

**CITY OF OAKLAND  
AGENCY AGENDA REPORT**

OFFICE OF THE CLERK  
2006

2006 FEB 20 AM 11:55

TO: Office of the Agency Administrator  
ATTN: Deborah Edgerly, Agency Administrator  
FROM: Community and Economic Development Agency  
DATE: March 7, 2006

RE: A Resolution Authorizing A Grant In An Amount Not To Exceed \$1,230,000 To Macarthur Park Development Associates, LLC, To Cover Additional Costs For The Development Of The Palm Villas Project On Macarthur Boulevard Between 90<sup>th</sup> And 94<sup>th</sup> Avenues

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**SUMMARY**

At the City Council meeting held on February 7, 2006, the City Council directed staff to provide a \$1.23 million closeout subsidy for the Palm Villas Housing Development Project. The money is to be borrowed from the Central City East and Central District Redevelopment Project Area funds and repaid, at the prevailing interest rate, from future land sale proceeds from Oak Knoll. The subsidy is to be disbursed by two-party checks to outstanding debtors and MacArthur Park Development Associates, LLC (MPDA) provided full and unconditional lien releases are provided. Once all lien issues are resolved and debtors have been paid the remaining balance of the subsidy shall be provided to MPDA.

**FISCAL IMPACT**

The City Council directed that \$1,230,000 be allocated from future Oak Knoll land sale proceeds to fully fund this grant. Because the Oak Knoll close of escrow will not occur for another six months to a year, land sale proceeds will not be available until that time. Therefore, temporary funding will need to come from the Central City East affordable housing fund (voluntary five percent) and Central District ending fund balance. The attached Resolution authorizes an appropriation of up to \$1,230,000 from the Oak Knoll Operations Fund (9546) to provide the permanent funding for the grant.

Beginning in 2001, the Agency voluntarily increased its contribution to the Low and Moderate Income Housing Fund from the 20 percent required by State law to 25 percent. The voluntary five percent additional contribution can be withdrawn from the Low and Moderate Income Housing Fund and returned to regular redevelopment funds in the Central City East Project Area. This amounts to \$808,185 which can be transferred from the Central City East (CCE) Project Area's voluntary five percent housing contribution to the CCE Operations Fund.

The \$808,185 would be transferred out from the Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Housing Development Program Project (P209310), Central City East Program (SC18) to the Central City East Operations Fund (9540). Because these funds have not been budgeted to specific affordable housing projects or programs pending review and recommendations by the Central City East Project Area Committee (PAC), this transfer will not impact the Agency's ability to meet any of its current affordable housing goals.

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The Central City East PAC approved the loan at their December 5, 2005 meeting and requested that the money be repaid to the project areas with interest.

Because the land sale proceeds will not be available for 6 to 12 months, it is recommended that the Agency temporarily provide the balance of the grant amount, or \$421,815, from the Central District ending fund balance (9510). Once the sale of the Agency's Oak Knoll property is completed, the Central District ending fund balance (9510) and the Central City East Operating Fund (9540) would be reimbursed, at the prevailing interest rate.

### **SUSTAINABLE OPPORTUNITIES**

There are no new sustainable opportunities as a result of these recommended actions. All environmental opportunities regarding this project were discussed in the agenda report for Resolution No. 99-36 C.M.S. which was approved in July 1999.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

There are no new issues regarding disability and senior citizen access as a result of these recommended actions. The issues regarding disability and senior access were discussed in the agenda report for Resolution No. 99-36 C.M.S.

### **ACTION REQUESTED OF THE REDEVELOPMENT AGENCY**

Staff requests that the Agency approve the attached resolution authorizing a grant, in an amount not to exceed \$1,230,000, to MacArthur Park Development Associates, LLC to cover additional costs for the Palm Villas Homeownership Development.

