



FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2019 JUN 27 PM 8:49

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Maraskeshia Smith  
Assistant City Administrator

**SUBJECT:** 7<sup>th</sup> & Campbell Affordable Housing  
\$650,000 Unsecured Predevelopment  
Loan

**DATE:** June 17, 2019

City Administrator Approval

Date:

6/27/19

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Authorizing An Unsecured Predevelopment Loan In The Amount Of \$650,000 To Oakland And The World Enterprises, Inc. And McCormack Baron Salazar, Or Affiliated Entities, To Support The Development Of Affordable Housing At The 7<sup>th</sup> & Campbell Project, And Making California Environmental Quality Act Findings For This Action.**

## EXECUTIVE SUMMARY

Adopting the proposed resolution would authorize a \$650,000 predevelopment loan with Oakland & the World Enterprises, Inc. (OAW) and McCormack Baron Salazar (MBS), or affiliated entities, (Developer) for the 7<sup>th</sup> and Campbell Project (the Project) in West Oakland. The predevelopment loan would be used to cover eligible predevelopment expenses that will permit the Project to move forward towards receiving its building permits, including architecture and engineering expenses, planning fees and legal costs. Since the City owns the parcels, the loan cannot be secured against the property currently. Therefore, staff is recommending approval of an unsecured loan, which will be converted to permanent, secured financing once the property is conveyed to the Developer.

## BACKGROUND / LEGISLATIVE HISTORY

### ***Physical Description***

The 7th and Campbell site consists of six parcels with a total of 31,115.50 sq. ft. of land (APNs: 006-0017-017, 006-0017-018, 006-0017-019, 006-0017-020, 006-0017-021, and 006-0017-022). The site is currently occupied by a farm operated by OAW.

### ***Legislative History***

Between 2001 and 2003, the Redevelopment Agency (the Agency) made loans totaling \$689,598 (principal amount) to Oakland Community Housing, Inc. (OCHI) for the purchase of five of the six parcels that comprise the 7th and Campbell site under the Agency's Affordable

Item: \_\_\_\_\_

City Council  
July 9, 2019

Housing Site Acquisition Program. In 2003, the Local Initiatives Support Corporation (LISC) provided \$220,300 in short-term gap acquisition financing to OCHI for the five 7th and Campbell properties purchased with an Agency loan, in addition to the adjacent sixth parcel (1676 7th Street). As described in a series of staff reports starting in 2007, OCHI became insolvent, and was dissolved. As a result of its insolvency, OCHI could neither develop nor sell these parcels, nor repay the defaulted Agency loans. In addition, LISC's loan went into default.

HCD Staff took appropriate measures to facilitate the transfer and development of the 7th and Campbell sites in collaboration with Economic Development staff. On March 16, 2010, the Agency passed Resolution No. 2010-0026 C.M.S. authorizing the purchase of the LISC loan for \$100,000, which gave the Agency a first lien position over the entire 7th and Campbell site. On July 5, 2011, the Agency passed Resolution No. 2011-0055 C.M.S., setting aside \$500,000 to maintain the property and to clear the property of tax and code enforcement liens.

The dissolution of redevelopment agencies statewide in 2012 impeded the Agency's ability to clear the liens and seek development proposals for the property. The LISC loan rights and minimal remaining Site Acquisition funds were transferred over to the City as housing successor to the Agency. However, the Agency funding to maintain the property and clear the liens was not deemed to be an enforceable third-party obligation by the State Department of Finance (DOF) under the Recognized Obligation Payment Schedules (ROPS) approved by DOF in accordance with the redevelopment dissolution process. In June 2013, the City foreclosed on the LISC loan to secure ownership over the property and give staff additional time to seek development proposals that would benefit both the West Oakland community and the City. The City acquired the property at the foreclosure sale, and subsequently in Summer 2015 conducted another foreclosure sale to clear up a clouded title issue on one of the parcels.

