

**CITY OF OAKLAND and  
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
COUNCIL AND AGENCY AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2004 MAY 13 PM 4:13

TO: Office of the City Manager and Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: May 25, 2004

RE: TWO RESOLUTIONS: A RESOLUTION TO AMEND OAKLAND REDEVELOPMENT AGENCY RESOLUTION NO. 2003-07 TO CHANGE INTEREST RATE TERMS OF A \$1,500,000 LOAN TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND THE RELATED COMPANIES OF CALIFORNIA JOINTLY FOR THE COLISEUM GARDENS – PHASE I PROJECT FROM 1% TO 0%; AND A RESOLUTION TO AMEND THE CITY COUNCIL RESOLUTION NO. 77656 C.M.S. TO CHANGE INTEREST RATE TERMS OF \$500,000 OF A \$1,500,000 LOAN TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND THE RELATED COMPANIES OF CALIFORNIA JOINTLY FOR THE COLISEUM GARDENS – PHASE I PROJECT FROM AN APPLICABLE FEDERAL RATE (CURRENTLY 2.52%) TO 0% INTEREST

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## SUMMARY

Staff is recommending that the Redevelopment Agency and the City Council authorize the Agency Administrator and the City Manager to amend the terms of the two loans authorized by the Agency and the City Council on February 25, 2003, to East Bay Asian Local Development Corporation and The Related Companies of California (jointly the "Developer") for the Coliseum Gardens – Phase I project ("Project"). The amended terms would provide for a 0% interest rate for both loans. The Project will contain 115 affordable housing units with a total current development cost of \$33,711,000.

On February 25, 2003, \$1,500,000 in Agency funds were authorized (Resolution No. 03-7 C.M.S.) with a 1% interest rate; and \$1,500,000 in City HOME funds were authorized (Resolution No. 77656 C.M.S.) with \$1,000,000 having a 0% interest rate and \$500,000 having an Applicable Federal Rate "AFR" (adjusts monthly and currently at 2.52%). Both the Agency and HOME loans were for a maximum term of 55 years, with repayment from surplus cash flow from the Project.

The Developer was unable to secure 9% tax credit financing due to limited California Tax Credit Allocation Committee funding. The Developer backup financing plan entails 4% tax credit financing, and two loans that require repayment: State of California Multihousing Program \$7.5 million loan; and a \$4 million bank loan. The Developer requested the Agency and the City to reduce their demand on cash flow by eliminating any interest on their loans.

## FISCAL IMPACT

There is no fiscal impact on the Agency and City for at least 55 years if the Project is to proceed with the Developer's back up financing plan with the recommended 0% interest rate loans. Neither principal nor interest repayments have been anticipated in current or future fiscal year budgets. Further, it has not been City or Agency practice to anticipate loan repayments for loans made from these sources in current or

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future year appropriations. The limited surplus cash flow would not pay off the total \$3 million principal (\$560,000 balance after 55 years) of the Agency and City loans much less any accrued interest. The Developer has to present a 55-year *pro forma* that appears feasible to investors and a \$1,660,000 unpaid balance (the total of the above \$1,100,000 accrued interest and the \$560,000 remaining principal) is deemed to be unacceptable to investors.

Because initial cash flow is limited under either the original financing plan or the backup plan, no budget expectations have been made based upon anticipated receipt of loan repayment proceeds.

## **BACKGROUND**

The City of Oakland issued a Notice of Funding Availability on September 10, 2002 to solicit affordable housing proposals from developers and seventeen applications were submitted. Coliseum Gardens – Phase I was recommended by staff for funding. On February 25, 2003, the Redevelopment Agency authorized a 1%, 55 year development loan in an amount not to exceed \$1,500,000, and the City Council authorized a loan totaling \$1,500,000 (\$1,000,000 at 0% and \$500,000 at the Applicable Federal Rate).

The Agency and the City receive NOFA applications from developers that request the gap financing necessary to make affordable housing projects feasible. The Agency and City are required to be flexible to satisfy lenders with specific requirements. By being flexible, the Agency and the City can permit developers to obtain the most financing available from other sources, thus reducing the amount of Agency and City funds required.

