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CITY OF OAKLAND

AGENDA REPORT

2009 JUN -3 PM 7:20

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: June 9, 2009

RE: **A Supplemental Report Authorizing 1) The Sale At No Cost Of One City Owned Single Family Dwelling At 453 Ashton Avenue And Two City Owned Parcels At 2656 And 2660 98th Avenue To The Rotary Club Of Oakland, Inc. For The Development Of Affordable Housing By The Peralta Community College District Under The City/Peralta/Rotary House Project, And 2) The Allocation Of \$10,000 From The Proceeds Of Each Sale To The Laney College Tool Fund**

SUMMARY

At its meeting of May 26, 2009, the Community and Economic Development Committee requested additional information on the financial arrangements involved with the proposed ordinance to contribute City-owned property for development as affordable housing through an existing partnership between the City of Oakland, the Rotary Club Inc., and the Peralta Community College District. This supplemental report more completely describes the revolving fund created previously by Council, and the proposed financial arrangements for this new development.

KEY ISSUES AND IMPACTS

Revolving Fund Partnership:

In 2001, the City of Oakland's Office of Community Development, the Peralta Community College District, and the Rotary Club of Oakland formed a partnership to provide a "hands-on" construction training program for students enrolled in construction technology classes at Laney College. The intent of the partnership was to create affordable housing for low and moderate-income families and a "real world" educational and instructional venue for the students.

Council Resolution No. 76207 C.M.S., adopted January 9, 2001, provided for the appropriation of \$200,000 to finance the City/Laney College/Rotary Club Partnership Program as a revolving fund and administered by the Rotary Club of Oakland. Under the agreement, the City provides the land for development and \$200,000 toward construction costs, the Rotary provides architectural services and \$100,000 toward construction costs, and Laney College provides student labor at no cost and receives a \$10,000 stipend from each sale for the purchase of tools and equipment. The sale of each property provides for the recapture of all funds expended for construction costs, but does not recapture the value of in-kind contributions like the donated land. The recaptured funds are deposited into the revolving funds account, administered by the

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Rotary Club, and used to fund future new construction and/or rehabilitation projects by the partnership.

Although the City/Laney College/Rotary Club Partnership Program began in 2001, the City's development partnership with Laney College began in 1979. Since the initial venture with Laney College, the partnership has completed the following projects:

PROPERTY ADDRESS	PROPERTY TYPE	COST TO COMPLETE	SALES PRICE
779 20 th Street	New Single Family	\$70,000	\$115,000
1517-19 West St.	Rehab Victorian Duplex	\$75,000	\$250,000
1002 Magnolia St.	New Single Family	\$70,000	\$115,000
1517-19 Linden St.	New Duplex	\$125,000	\$195,000
1433-35 Myrtle St	New Duplex	\$250,000	\$350,000
678 24 th St.	Rehab Single Family	\$122,234	\$200,000
5671 Dover St.	New Single Family	\$240,000	\$410,000
5675 Dover St.	New Single Family	\$370,000	\$400,000
TOTAL	11 Units	\$1,322,234	\$2,035,000

The proposed Ordinance requests that 453 Ashton Avenue and 2656-60 98th Avenue be transferred to the Rotary Club Inc. at no cost. The total value of the parcels to the City is \$185,000 and represents a subsidy to the project. The Ashton Avenue property, which is located in the Oakland Coliseum Redevelopment Project Area, is a chronically blighted, vacant, burned, single family dwelling donated to the City from Wells Fargo Bank. The 98th Avenue properties are vacant surplus lots which once housed a relocated fire station. The Rotary Club will furnish \$100,000 toward construction costs and all architectural design, design review and permit services. Laney College will build the structures using student labor. In addition to the land, the City will provide \$200,000 toward construction costs from the existing revolving fund balance. The Rotary Club will then sell the completed home to a buyer whose income does not exceed 100% of the Area Median Income for the adjusted market rate. The proceeds will be deposited into the revolving fund to finance the next project.

All of the homes in the table above have been sold, except for 5675 Dover Street. It is anticipated that 5675 Dover Street's final sale price will not exceed \$400,000. The revolving fund currently has an existing balance of \$100,000; after the Dover Street sale, total funds available for proposed new projects should be approximately \$500,000. In this manner, the revolving fund replenishes itself and expands over time, once the homes developed from each successive project are sold.