In Fall 2014, OAW approached the City with a proposal for a development project on the site that would include: affordable housing, an urban farm, and supporting retail/commercial space uses, with a special focus on providing housing and employment/training opportunities for formerly incarcerated residents seeking to re-enter the community successfully. OAW currently operates the site with an urban farm. On January 20, 2015, pursuant to City Council Resolution No. 85373 C.M.S., the City Council authorized entering into an Exclusive Negotiating Agreement (ENA) with OAW to refine the development program.

### ***Recent City Actions***

After refining the development program during the ENA period and obtaining clearance under the California Environmental Quality Act (CEQA) last spring, the City Council authorized the City Administrator to enter into a Disposition and Development Agreement (DDA) on July 18, 2017, per City Council Ordinance No. 13450 C.M.S. Staff sought and received approval of a waiver of the City's 2014 ground lease preference policy in order to pursue a DDA and fee sale of the property rather than the City's preferred LDDA and ground lease structure, with appropriate findings incorporated in the Ordinance.

OAW and then co-developer Community Housing Development Corporation (CHDC) submitted an application for City development funding in the City's 2017-2019 Notice of Funding Availability (NOFA) for Affordable Housing. On December 18, 2017, City Council approved City Council Resolution No. 87019 C.M.S., which included \$801,900 in funding for the 7<sup>th</sup> and Campbell affordable housing development. In early 2018, OAW began taking steps to partner

Item: \_\_\_\_\_  
City Council  
July 9, 2019

with MBS, to replace CHDC. MBS was formed in 1973 with the goal of making "quality, affordable housing the cornerstone of our efforts to rebuild central cities across the United States that have deteriorated through decades of neglect and disinvestment." Although the Project would be the firm's first Oakland development, they do have four properties in San Francisco and another in Richmond, as well as an extensive portfolio throughout the United States. MBS has extensive experience in the development and management of complex affordable housing development deals, including experience with transit-oriented development and New Market Tax Credits, which OAW intends to apply for as part of the financing for this complex mixed-use development. The MBS property management arm, McCormack Baron Management, manages over 32,000 units in 25 states.

On April 17, 2018, pursuant to City Council Resolution No. 87131 C.M.S., MBS was approved as the Project's co-developer.

## **ANALYSIS AND POLICY ALTERNATIVES**

### ***Site Description and Surrounding Uses***

The 7<sup>th</sup> & Campbell site is approximately 0.71 acres. The area immediately surrounding the Project site is a mixture of vacant lots and residential and commercial uses. Immediately to the west is Slim Jenkins Court, a multi-family rental property with ground floor retail space, and further west are retail establishments, including the historic Esther's Orbit Room. Behind the site towards 8th Street are primarily single-family homes. Across 7th Street is the main Oakland U.S. Postal Service sorting facility. The West Oakland Bay Area Rapid Transit (BART) station is approximately 0.30 miles to the east.

### ***Initial Discussions***

In September and October 2014, City staff received an outline of a development proposal for long-term redevelopment of the parcels from OAW, a then recently formed nonprofit. The development proposal included long-term redevelopment of the property with a variety of uses, including affordable and market rate housing units, small scale manufacturing (athletic shoes and apparel), a fitness center, urban farm, juice bar and a technical support center. A focus of the development is on training, employment and housing options for the formerly incarcerated. OAW members and partners include local officials, an attorney, real estate developers, urban farmers and organizations supporting former prisoners' successful re-entry into the community.

In October 2014, City staff met with OAW representatives to discuss the proposals and options for proceeding, and it was decided to pursue a short-term one-year license of the property for the urban farm component as an interim use on site while pursuing an ENA with the City. The City and OAW entered into a one-year license agreement on November 1, 2014 for the vacant land portion of the site. This allowed OAW to undertake a temporary urban farm use, which has helped reduce the illegal dumping that had previously plagued this site. The License Agreement was amended in late 2015 to extend the agreement term and incorporate the additional square footage available after the demolition of the substandard building on site.

### ***ENA/DDA Period and Further Refinement of Project and Development Team***

The ENA between the City and OAW was intended for the purpose of studying and evaluating the feasibility of the development and negotiating the terms and conditions of the proposed

Item: \_\_\_\_\_  
City Council  
July 9, 2019

Project. The ENA period, including the six-month administrative extension, expired effective January 20, 2016. OAW opted to pursue approval for entering into a DDA, rather than having the ENA extended.