Cash flow generated by a project is committed to the operational needs of the project and then to bank loan debt service. The balance of the cash flow is distributed between the governmental agencies (State, Oakland Housing Authority, and Agency/City) based upon their relative percentages of project loans.

Surplus cash flow decreases in the Project's later years. Lenders require the 55 year *pro forma* assume that project income will increase 2.5% annually while expenses will increase 3.5 % annually.

## **KEY ISSUES AND IMPACTS**

Eliminating interest charged on the Agency and City loans will permit the Developer to demonstrate to lenders necessary to the Project that the overall financing for the Project is feasible. It is typical for the type of proposed backup financing that local governmental lending agencies reduce their interest rates to zero. The Oakland Housing Authority is providing a \$5,107,000 loan to the Project with a 0% interest rate. The City and Agency loans must meet multiple lender, investor, I.R.S., and State requirements. If the City and Agency interest rates are not reduced, the Developer will not be able to demonstrate to all parties that there will be sufficient cash flow to meet all the loan repayment obligations.

## **SUSTAINABLE OPPORTUNITIES**

Approval of the resolutions will allow the Project to proceed. There has been no change in the Project concerning sustainable opportunities since the February 11, 2003 Agenda Report.

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**DISABILITY AND SENIOR CITIZEN ACCESS**

Approval of the resolutions will allow the Project to proceed. There has been no change in the Project concerning disability and senior citizen access since the February 11, 2003 Agenda Report.

**RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the Redevelopment Agency and City Council authorize the Agency Administrator and City Manager respectively to reduce the interest rates for both the Agency and City loans to 0 percent.

**ACTION REQUESTED OF THE REDEVELOPMENT AGENCY**

Staff recommends that the Redevelopment Agency adopt the proposed recommendation which amends Agency Resolution No. 2003-07 C.M.S. to reduce the interest rate to 0 percent.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council adopt the proposed recommendation which amends City Council Resolution No. 77656 C.M.S. to reduce the interest rate to 0 percent.

Respectfully submitted,

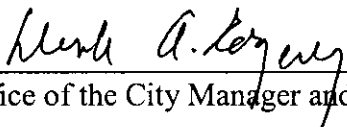


**DANIEL VANDEPRIEM**

Director of Redevelopment, Economic  
Development and Housing

Prepared by:  
Roy L. Schweyer, Director  
Housing & Community Development

APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:



Office of the City Manager and Agency Administrator

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OFFICE OF THE CITY CLERK  
OAKLAND

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APPROVED AS TO FORM AND LEGALITY:

*D. Lewis*

Deputy City Attorney

## OAKLAND CITY COUNCIL

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

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**A RESOLUTION TO AMEND THE CITY COUNCIL RESOLUTION NO. 77656 C.M.S. TO CHANGE INTEREST RATE TERMS OF \$500,000 OF A \$1,500,000 LOAN TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND THE RELATED COMPANIES OF CALIFORNIA JOINTLY FOR THE COLISEUM GARDENS – PHASE I PROJECT FROM AN APPLICABLE FEDERAL RATE (CURRENTLY 2.52%) TO 0% INTEREST**

**WHEREAS**, on September 10, 2002, the Redevelopment Agency and the City of Oakland jointly issued a Notice of Funding Availability ("NOFA") soliciting applications for funding for affordable housing developments; and

**WHEREAS**, East Bay Asian Local Development Corporation, a nonprofit organization devoted to the provision of affordable housing, and the Related Companies of California, a California Limited Liability Company (jointly the "Developer"), submitted a proposal in response to the NOFA; and were selected for funding; and

