



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Housing and Community
Development

SUBJECT: Fruitvale Transit Village IIB Transit-
Oriented Development Financing
Correction

DATE: August 27, 2021

City Administrator Approval 

Date: Sep 20, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 88278 C.M.S., Which Authorized The City To Apply For And Accept \$2,500,000 In Grant Funds Under The State Of California’s Transit-Oriented Development (“TOD”) Housing Program For The Fruitvale Transit Village II-B Project At 35th Avenue And East 12th Street, To Authorize The City To Apply For, Accept, And Appropriate Additional TOD Funds For This Project In The Form Of A Loan In An Amount Not To Exceed \$5,000,000.

EXECUTIVE SUMMARY

Fruitvale Transit Village Phase IIB (FTV IIB) is a new construction affordable housing project located at 3511 E. 12th Street in East Oakland at the Fruitvale Bay Area Rapid Transit (BART) station. FTV IIB will create 181 new affordable units. The developer of the project, 3511 E 12th Street L.P., an affiliate of BRIDGE Housing and The Unity Council (TUC), closed its financing on July 16, 2021 and began construction shortly thereafter. The City is providing \$12,079,000 to FTV IIB, which will be expended between July 2021 and December 2023.

In addition to the City’s investment, FTV IIB has many funding sources, including funds from the County of Alameda, State of California Department of Housing and Community Development (CA HCD) Affordable Housing Sustainable Communities (AHSC), CA HCD Transit Oriented Development (TOD) and low-income housing tax credits. On July 31, 2020, the City Council adopted Resolution No. 88278 C.M.S. granting authority to apply for and receive TOD grant funds in the amount of \$2,500,000 from CA HCD; the TOD program requires the executed resolution since the City is a co-applicant with the project sponsor. However, Resolution No. 88278 C.M.S. inadvertently omitted legal language required by CA HCD to also receive an additional \$5,000,000 of TOD loan funds which flows directly to the project. As a result, staff is requesting to amend Resolution No. 88278 C.M.S. for authority to apply for and accept a TOD loan in an amount not to exceed \$5,000,000 in a manner consistent with the HCD form resolution requirements. This \$5,000,000 TOD loan would flow directly from CA HCD to 3511 E 12th Street L.P. and not pass through the City.

City Council
October 5, 2021

The City was unable to amend Resolution No. 88278 C.M.S. before the loan closing date of July 16, 2021 since the omission was only discovered in June 2021. CA HCD allowed the City and 3511 E 12th Street L.P. to execute its TOD financing agreements only with a special condition that the City would amend the resolution shortly after loan closing and construction start.

Staff recommends that the City Council adopt the attached resolution as soon as possible in order to meet the funding requirements of CA HCD for the TOD grant and loan funds. If this does not occur, the project's tax credit equity investor will consider the project in default and begin proceedings to recapture the tax credit equity in the project, which is a vital source of funds for the project.

BACKGROUND / LEGISLATIVE HISTORY

FTV IIB is a new construction, four- and five-story 181-unit multifamily affordable housing development over a concrete podium adjacent to the Fruitvale BART Station. The building will feature a modern architectural style with large windows, balconies and ground floor commercial space. The podium level will include 103 parking spaces. The project will target individuals and families earning twenty (20) to eighty (80) percent of the Area Median Income (AMI) with forty-six (46) units set aside as permanent supportive housing for chronically homeless individuals. Resident and Workforce Development services will be provided by TUC and LifeLong Medical Care will provide individualized on-site case management services to the formerly homeless residents. Building amenities will include a large exterior courtyard and interior common room spaces.

In total, the City of Oakland is providing \$12,079,000 in financing to FTV IIB from the following sources:

- City Housing and Community Development Department (HCDD) NOFA Funds - \$5,229,000 (Resolution No. 87109 C.M.S.)
- Central District Redevelopment Increment Funds (City Economic and Workforce Development) - \$4,350,000 (Resolution 88249 C.M.S.)
- CA HCD TOD funds - \$2,500,000 (Resolution No. 88278 C.M.S.)

The City and developer executed the FTV IIB loan documents on July 16, 2021. Construction began shortly thereafter and is anticipated to be completed in October 2023.

ANALYSIS AND POLICY ALTERNATIVES

The CA HCD TOD Housing Program is funded by Proposition 1, the Veterans and Affordable Housing Bond Act of 2018. Its primary objectives are to increase the overall supply of housing, increase the supply of affordable housing, increase public transit ridership, and minimize automobile trips. The Program seeks to accomplish these objectives by providing financial assistance for the development of housing and related infrastructure near public transit stations.

The City has a successful track record of applying for and obtaining awards of TOD funds. In addition to FTV IIB, the following projects received TOD funding awards:

- 7th & Campbell (2021 award of \$10,000,000) – Anticipated to execute financing and start construction in 2022 of 78 supportive housing units

- Fruitvale Transit Village IIA (2014 award of \$8,000,000) – Completed, ninety-four (94) family units, including twenty (20) for formerly homeless households
- Civic Center 14 TOD (2014 award of \$1,000,000) - Completed, thirty-nine (39) family units, including ten (10) for formerly homeless households

The TOD Housing program is designed to complement other State affordable housing funding programs, such as Low-Income Housing Tax Credits, the Infill Infrastructure Grant Program (IIG), Affordable Housing and Sustainable Communities (AHSC), and local funding programs. The FTV IIB project, as well as other affordable housing projects supported through State and local funding programs, help to advance the Citywide Priority of **housing, economic and cultural security** for all Oakland residents.