Over the course of the ENA period and since its expiration, OAW's team has worked with City staff to enlist an experienced affordable housing developer, refine the development program and financing plan, and attain clearance under CEQA. During the ENA period, OAW reduced the number of housing units to 79 units and refined the commercial program in order to promote Project feasibility. In March 2016, OAW entered into a Memorandum of Understanding (MOU) with CHDC, an experienced affordable housing developer based in Richmond, to include them as part of the development team.

With CHDC, OAW continued negotiations on the DDA with the City, and submitted a successful application for affordable housing loan funds under the City's 2017-19 NOFA as described above. OAW also submitted an application for funding under the State's Affordable Housing and Sustainable Communities (AHSC) program in December 2017, its second attempt at applying for AHSC funding. MBS is identified as OAW's co-developer in the current AHSC application.

In December 2017, OAW informed Housing and Community Development (HCD) staff that it was seeking to terminate its relationship with CHDC on the Project. OAW requested instead to substitute MBS in as their qualified affordable housing development partner.

OAW and MBS have indicated that they intend to form a partnership entity to develop the Project. OAW would enter into a long-term ground lease of the Property with the development partnership.

#### ***Predevelopment Loan Request***

Currently, OAW/MBS have a pending application for \$8.75 million in funding from the State of California's Supportive Housing Multifamily Housing Program (SHMHP) NOFA this spring. Although funding decisions for the SHMHP program will not be released until mid-July, the NOFA funding round is currently *undersubscribed*, which means that the 7<sup>th</sup> and Campbell project is very likely to be awarded funding this round. At that point, the Developer will be able to apply for 4 percent tax credits and bonds, a generally non-competitive process.

However, in order to proceed toward project readiness and be in a position to obtain building permits in a timely manner, additional predevelopment work needs to be completed at this time.

***Attachment A***, the 7th and Campbell Predevelopment Loan Budget, shows the projected expenditures to be covered by the predevelopment loan. Proposed expenditures include permitting fees, architectural and engineering fees, and legal costs.

Staff recommends that the loan terms be for an 18-month period (with a six-month extension available as an administrative action) at three percent simple interest, with interest and principal payments deferred to the end of the term. As noted previously, the unsecured position is based on the City's ownership of the property rendering it unavailable to serve as security for the loan; however, this loan will be converted to secured, permanent financing upon conveyance of the

property to OAW/MBS. This would occur at the execution of the DDA, which staff anticipates taking place in approximately six to nine months.

While the City's over-the-counter Predevelopment Loan Program provides for unsecured loans, the proposed predevelopment loan request is substantially larger than what would be allowed under the City's program (which allows for a loan of \$35,000 per phase, or \$75,000 per phase if the Project is located in the Downtown area). Given the complexity of the Project, the historic challenges this site has faced, and the impracticality of seeking standard secured predevelopment loans, staff recommends making these adjustments to the standard Predevelopment Loan Program terms.

### **FISCAL IMPACT**

The property was acquired with former Redevelopment Agency Low and Moderate Income Housing Bond funding (fund 1883/9783) with the exception of the \$100,000 in non-Housing Agency funds used to acquire LISC's loan.

In September 2017, OAW also submitted a funding application under the City's 2017-19 Notice of Funding Availability (NOFA) for affordable housing development, requesting \$2.6 million in local funding. On December 18, 2017, City Council approved the Project as part of a development pipeline that recommended \$801,900 in funding for the Project. The affordable housing development loan funds will come from the Measure KK Housing and Infrastructure Bond (Affordable Housing Fund 5331). This funding is set-aside for the Project.

OAW and MBS have been exploring various alternative funding scenarios this spring, and have indicated to City staff that they are confident that they can proceed with producing the 79 unit affordable housing development and associated commercial spaces with the assistance of this predevelopment loan.