**WHEREAS**, on February 25, 2003, the City Council adopted Resolution No. 77656 C.M.S. authorizing a development loan in an amount not to exceed \$1,500,000 to East Bay Asian Local Development Corporation ("EBALDC"), or to an affiliated entity approved by the Agency Administrator or his or her designee, to be used to develop the Coliseum Gardens – Phase I project ("Project") located at 6610, 6701, and 6733 Olmstead Street, for a term of 55 years, \$1,000,000 having a 0% interest rate and \$500,000 having an Applicable Federal Rate (adjusts monthly and currently at 2.52%), with repayment to the City from surplus cash flow from the Project and other available funds during the term of the loan with the balance due at the end of the term, or on such other repayment terms and schedule as the City Manager or his or her designee determines are in the best interests of the City and the Project; and

**WHEREAS**, EBALDC has formed Oakland Coliseum Housing Partner, L.P. ("Developer") with The Related Companies of California to develop the Project; and

**WHEREAS**, the Developer had originally proposed to develop the Project relying, as a significant source of funding, on tax credit investment equity generated by an application for 9% tax

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credits to the California Tax Credit Allocation Committee ("TCAC") but changes in TCAC regulations made this infeasible; and

**WHEREAS**, the Developer's substitute financing plan for the Project makes it necessary for the City Council to reduce the interest rate from 1 percent per year, for the \$500,000 having an Applicable Federal Rate, to 0 percent per year in order to make the substitute financing plan feasible; and

**WHEREAS**, the City Council wishes to reduce the interest rate to 0 percent per year in order to assist in making the Project feasible; now, therefore, be it

**RESOLVED:** That the City Council hereby amends Resolution No. 77656 C.M.S. to change the interest rate for the \$500,000 of the \$1,500,000 development loan having an Applicable Federal Rate to 0 percent per year.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2004

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
CEDA FLOYD  
City Clerk and Clerk of the Council  
of the City of Oakland

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APPROVED AS TO FORM AND LEGALITY:

*D. Lewis*

Agency Counsel

REDEVELOPMENT AGENCY  
OF THE CITY OF OAKLAND

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

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**RESOLUTION TO AMEND REDEVELOPMENT AGENCY RESOLUTION NO. 2003-07 C.M.S. TO CHANGE INTEREST RATE TERMS OF A \$1,500,000 LOAN TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND THE RELATED COMPANIES OF CALIFORNIA JOINTLY FOR THE COLISEUM GARDENS – PHASE I PROJECT FROM 1% TO 0%**

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**WHEREAS**, on February 25, 2003, the Redevelopment Agency adopted Resolution No. 03-07 C.M.S. authorizing a development loan in an amount not to exceed \$1,500,000 to East Bay Asian Local Development Corporation ("EBALDC") and The Related Companies of California, or to an affiliated entity approved by the Agency Administrator or her or his designee, to be used to develop the Coliseum Gardens – Phase I project ("Project") located at 6610, 6701, and 6733 Olmstead Street, for a term of 55 years, with an interest rate of 1 percent per year, with repayment to the Agency from surplus cash flow from the Project and other available funds during the term of the loan with the balance due at the end of the term, or on such other repayment terms and schedule as the Agency Administrator or his or her designee determines are in the best interests of the Agency and the Project; and

**WHEREAS**, EBALDC has formed Oakland Coliseum Housing Partners, L.P. ("Developer") with The Related Companies of California to develop the Project; and

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**WHEREAS**, the Developer had originally proposed to develop the Project relying, as a significant source of funding, on tax credit investment equity generated by an application for 9% tax credits to the California Tax Credit Allocation Committee ("TCAC") but changes in TCAC regulations made this infeasible; and

**WHEREAS**, the Developer's substitute financing plan for the Project makes it necessary for the Agency to reduce the interest rate from 1 percent per year to 0 percent per year in order to make the substitute financing plan feasible: and

**WHEREAS**, the Redevelopment Agency wishes to reduce the interest rate to 0 percent per year in order to assist in making the Project feasible; now, therefore, be it

**RESOLVED:** That the Redevelopment Agency hereby amends Resolution No. 2003-07 C.M.S. to change the interest rate for the \$1,500,000 development loan to 0 percent per year.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2004

**PASSED BY THE FOLLOWING VOTE:**

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
CEDA FLOYD  
Secretary of the Redevelopment Agency  
of the City of Oakland

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