Respectfully submitted,



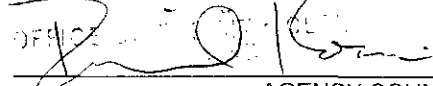
DANIEL VANDERPRIEM  
Director of Redevelopment, Economic Development  
and Housing

Prepared by:  
Sean Rogan, Deputy Director  
Housing and Community Development  
Marge L. Gladman, Housing Development  
Coordinator

### **APPROVED AND FORWARDED TO THE REDEVELOPMENT AGENCY:**

  
\_\_\_\_\_  
OFFICE OF THE AGENCY ADMINISTRATOR

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OFFICE OF THE  
  
AGENCY COUNSEL  
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## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION NO. \_\_\_\_\_ C.M.S.

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### A RESOLUTION AUTHORIZING A GRANT IN AN AMOUNT NOT TO EXCEED \$1,230,000 TO MACARTHUR PARK DEVELOPMENT ASSOCIATES, LLC, TO COVER ADDITIONAL COSTS FOR THE DEVELOPMENT OF THE PALM VILLAS PROJECT ON MACARTHUR BOULEVARD BETWEEN 90<sup>TH</sup> AND 94<sup>TH</sup> AVENUES

**WHEREAS**, in 2000, pursuant to Resolution No. 99-36 C.M.S., the Redevelopment Agency (“the Agency”) and MacArthur Park Development Associates, LLC., (the “Developer”) entered into a forgivable development loan in an amount not to exceed \$3,253,000 to assist the Developer in the development and sale of the Palm Villas project (the “project”), a 78-unit homeownership project on MacArthur Boulevard between 90<sup>th</sup> and 94<sup>th</sup> Avenues; and

**WHEREAS**, all units in this three-phase project were to be sold at prices affordable to households earning no more than 120% of area median income; and

**WHEREAS**, the project is anticipated to serve as a catalyst for additional housing and economic projects in the Central City East Redevelopment Project Area (the “CCE Project Area”), in particular, along the MacArthur Corridor; and

**WHEREAS**, as construction started in 2000, the Developer assured the Agency that the Agency loan and other private funding committed at that time was sufficient to develop the 78 unit project; and

**WHEREAS**, in 2002 when the Developer encountered substantial increases in construction costs and cash flow problems, causing the private construction loan to be out of balance and threatening to stop the project, the Developer subsequently requested that the Agency forgive the original \$3.25 million loan and provide an additional loan of \$1,000,000 to cover the funding gap; and

**WHEREAS**, pursuant to Resolution No. 02-33 C.M.S., the Agency authorized the conversion of the \$3,253,000 loan to a grant and, pursuant to Resolution No. 02-34 C.M.S., the Agency authorized a bridge loan, in an amount not to exceed \$1,000,000, to address the increases in construction costs and cash flow problems; and

**WHEREAS**, in 2003, with only 49 units completed, the Developer again was encountering substantial cash flow problems and increasing costs that could not be covered by net sales proceeds or other public or private sources and requested that the Agency forgive the bridge loan; and

**WHEREAS**, pursuant to Resolution No. 2003-20 C.M.S., the bridge loan was converted to a grant; and

**WHEREAS**, in 2004, with only 16 units remaining to be completed, the Developer once again was encountering substantial cash flow problems and increasing costs that were threatening to permanently stop the project, and requested that the Agency provide an additional \$1,100,000 as a grant to help fund the completion of the project; and

**WHEREAS**, pursuant to Resolution No. 2004-20 C.M.S., the Agency authorized a \$1,100,000 grant to the Developer to cover the additional costs to complete 14 of the remaining 16 units; and

**WHEREAS**, pursuant to the above resolution, the Developer could not receive any additional profit from the project nor could any of these grant funds be disbursed until 12 of the remaining 16 units were completed and ready to transfer, without encumbrances, to qualified homebuyers; and

**WHEREAS**, by February 2005 all 78 units had been completed and sold to households earning not more than 120% of the Area Median Income and the surrounding area was beginning to be revitalized; and

**WHEREAS**, in May 2005 the Developer requested that the Agency provide \$1,400,000 in additional grant funds to cover final punch list items, satisfy remaining contractors indebtedness, and complete landscaping obligations as well as to make the Developer whole; and