### **PUBLIC OUTREACH / INTEREST**

OAW has met with and had extensive follow-up discussions with local elected officials and community organizations regarding its development plans for the site and had a well-attended community meeting to discuss plans for the site. During the West Oakland Specific Plan process (the plan was adopted in 2014), advocates at nearly every community meeting and public hearing stressed the need for affordable housing and employment/training opportunities for West Oakland residents, to which OAW's proposed development would clearly respond.

### **COORDINATION**

This staff report and legislation have been reviewed by the Office of the City Attorney and by the Budget Bureau. Real Estate Division staff were involved in the license agreement for the interim urban farm use. Planning staff have assisted with ensuring that the proposed development is compliant with CEQA. Coordination during the DDA period will be necessary with numerous

Item: \_\_\_\_\_  
City Council  
July 9, 2019

other City departments, including Planning and Building and Oakland Public Works - Environmental Services Division.

**SUSTAINABLE OPPORTUNITIES**

***Economic:*** The proposed development will complement and increase housing (including affordable housing units) in Oakland and in the West Oakland 7th Street neighborhood, as well as provide employment and training opportunities for the formerly incarcerated to ensure their successful re-entry into the community, as well as providing neighborhood-serving retail.

***Environmental:*** The proposed development is close to transit (including the West Oakland BART station) and will include components designed to increase neighborhood access to healthy food.

***Social Equity:*** The temporary urban farm use has already substantially improved the previously vacant, underutilized and occasionally blighted site, as well as providing jobs for farm workers. The proposed development would provide a positive stimulus to the neighborhood and include much-needed affordable housing, neighborhood-serving retail and economic opportunities for vulnerable populations that were major priorities expressed by community members for decades, including fulfilling many of the social equity goals of the West Oakland Specific Area Plan adopted in 2014.

**CEQA**

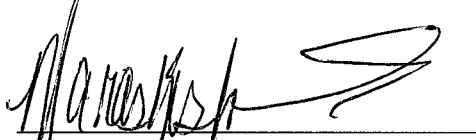
Under the California Environmental Quality Act (CEQA), the City is required to review possible environmental impacts of all projects prior to a definitive commitment of funding, unless the Project is exempt from CEQA review. A Notice of Exemption (NOE) has been filed for the Project based on an infill exemption (Section 15332 on the California Environmental Quality Act).

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing An Unsecured Predevelopment Loan In The Amount Of \$650,000 To Oakland And The World Enterprises, Inc. And McCormack Baron Salazar, Or Affiliated Entities, To Support The Development Of Affordable Housing At The 7th & Campbell Project, And Making California Environmental Quality Act Findings For This Action.

For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Coordinator, at (510) 238-3623.

Respectfully submitted,



Maraskeshia Smith  
Assistant City Administrator

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

Prepared by:  
Christia Katz Mulvey, Housing Development  
Coordinator, Housing Development Services

Attachment (1):

