



CITY OF OAKLAND

# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Shola Olatoye  
Director, HCD

**SUBJECT:** Adcock Joyner Apartments  
Loan and Regulatory  
Agreement Extension

**DATE:** July 1, 2020

City Administrator Approval

Date July 9, 2020

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Extend The Term Of The Existing Loan To 532 16<sup>th</sup> St. Inc. For The Adcock Joyner Apartments To The Earlier Of An Additional 15 Years From Tax Credit Rehabilitation Loan Conversion or July 30, 2040.**

## **EXECUTIVE SUMMARY**

Adoption of the proposed resolution will amend the existing loan documents in order to extend the term of the regulatory agreement and the maturity date of the loan with 532 16<sup>th</sup> Street, Inc. for the Adcock Joyner Apartments. The extension will facilitate the financing of rehabilitation activities at the property that will ensure its long-term viability and the preservation of the property as affordable housing.

## **BACKGROUND/LEGISLATIVE HISTORY**

The Adcock Joyner Apartments is a 50-unit affordable housing project located at 532 16<sup>th</sup> Street in Downtown Oakland. The six-story structure was built in 1915 as the Drake Hotel and was used for this purpose until the Loma Prieta earthquake in 1989. The property was acquired by 532 16<sup>th</sup> Street Inc., renovated, and repurposed in 1993 as affordable housing serving low- and very low-income households, and included a major seismic retrofit partially funded by the California Natural Disaster Assistance Program and a residual receipts loan from the former Oakland Redevelopment Agency (ORA) in the amount of \$1,470,000 (the Agency Loan).

The first floor of the building consists of management office space, a common laundry facility, and commercial space. The commercial space's tenant is Building Opportunities for Self Sufficiency (BOSS), a nonprofit organization founded in 1971 with the mission to help homeless, poor, and disabled people achieve health and self-sufficiency, and to fight against the root causes of poverty and homelessness. BOSS' occupancy helps to generate revenue for the property.

City Council  
July 14, 2020

In 1993, pursuant to Oakland Redevelopment Agency (ORA) Resolution No. 92-60 C.M.S., ORA provided a residual receipts loan to 532 16<sup>th</sup> Street Inc., in the amount of \$1,470,000 for the rehabilitation of the property when acquired by 532 16<sup>th</sup> St Inc. A substantial renovation is now required to ensure the property's long-term viability. In order to receive maximum funds for the rehabilitation from sources other than the City, loan modifications are required to the existing City loan, including extending the loan term. The term of the regulatory agreement will also need to be extended to ensure the continued affordability of the project.

On January 10, 2012, the City Council of the City of Oakland adopted Resolution No. 83680 C.M.S. electing to retain and assume the housing assets, functions, and obligations of the former ORA pursuant to Health and Safety Code Section 34176 upon dissolution of ORA. ORA dissolved on February 1, 2012, and the loan consists of housing assets of the former ORA, retained and assumed by the City.

### **ANALYSIS AND POLICY ALTERNATIVES**

It has been twenty-seven years since 532 16<sup>th</sup> St Inc. acquired and renovated the property; a substantial renovation is now required to ensure the property's long-term viability. The proposed renovation includes an upgrade for mechanical, electrical, and plumbing. Interior upgrades will include new kitchen cabinets and energy efficient appliances, bathroom equipment, vinyl flooring, replacement of all lighting fixtures, replacement of electrical switches and outlets, and new window treatments. Exterior upgrades will include replacement of exterior lighting, stucco repair and painting, restoration of the cornice (the property has been cited by the Fire Department for its condition), all windows will be replaced, and a new roof will be installed.

The property will be transferred to an affiliate limited partnership formed and controlled by 532 16<sup>th</sup> St Inc. to facilitate refinancing with tax credit equity. The affiliate limited partnership will utilize new funds committed from a new bank loan, 4 percent tax credit equity, seller financing, and the resubordinated ORA residual receipts loan. The property currently consists of twenty-five (25) studio units and twenty-five (25) one-bedroom units rented to households earning less than sixty percent (60%) of area median income (AMI). Upon refinancing, thirty five percent (35%) of units will be restricted to households with incomes at or below fifty percent (50%) of AMI. In order to re-syndicate and refinance the property for the substantial rehabilitation, the City needs to modify its existing loan by extending the loan term for an additional fifteen (15) years. The current term of affordability will expire in 2023 when the City loan matures. The extension will ensure the long-term viability of the property and the continued preservation of affordable housing.

### **FISCAL IMPACT**

The fiscal impact of the loan modification of the Adcock Joyner Apartments is minimal. In 1993, ORA executed a residual receipts loan in the amount of \$1,470,000. As a residual receipts loan, repayment is contingent on cash flow after operating expenses are paid. Buildings serving low and very low-income households often do not have residual cash flow. As such, there is limited expectation that the City will be repaid. Some projects are able to make modest annual payments, which are used to provide additional capital funding for new affordable

developments. However, while loans are due in full at the end of the loan term, affordable housing owners often request the extension of their loan term rather than repay the loan, which then provides additional years of affordability. While loan repayments are an important affordable housing revenue source, the primary goal for the City's affordable housing portfolio is continued affordability and well-maintained properties.

The developer is not seeking additional rehabilitation funds from the City with this request.

### **PUBLIC OUTREACH/INTEREST**

532 16<sup>th</sup> St Inc., which will be the General Partner of the affiliate limited partnership, has been the owner of the property since 1993 and has excellent relationships with its neighbors. The current residents of the property may be temporarily relocated during the renovation. The owner has reserved five units to allow for construction sequencing. However, tenants will be able to return to the property as soon as the rehabilitation is completed. 532 16<sup>th</sup> St Inc. will organize meetings with tenants to discuss the proposed rehabilitation and address resident concerns.

### **COORDINATION**

Housing and Community Development staff has coordinated with the Office of the City Attorney and Budget Office in preparation of this report and legislation.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** Extending the current loan will improve the financial strength of the Adcock Joyner Apartments as well as increase the likelihood of residual receipts loan payments to the City, which can be utilized for other affordable housing activities.

***Environmental:*** The Adcock Joyner Apartments are located in transit-rich Downtown Oakland. Its proximity to mass transit enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

***Race & Equity:*** Affordable housing is a means of achieving greater social equity. The Adcock Joyner Apartments provide affordable rental housing for low and very low-income residents in the downtown area.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

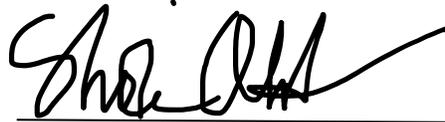
532 16<sup>th</sup> Street Inc is working with the planning department to determine if the project will need to undergo full CEQA review or qualify for an exemption.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Extend The Term Of The Existing Loan To 532 16<sup>th</sup> St. Inc. For The Adcock Joyner Apartments To the Earlier Of An Additional 15 Years From Tax Credit Rehabilitation Loan Conversion or July 30, 2040.

For questions regarding this report, please contact Vanessa Kennedy at 510-238-6177 or Christia Mulvey at 510-238-3623.

Respectfully submitted,



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