**WHEREAS**, no other reasonable means of private or commercial financing of the project is reasonable available; and

**WHEREAS**, the Agency wishes to provide some of the funding that the Developer seeks and has requested that staff determine if there are suitable sources and recommend an appropriate amount of funding to be provided; and

**WHEREAS**, based on its analysis of overhead charges, staff has concluded that approximately \$170,000 of those charges should be excluded from the \$1,400,000 consideration and has recommended the grant amount not exceed \$1,230,000; and

**WHEREAS**, staff is recommending that the full amount of the grant be permanently funded from future Oak Knoll land sales proceeds but recognizes that in the interim funding for the grant will need to be provided from other redevelopment funds until the land sales proceeds are available; and

**WHEREAS**, although the Agency is required by California redevelopment law to set aside a minimum of 20% of the tax increments generated in all of its redevelopment project areas for its Low and Moderate Income Housing Fund, in 2001 pursuant to Resolution No. 01-85 C.M.S. the Agency authorized the voluntary set aside of an additional 5% of the tax increments into the Low and Moderate Income Housing Fund; and

**WHEREAS**, staff is recommending that \$808,185 from Central City East's 5% voluntary contribution to the Low and Moderate Income Housing Fund be transferred to the Central City East Operating Fund to be provided temporarily as a portion of the grant funding; and

**WHEREAS**, the balance of the grant funding, \$421,815, would be temporarily provided by funds in the Central District ending fund balance; and

**WHEREAS**, upon the close of escrow on the sale of the Oak Knoll property, the Central District ending fund balance and the Central City East Operating Fund will be reimbursed, at the prevailing interest rate, from the land sales proceeds; now, therefore, be it

**RESOLVED**: That the Redevelopment Agency hereby authorizes the Agency Administrator or his or her designee to provide a grant in an amount not to exceed \$1,230,000 to MacArthur Park Development Associates, LLC, to be used to cover remaining costs for the project; and be it

**FURTHER RESOLVED**: That the Agency hereby appropriates \$1,230,000 from future Oak Knoll land sales proceeds in the Oak Knoll Operations Fund (9546), contingent on the future availability of such funds, in order to provide permanent funding for the grant to the project; and be it

**FURTHER RESOLVED**: That the Agency hereby reduces the 5% voluntary contribution to the Low and Moderate Income Housing Fund for the Central City East Project Area by \$808,185, notwithstanding Resolution No. 01-85 C.M.S. and authorizes the transfer of such amount from the Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Housing Development Program Project (P209310), Central City East Program (SC18) to a new project to be determined in the Central City East Operating Fund (9540), Housing Development Organization (88929) in order to temporarily provide a portion of the grant to the project and to be repaid from future Oak Knoll land sales proceeds to the extent sufficient funds are available; and be it

**FURTHER RESOLVED**: That any repayments, including interest at the prevailing rate, of funds provided from CCE Operating Fund shall be redeposited to the Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Housing Development Program Project (P209310), Central City East Program (SC18) consistent with Resolution No. 01-85, C.M.S.; and be it

**FURTHER RESOLVED**: That the Agency hereby appropriates \$421,815 from the Central District ending fund balance (9510) in order to temporarily provide a portion of the grant to the project and to be fully repaid, including interest at the prevailing rate, from future Oak Knoll land sales proceeds; and be it

**FURTHER RESOLVED**: That as a condition of this grant, the Developer will receive no profit from this project; and be it

**FURTHER RESOLVED**: That the making of the grant shall be contingent on and subject to such other appropriate terms and conditions as the Agency Administrator or his or her designee may establish; and be it

**FURTHER RESOLVED**: That all grant documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution; and be it

**FURTHER RESOLVED:** That the Agency hereby appoints the Agency Administrator, or his or her designee, as agent of the Agency to conduct negotiations, execute documents, administer the grant, and take any other action with respect to the grant and the project consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2006

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND CHAIRPERSON DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
Secretary of the Redevelopment Agency  
of the City of Oakland, California