Attachment A: OAW Predevelopment Loan Budget

# Attachment A

## OAKLAND & THE WORLD ENTERPRISES, INC 7TH & CAMPBELL PRE-CONSTRUCTION BUDGET June-19

	PRE-CONSTRUCTION USES	PRE-CONSTRUCTION SOURCES*	
		CITY OF OAKLAND	BRIDGE LOAN
<b>DESIGN &amp; ENGINEERING COSTS</b>			
MWA Architects	\$896,100	\$250,000	\$646,100
Landscape Architect	\$64,500	\$15,000	\$49,500
Structural Engineering	\$138,675	\$35,000	\$103,675
Geotechnical Engineering	\$9,000	\$9,000	
Civil Engineering	\$33,000	\$13,000	\$20,000
Electrical Engineering	\$105,000	\$35,000	\$70,000
Mechanical & Plumbing Engineering	\$160,500	\$40,000	\$120,500
Low Voltage Engineering	\$19,350		\$19,350
Lighting Design	\$23,700		\$23,700
Acoustical Engineering	\$19,950		\$19,950
Title 24 Consultant	\$7,500		\$7,500
Green Consultant	\$22,665		\$22,665
Building Code Consultant	\$3,750		\$3,750
Fire Code Consultant	\$3,750		\$3,750
Moisture Protection Consultant	\$20,475		\$20,475
Cost Estimating Consultant	\$51,885	\$8,000	\$43,885
<b>TOTAL DESIGN &amp; ENGINEERING COSTS</b>	<b>\$1,579,800</b>	<b>\$405,000</b>	<b>\$1,174,800</b>
<b>FUNDING COSTS</b>			
Tax Credit/CDLAC Applications	\$10,000	\$10,000	
Construction/Perm Lender Fees	\$30,000		\$30,000
<b>TOTAL FUNDING COSTS</b>	<b>\$40,000</b>	<b>\$10,000</b>	<b>\$30,000</b>
<b>PROJECT MANAGEMENT COSTS</b>			
Project Management	\$90,000	\$40,000	\$50,000
Financial Consultant	\$30,000	\$20,000	\$10,000
NEPA Consultant + Costs	\$65,000	\$50,000	\$15,000
Printing & Repro	\$25,000	\$25,000	
<b>TOTAL PROJECT MANAGEMENT COSTS</b>	<b>\$210,000</b>	<b>\$135,000</b>	<b>\$75,000</b>
<b>UTILITIES DESIGN COSTS</b>			
PG&E Engineering Fees	\$5,000	\$5,000	
EBMUD Engineering Fees	\$5,000	\$5,000	
<b>TOTAL UTILITIES DESIGN COSTS</b>	<b>\$10,000</b>	<b>\$10,000</b>	



	PRE-CONSTRUCTION USES	PRE-CONSTRUCTION SOURCES*	
		CITY OF OAKLAND	BRIDGE LOAN
	<b>PERMIT COSTS</b>		
Plancheck Fees	\$163,000		\$163,000
<b>TOTAL PERMIT COSTS</b>	<b>\$163,000</b>		<b>\$163,000</b>
	<b>LEGAL COSTS</b>		
Partnership Costs	\$30,000	\$15,000	\$15,000
Tax Credit Syndication	\$30,000	\$10,000	\$20,000
Tax Exempt Bond	\$25,000		\$25,000
<b>TOTAL LEGAL COSTS</b>	<b>\$85,000</b>	<b>\$25,000</b>	<b>\$60,000</b>
	<b>PROPERTY CARRYING COSTS</b>		
Property Insurance	\$5,000	\$5,000	
Utilities	\$6,000	\$5,000	
Site Security	\$6,000	\$5,000	
<b>TOTAL PROPERTY CARRYING COSTS</b>	<b>\$17,000</b>	<b>\$15,000</b>	
<b>SUBTOTAL COSTS</b>	<b>\$2,104,800</b>	<b>\$600,000</b>	<b>\$1,502,800</b>
Contingency	\$210,480	\$50,000	\$160,480
<b>GRAND TOTAL COSTS</b>	<b>\$2,315,280</b>	<b>\$650,000</b>	<b>\$1,663,280</b>

\* HOUSING TRUST SILICON VALLEY  
 LOCAL INITIATIVES SUPPORT CORP  
 NORTHERN CALIFORNIA COMMUNITY LOAN FUND

2019 JUN 27 PM 8:49

Approved as to Form and Legality

  
City Attorney's Office

## OAKLAND CITY COUNCIL

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

---

**RESOLUTION AUTHORIZING AN UNSECURED PREDEVELOPMENT LOAN IN THE AMOUNT OF \$650,000 TO OAKLAND AND THE WORLD ENTERPRISES, INC. AND MCCORMACK BARON SALAZAR, OR AFFILIATED ENTITIES, TO SUPPORT THE DEVELOPMENT OF AFFORDABLE HOUSING AT THE 7TH & CAMPBELL PROJECT; AND MAKING CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS FOR THIS ACTION**

**WHEREAS**, the City of Oakland owns approximately 0.71 acres of property located at 7<sup>th</sup> and Campbell Streets in West Oakland (the "Property"); and

**WHEREAS**, the City and Oakland & the World Enterprises, Inc. ("OAW") are entering into a Disposition and Development Agreement ("DDA"), authorized by City Council Ordinance No. 13450 C.M.S. approved on July 18, 2017, to sell and develop the Property with 60 to 79 units of affordable housing and neighborhood-serving retail that includes employment opportunities for formerly incarcerated individuals; and

