 2011 housing set-aside bond will be available to fund new projects, including Lakeside Senior, Red Star, 1701 Martin Luther King, Jr., 11th and Jackson, and the returning 94th and International project. The amount of the bond and process for awarding the 2011 bond funds were still pending as of the writing of this report.

Project Financing Terms and Extensions

Staff establishes the NOFA timeline to allow developers to receive City and Agency funding approvals in time to prepare applications for the next competitive funding round for Low Income Housing Tax Credits. If approved, funding will be reserved for twenty-four months for new projects, and for twelve months for projects returning for additional funds, to allow each developer to successfully obtain commitments for the balance of needed funding.

Funding Extensions

Staff is recommending one-year extensions for two projects with previous funding commitments; Eldridge Gonaway Commons and Saint Joseph Family. For Eldridge Gonaway, one of the OCHI portfolio properties, Resources for Community Development (RCD) has been diligently moving forward on the project, but has faced barriers to achieving site control. An OCHI affiliate owns the land and has a long term ground lease with the investor partnership, but the partnership has been unresponsive to offers to purchase the building. RCD is currently pursuing new avenues for gaining site control that staff believes will be successful in the coming months and therefore recommend an extension of their Agency funding commitment. Staff also recommends an extension of the existing City funding commitment for Saint Joseph Family. This project is recommended for an additional Agency funding award through this report, and requires an extension of the existing City commitment in order to obtain the remaining financing.

Standard Financing Terms for Rental Projects

The City/Agency standard loan terms for rental projects are a simple interest rate, set at the discretion of the City/Agency Administrator, and a term of up to 55 years. Annual payments are deferred unless funds are available from project cash flow after paying other approved expenses, fees, reserves, and senior debt service. All City/Agency loans will be secured by a deed of trust and a regulatory agreement will be recorded that sets the period of affordability, income and occupancy restrictions, and the rent structure. State law requires 55-year affordability terms for Agency-funded rental projects. The City/Agency Administrator is given authority in each

project funding resolution to subordinate the deed of trust if necessary to obtain other financing for the project. Current policy is to subordinate the deed of trust on a case-by-case basis, but not to subordinate the City/Agency regulatory agreement to private financing.

All of the Rehabilitation NOFA projects have existing loan and regulatory agreements with the City of Oakland or Redevelopment Agency. The 55 year affordability term will be reset when the new loan is closed.

Standard Financing Terms for Homeownership Projects

The proposed loan terms for the recommended ownership project are a simple interest rate set at the discretion of the City/Agency Administrator, and a maximum term of four years. Upon completion of the project and sales of the units, the loan may convert to a grant at an amount equal to the difference between the net sales proceeds at the affordable prices and the total development cost of the project (in most cases, this is the entire City/Agency loan amount). Upon the initial sale of each unit a Declaration of Resale and Occupancy Restrictions is executed and recorded against the property. This Declaration remains an encumbrance against the property for at least 45 years. Each homebuyer executes an Assumption Agreement in which they agree to comply with all of the affordability requirements in the Declaration.

Project Area Committee Recommendations

Proposed projects located in a redevelopment project area with a Project Area Committee (PAC) are required to give a presentation to the relevant PAC so the PAC can provide their recommendations to Council. There are PACs for three redevelopment project areas: Central City East (CCE), West Oakland, and Broadway/MacArthur/San Pablo. In addition, the redevelopment plans for CCE and West Oakland require that affordable housing funds generated from those areas must be spent only on projects within each respective project area, and each area's implementation plan sets forth percentages of funds to be devoted to particular program areas. Housing funds generated by the other redevelopment project areas are not geographically restricted by redevelopment law or the redevelopment plan, and may be used City-wide.

Three applications were submitted for the West Oakland redevelopment project area: Red Star, the California Hotel, and Marcus Garvey Commons. The West Oakland PAC gave its support to all of these projects.

Three applications were submitted for the CCE redevelopment project area: MacArthur Apartments, Lakeside Senior Housing, and Kenneth Henry Court. The CCE PAC voted to support all three projects.

No applications located in the Broadway/MacArthur/San Pablo redevelopment project area were received.