Contributions:

The breakdown of each parcel's value and physical description is as follows:

Address	Physical Description	Approximate Value
453 Ashton Avenue	809 s.f. structure 4,186 s.f lot	\$60,000
2656 98 th Avenue	6,000 s.f. vacant lot	\$50,000
2660 98 th Avenue	14,615 s.f. vacant lot	\$75,000

The breakdown of each Partner's contribution is:

Contributor	Amount
Laney College	Labor at no cost 100-150 Students per Semester
Rotary Club Inc.	Architectural Services at no cost \$100,000 from the established revolving fund
City of Oakland	Land at approximately \$185,000 \$200,000 from the established revolving fund

Projected Construction Costs:

The projected construction costs are:

Address	Square Feet	Cost per Square Foot	Total
453 Ashton	1400	\$125	\$175,000
2656 98 th Avenue	1400	\$200	\$280,000
2660 98 th (1)	1400	\$200	\$280,000
2660 98 th (2)	1400	\$200	\$280,000
2660 98 th (3)	1400	\$200	\$280,000
Totals			
5 Units			\$1,295,000

Projected Sales and Revenue:

The projected sales price for each unit is:

Address	Sales Price
453 Ashton Avenue	\$250,000
2656 98 th Avenue	\$375,000
2660 98 th Avenue (1)	\$375,000
2660 98 th Avenue (2)	\$375,000
2660 98 th Avenue (3)	\$375,000
Totals	
5 Units	\$1,750,000

Revenues from each sale are re-deposited into the existing escrow account administered by the Rotary Club Inc. and used to fund the construction of subsequent City/Rotary/Laney development projects.

Pre-Sale Revenues Received by the City: Building Permits

Address	Permit Type	Costs
453 Ashton Avenue	Rehab/Room Addition	\$9,930
2656-60 98 th Avenue (4)	New Construction at \$11,917 each	\$47,708
Total Pre-Sale Revenue		\$57,638

After-Sale Revenues Received by the City: Tax Revenues/City Liens

Revenue Source	Amount	Total
Transfer Taxes	\$16.10 per \$1,000	\$28,175
Property Taxes	1.25% of sales cost	\$21,875 per year
City Liens		\$18,385
Total After Sale Revenue		\$68,435
Total Revenue Received		\$126,073

Project Repayment Breakdown:

Item	Amount
Construction Costs	\$ 1,295,000
Permit Costs	\$ 57,638
Insurance Costs	\$ 20,000
Laney College Tool Fund	\$ 50,000
Sales Fees at 3%	\$ 52,500
Total Costs	\$ 1,475,138
Sales Proceeds	\$ 1,750,000
Funds Balance	\$ 274,862

Revenues received from City transfer taxes and property taxes are deposited into the City of Oakland General Fund (1010) and City lien repayments and permit fees are deposited into Development Fund (2415). The \$76,023 paid in permit fees and lien repayments represents a direct influx of revenue. The revenue generated through property transfer taxes will occur upon sale of each property and will not be fully realized until the completion of all projects. The anticipated completion time of the Ashton Avenue project is nine months. The anticipated completion time of the 98th Avenue projects is 18 to 24 months per project. The \$21,875 in revenue generated through property taxes is anticipated to be a consistent source, repaying the City's \$185,000 subsidy in approximately eight years.

The \$274,862 balance from the sale of the final project will be used to replenish the existing revolving fund, established in 2001 per Resolution No.76207 C.M.S., and used for future developments under the City/Rotary/Laney Partnership.

Alternative Use:

If the properties were sold as-is, at the current market rate, the resulting sales revenue of approximately \$185,000 would be deposited into the City of Oakland General Fund (1010). It should be noted that the Ashton Avenue property is a foreclosed, blighted property donated to the City from Wells Fargo Bank. There is presently \$18,385 in fines assessed by the City and the property was donated because of the bank's inability to sell it on the open market. The 98th Avenue parcels are available as the result of an unsuccessful attempt to develop them as market-rate housing using a private developer.

RECOMMENDATIONS AND RATIONALE

Staff recommends approval of the Ordinance authorizing the sale, at no cost of one city owned single family dwelling located at 453 Ashton Avenue and two City owned vacant parcels located at 2656 and 2660 98th Avenue to the Rotary Club of Oakland, Inc. for the development of affordable housing by the Peralta Community College District. These projects will enhance the

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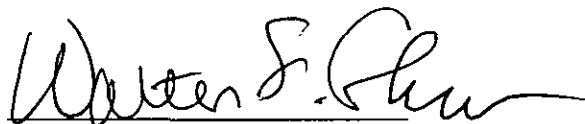
students' skills, provide job training in Sustainable Building Practices and have a positive impact on the employment opportunities available to students completing the Laney College curriculum for building trades. In addition, this project will assist in increasing the availability of affordable housing for families in the City of Oakland.

It is further recommended that \$10,000 of the net proceeds of each sale be allocated to the Laney College tool fund. This contribution will assist Laney in procuring the necessary replacement tools to support its program of providing hands on training in the building trades.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests approval of the proposed Ordinance.

Respectfully Submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Michelle Byrd, Acting Deputy Director
Housing and Community Development

Prepared by:
Loyd Ware, Manager
Residential Lending and Rehabilitation

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:



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