**WHEREAS**, the Oakland City Council awarded \$801,900 in funding from the affordable housing pipeline to OAW and its designated co-developer, Community Housing Development Corporation, Inc. ("CHDC") for this project, per City Council Resolution No. 87019 C.M.S. approved on December 18, 2017, and pursuant to City Council Resolution No. 87132 C.M.S. approved on April 17, 2018, McCormack Baron Salazar, Inc. ("MBS") or its affiliate was approved to be substituted in place of CHDC as OAW's co-developer; and

**WHEREAS**, City staff has determined that MBS's developer qualifications far exceed the City's minimum development qualifications, and MBS's experience with New Market Tax Credits would be extraordinarily beneficial to the project; and

**WHEREAS**, the City has been working closely with OAW and MBS to develop and refine the affordable housing development scenarios and financing plan; and

**WHEREAS**, OAW and MBS are proposing to build 79 units of affordable rental housing, including one unrestricted manager's unit, as well as community-serving retail on

the project site, with an emphasis on furthering economic opportunities for formerly incarcerated individuals; and

**WHEREAS**, it will be beneficial to the affordable housing development at 7th and Campbell for the project to receive a predevelopment loan so that OAW and MBS will have working capital to undertake predevelopment activities for the project; and

**WHEREAS**, sufficient funding is available to the City from Measure KK Infrastructure Bond Funds (Fund 5331) to provide the requested predevelopment loan; and

**WHEREAS**, the City currently owns the parcels associated with the 7<sup>th</sup> & Campbell project, and it is therefore not possible to secure the predevelopment loan at this time; and

**WHEREAS**, a Notice of Exemption was filed on July 3, 2017 (NOE) was prepared and approved under the California Environmental Quality Act (CEQA) for the Project; and

**WHEREAS**, under CEQA Guidelines Section 15062, no subsequent environmental review is required unless the project has changed substantially, the circumstances under which the project would occur have changed substantially, or new information demonstrates that any potential environmental impacts would be substantially more severe than previously demonstrated; and

**WHEREAS**, none of the circumstances necessitating further environmental review under CEQA Guidelines Section 15062 are present, since the predevelopment loan does not affect the development envelope previously reviewed in the NOE, is not a change in the project that involves any new significant effects or a substantial increase in the severity of previously identified significant effects of under which the project is undertaken have not occurred that will involve new significant environmental effects of a substantial increase in the severity of previously identified significant effects, and no new information has come to light that would involve new or substantially more severe effects of feasible alternatives or mitigation measures; now, therefore, be it

**RESOLVED:** That the City Council hereby authorizes an unsecured predevelopment loan in the amount of \$650,000 to OAW and MBS, or to an affiliated entity or entities approved by the City Administrator or his or her designee, to support predevelopment work associated with the development of 79 units of affordable housing at 7<sup>th</sup> & Campbell; and be it

**FURTHER RESOLVED:** That the funding for this loan shall be allocated from Measure KK Infrastructure Bond Funds (Fund 5331), Org 89929, Project 1003617; and be it

**FURTHER RESOLVED:** That the loan shall be contingent on the availability of sufficient funds in the from Measure KK Infrastructure Bond Funds; and be it

**FURTHER RESOLVED:** That the predevelopment loan shall be for a maximum term of 18 months (with a six month extension available at the City Administrator's discretion), with a three percent (3%) interest rate, with the balance due at the end of the term, or on such other repayment terms and schedule as the City Administrator or his or her designee determines are in the best interests of the City and the project; and be it

**FURTHER RESOLVED:** That the City Administrator is hereby authorized to negotiate and execute loan documents for the predevelopment loan and take whatever other action is necessary with respect to the loan consistent with this Resolution and its basic purposes, including amendments to the loan documents; and be it

**FURTHER RESOLVED:** That the City Council, having independently heard, considered and weighed all the evidence in the record, hereby finds that, in accordance with CEQA Guidelines Section 15062, none of the circumstances requiring preparation of an EIR are present for this action.

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