On June 30, 2020, the City and 3511 E 12th Street L.P. jointly applied for CA HCD TOD funding for FTV IIB (CA HCD requires that a local jurisdiction apply as a sponsor in conjunction with the developer). The application was successful and FTV IIB received a commitment for two sources of funds: TOD grant funds in the amount of \$2,500,000 for infrastructure improvements and TOD loan funds in the amount of \$5,000,000 for affordable housing development costs.

City Resolution No. 88278 C.M.S., which was included in the CA TOD application, only referenced the CA TOD grant funds and not the CA TOD loan funds. Since the CA TOD loan funds will flow directly to the developer and bypass the City, City staff was unaware at the time that the resolution also needed to specify the authority to apply for and receive the CA TOD loan funds. Because the City was a co-applicant to the TOD program, CA HCD requires this City resolution in order for the project to receive \$5,000,000 in CA HCD TOD loan funds. The proposed resolution will fix this accidental omission and meet the funding requirements of CA HCD.

This correction needs to occur as soon as possible to meet the funding requirements of CA HCD for the TOD grant and loan funds. If this correction is not completed, the project's tax credit equity investor will consider the project in default and begin proceedings to recapture the tax credit equity in the project, which is a vital source of funds for the project.

FISCAL IMPACT

The City is requesting authority to apply for and accept \$5,000,000 in CA TOD loan funds as a joint sponsor with 3511 East 12th Street, L.P. (the developer of the project). If awarded, the CA TOD loan funds will flow directly to the developer to cover costs associated with the affordable housing construction. The CA HCD loan funds will not be disbursed to the City. As a result, there is no fiscal impact associated with this action.

The project already received an award of \$2,500,000 in CA TOD grant funds for infrastructure improvements, which will be disbursed directly to the City to be loaned to the project. The TOD Program funds shall be appropriated and deposited in the State of California Fund (2159), Housing Development Organization (89929), Project (TBD), State Grant Miscellaneous Account (46629).

PUBLIC OUTREACH / INTEREST

The developer of FTV IIB has engaged the community regarding the project through community meetings and outreach to neighborhood stakeholders: TUC undertook an Outreach Plan that was presented in both English and Spanish to at least twenty (20) different constituent groups, as well as formed a Technical Advisory Committee comprised of community-based organizations, City staff, and local housing and transit specialists.

COORDINATION

City funding sources for FTV IIB include funds from the Housing and Community Development Department (HCDD) and Economic and Workforce Development Department (EWD). HCDD and EWD worked closely with the City Attorney's Office to negotiate and draft the City loan documents, which were executed on June 16, 2021. HCDD staff worked with EWD, the City Attorney's Office and the Budget Bureau to prepare this agenda report and resolution.

SUSTAINABLE OPPORTUNITIES

Economic: FTV IIB will complement and increase affordable housing opportunities in the Fruitvale district and in Oakland. This project will improve neighborhood conditions and make the neighborhood area more attractive to current and prospective residents, tenants, and businesses that provide employment within Oakland. An estimated 385 jobs will be created as a result of the construction and management of the FTV Phase IIB development (approximately 375 construction jobs and 10 permanent jobs).

Environmental: FTV IIB, a transit-oriented development, will contribute to smart growth by placing housing adjacent to transit services so that residents have easy access to public transportation.

Race & Equity: The project will provide 181 affordable residential units at the following income levels: twenty-six (26) units for households at or below 20 percent of AMI, twenty-nine (29) units for households at or below 50 percent of AMI, ninety-four (94) units for households at or below 60 percent of AMI and twelve (12) units for households at or below 80 percent of AMI. Furthermore, forty-six (46) units will be set aside as permanent supportive housing for chronically homeless individuals. Resident and Workforce Development services will be provided by TUC and LifeLong Medical Care will provide individualized on-site case management services to the formerly homeless residents

Affordable housing units are in extreme demand in the City of Oakland. The Regional Housing Needs Allocation (RHNA), which is determined by CA HCD, is the total number of new housing units that need to be created, and how affordable those homes need to be, in order to meet the housing needs of people at all income levels. While making progress, the City still needs to create the following number of affordable housing units prior to 2023 in order to meet its RHNA goals: 1,171 units for households at or below 50 percent of AMI, 1,534 units for households between 50 percent and 80 percent of AMI and 2,738 units for households between 80 percent and 120 percent of AMI.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Fruitvale Transit Village Environmental Impact Report (EIR) was certified in May 2010 for FTV Phase II. The application for the residential development and accessory office at 35th Avenue for the FTV Phase IIB development was approved by the Oakland Planning Commission on November 28, 2018. A Notice of Determination was filed pursuant to Section 15075 of CEQA Guidelines. Pursuant to Sections 15162-15164 of the California Environmental Quality Act (CEQA) Guidelines, no additional environmental review is necessary for this action.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 88278 C.M.S., Which Authorized The City To Apply For And Accept \$2,500,000 In Grant Funds Under The State Of California's Transit-Oriented Development ("TOD") Housing Program For The Fruitvale Transit Village II-B Project At 35th Avenue And East 12th Street, To Authorize The City To Apply For, Accept, And Appropriate Additional TOD Funds For This Project In The Form Of A Loan In An Amount Not To Exceed \$5,000,000.

For questions regarding this report, please contact Meghan Horl, Housing Development Coordinator IV, at 510-238-6171.

Respectfully submitted,



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