Supportive Housing

The City Council adopted the Permanent Access to Housing (PATH) plan in 2007, which proposes to increase the development of permanent supportive housing. Supportive housing is targeted to people with extremely low incomes and includes on-site services designed to help tenants stay housed and work to meet other self-directed goals. The NOFA contains additional points for projects with permanent supportive housing, including units for homeless households or those at-risk of homelessness. This year, six applications included a portion of supportive housing units, proposing a total of 113 supportive housing units for households with a variety of special needs, including 91 units for households who are homeless or at-risk of homelessness.

The recommendations in this report will fund a total of 71 supportive housing units for households with a variety of special needs and 51 units for homeless households or those at risk of homelessness in four developments:

- The California Hotel (34 units for homeless or at-risk households, some with a mental disability),
- MacArthur Apartments (6 units for homeless or at-risk households with a mental disability),
- Cathedral Gardens (5 units for homeless or at-risk households with a mental disability; 15 units for people with development disabilities or with HIV/AIDS),
- Fairmount Apartments (6 units for homeless or at-risk households with a mental disability; 5 units for people with development disabilities or with HIV/AIDS).

It can be very difficult to obtain the services and operating funding required to operate these extremely low-income targeted developments over the long term. Due largely to the availability of funds through the state-funded Mental Health Services Act (MHSA) for capital, property operations, and services funding, there has been an increase in projects that include some supportive housing units. The availability of project-based Section 8 from the Oakland Housing Authority (OHA) to NOFA-funded projects has also been critical to increasing the financial feasibility of the supportive housing units.

Allocation of Funds for Ownership Housing

In response to this year's NOFA, one homeownership application was received, Brookfield Court sponsored by Habitat for Humanity, which is recommended for funding.

The City has set a goal of allocating equal portions of affordable housing funds for rental and ownership housing, but has found it difficult to meet the goal for ownership housing. Due to the cost and difficulty of building and selling new affordable ownership housing, staff believes it is more appropriate at this time to focus homeownership activities on the first-time homebuyer program and on the existing efforts of the Oakland Community Land Trust to rehabilitate and sell foreclosed homes using NSP funds.

Emancipation Village – Reduction of Units

This report includes a recommendation to reduce the number of units authorized under the Agency Resolutions for the Emancipation Village project, located at 3800 Coolidge Avenue. The Agency authorized funding in the amount of \$1,652,000 to Alameda County Social Service Agency, Fred Finch Youth Center, and Affordable Housing Associates to develop the project.

The developer initially planned to build four buildings, which will house 35 units of transitional, supportive housing to youth and young adults transitioning out of foster care and who are at risk of homelessness. In 2007, Alameda County Social Service Agency staff awarded the project \$1,200,000 to be used for the development of 10 units for children under the age of 18 who are still in the care of the County foster system. However, due to reductions to Alameda County's state funding for emancipating foster youth, the Alameda County Board of Supervisors recently decided to reallocate the funding commitment to existing housing units supported by the County rather than funding new developments. The remaining funding sources were unable to fill the financial gap, and therefore the project does not have adequate resources to construct the emancipating foster youth units. This change resulted in a project re-design that includes only 30 residential units.

Since the City and Agency funding was approved for a 35-unit project, a change to the number of units requires Redevelopment Agency approval. Staff considers this change as necessary to make the project feasible. The project received funding commitments of \$4,615,830 from the State's Multifamily Housing Program, \$1,000,000 from the State's Emergency Housing Assistance Program, and \$750,000 from the Federal Home Loan Bank's Affordable Housing Program. Construction is expected to start by October 2011.

California Environmental Quality Act Review

Under the California Environmental Quality Act (CEQA), the City and Agency are required to review possible environmental impacts of all projects prior to a definitive commitment of funding.

Brookfield Court was found to be in compliance with CEQA through the December 1, 2010 Planning Commission approval of case CMDV 10-164 and TTM 8056. The project meets criteria for exemption per Sections 15332 and 15183 of the CEQA Guidelines (infill projects and projects consistent with a community plan, general plan, or zoning).

The California Hotel is exempt from CEQA per Section 15301 as an existing building. The Hotel had additional environmental review in connection with noise and air quality, and will have new systems and features to address those risks. Historic preservation concerns have been addressed with the State Office of Historic Preservation.

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Madison Park Apartments also had historic preservation concerns which were addressed with the Office of Historic Preservation. This project is exempt from CEQA per Section 15301 as an existing building.

The projects returning for additional funding (Cathedral Gardens, Fairmount Apartments, MacArthur Apartments, and St. Joseph's Family Apartments) received CEQA determinations at the times of their original awards, and those determinations still apply.

Kenneth Henry Court, Marcus Garvey Commons, and James Lee Court, as projects considered for the Rehabilitation NOFA, are existing buildings, and have therefore been determined to be exempt per Section 15301 of the CEQA Guidelines (existing facilities being repaired, altered, or reconstructed).

SUSTAINABLE OPPORTUNITIES

The housing development projects recommended for funding will address the “3 E’s” of sustainability in the following ways:

Economic: These projects will expand the affordable housing inventory in Oakland and generate construction and professional services jobs. Providing families with affordable housing will free up household disposable income to be spent on other goods and services in Oakland.

Environmental: Each of the recommended new construction projects will meet or exceed the green building standards developed by StopWaste of Alameda County and must be GreenPoint Rated. Also, each of these proposals will provide housing on vacant or underutilized sites or will rehabilitate existing housing, and all are near public transit. By developing in already built-up areas, these infill projects reduce the pressure to build on agricultural and other undeveloped land. Sites near mass transit enable residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

Social Equity: Affordable housing is a means of achieving greater social equity. Oakland’s neighborhood-level environment will be improved by replacing underused and sometimes blighted buildings and lots with new homes and residents. The proposed developments will provide affordable rental and ownership housing for low and very low-income residents. Social services, such as computer centers for residents, are a component of each rental development, and further build social equity.

DISABILITY AND SENIOR CITIZEN ACCESS

All housing development projects receiving federal funds are required to construct and set aside units to be occupied by persons with disabilities (Federal Section 504 regulation). This means that at least five percent of federally funded newly constructed units will be available to persons

with physical disabilities and two percent of units to persons with auditory or visual disabilities. The State's Title 24 and the Americans with Disabilities Act require consideration of persons with disabilities in design and construction of housing. In all rental units and some ownership housing types, those requirements include accessible facilities. Furthermore, developers will be required to devise a strategy to effectively market housing units to the disabled community and present this strategy in their Affirmative Fair Housing Marketing Plan.

City funds have long supported housing development for seniors. However, the Redevelopment Agency has currently exceeded its mandated proportionality test for funds, which requires that funding be spent on senior housing based on the proportion of seniors in the redevelopment area. Therefore currently only HOME funds may be used for senior housing. Two senior housing projects, Lakeside Senior and Red Star, were submitted this year. There are not enough HOME funds for Lakeside, despite its high ranking in the scoring process. There were also not enough HOME funds for Red Star, after awards were made for the higher ranking NOFA projects.

RECOMMENDATION AND RATIONALE

Staff recommends that the proposed affordable housing projects receive commitments for City/Agency funding, or extensions to existing funding commitments, to improve and increase the availability of affordable homeownership and rental housing in Oakland.

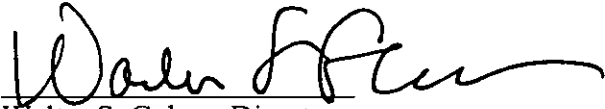
ACTIONS REQUESTED OF THE CITY COUNCIL AND THE REDEVELOPMENT AGENCY

Staff requests that the City Council and the Redevelopment Agency approve the City and Agency resolutions which accompany this report, to allocate funds to the following new and rehabilitated affordable housing projects:

- James Lee Court,
- Kenneth Henry Court,
- Madison Park Apartments,
- Marcus Garvey Commons,
- Brookfield Court,
- California Hotel,
- Cathedral Gardens,
- MacArthur Apartments,
- Saint Joseph Family,
- Fairmount Apartments.

Staff also requests approval of resolutions which accompany this report to extend previous funding commitments, allocate funds, and make other related changes to previous project funding commitments.

Respectfully submitted,



Walter S. Cohen, Director

Community and Economic Development Agency

Reviewed by: Michele ^{pk} Bird, Deputy Director
Housing & Community Development, and

Norma Thompson, Manager
Housing Development

Prepared by: Diana Downton
Housing Development Coordinator,
and Housing Development Staff

APPROVED AND FORWARDED TO THE COMMUNITY
AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City/Agency Administrator

Attachments

Attachment A: Projects Submitted for the Original NOFA

Attachment B: Projects Submitted for the Rehabilitation NOFA