



CITY OF OAKLAND

AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, HCD

SUBJECT: Ancora Place Affordability
Restriction Amendment

DATE: October 12, 2020

City Administrator Approval 

Date October 27, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending The Affordability Restrictions At Ancora Place, An Affordable Housing Project Located At 2227-2257 International Boulevard Proposed By Satellite Affordable Housing Associates.

EXECUTIVE SUMMARY

Staff recommends that the City Council adopt a resolution to amend the affordability restrictions of the proposed affordable housing development to be known as Ancora Place (the Project). These modifications have been requested by the project's developer, Satellite Affordable Housing Associates (SAHA). The amendment would adjust the rent and income limits of several units to reflect the project as it was presented to the California Department of Housing and Community Development (CA-HCD) for their Multifamily Housing Program (MHP). These adjustments would lower the average affordability from what was presented when the City approved the Project for funding. This amendment would allow the Project to receive necessary financing from CA-HCD in the amount of \$11,740,653, ensuring that the construction timeline can remain on schedule.

BACKGROUND/LEGISLATIVE HISTORY

Ancora Place is a proposed seventy-seven (77) unit affordable housing development to be located at 2227-2257 International Boulevard in Oakland. In 2018, the City awarded \$3,500,000 in Measure KK bond funds to the developer, Satellite Affordable Housing Associates, (SAHA) to purchase the Project site. The Project received an additional commitment of \$4,841,000 in City funds through the 2019-2020 Notice of Funding Availability for New Construction of Multifamily Affordable Housing (NOFA). The Project consists of a five-story mixed-use building with 2,590 square feet of ground-floor retail and amenities and forty-three (43) parking stalls. Sixteen (16) units will be set aside for formerly homeless households, to be placed through the Alameda County Coordinated Entry System. The project is 100 percent affordable.

City Council
November 10th, 2020

After receiving the commitment of NOFA funds, the Project applied for MHP funding from the CA-HCD. A recent alteration to the MHP scoring guidelines meant that the Project's affordability had to be revised in order to score competitively. The MHP guidelines award points based on average affordability of the project. However, any units above sixty percent (60%) of Area Median Income (AMI) are excluded from the averaging formula. By raising the AMI of ten units from sixty percent (60%) to seventy percent (70%), and lowering the AMI of other units, the Project was able to deepen its average affordability according to the MHP criteria. Multiple developers and financial consultants alerted Housing and Community Development (HCD) staff to this issue and provided evidence that pursuing the strategy described above was a necessary means of securing funding. Affordable housing developers and consultants have expressed their concerns to CA-HCD about this methodology. The adjustments were made in ten percent (10%) increments because the California Tax Credit Allocation Committee (CTCAC), another funding source, does not recognize smaller increments.

SAHA was notified on June 26, 2020 that the Project was awarded \$11,740,653 in MHP funds, facilitating an anticipated construction start in the first quarter of 2021. However, in order for the Project to receive the MHP funds that were awarded, the City's Regulatory Agreement and commitment of NOFA funds must now be modified to correspond with the affordability matrix as submitted to the Department.

The changes would be memorialized through an amended and restated regulatory agreement for the Project and a revised commitment letter for the commitment of NOFA funds. No other Project changes are being requested at this time.

ANALYSIS AND POLICY ALTERNATIVES

With the affordability adjustments, the average affordability across all Project units is slightly lower than when the Project was awarded City funding; at the time of City approval it had an average affordability of forty-two and 1/10th percent (42.1%) of AMI, whereas it now stands at forty-one and 6/10^{ths} percent (41.6%) of AMI. The Project's final score and eligibility for funds awarded through the City's Measure KK Bond Program and the NOFA would not be affected by the proposed changes. The Project still meets all threshold requirements for affordability. The Project received ten points, the maximum available, on the income targeting portion of the NOFA; it would have still scored ten points with the revised affordability mix. The seventy percent (70%) AMI units are ineligible to receive NOFA funds under the program guidelines; however, the City-awarded funds can be redistributed to other eligible units without exceeding the maximum loan amount or the maximum per-unit subsidy set forth by the HOME Investment Partnerships Program. The changes to the unit AMI mix are reflected in **Table 1** and **Table 2** below.

Table 1: Affordability Comparison Summary

Unit AMI	Original Number of Units	Revised Number of Units
20%	20	20
30%	11	15
50%	23	25
60%	22	6
70%	0	10
Manager	1	1
Total	77	77

Table 2: Affordability Comparison by Bedroom Size

Unit AMI	Unit Type (#BR)	Original Number of Units	Revised Number of Units
20%	0	2	0
30%	0	2	4
50%	0	2	1
20%	1	12	12
30%	1	0	0
50%	1	4	8
60%	1	8	0
70%	1	0	5
20%	2	4	4
30%	2	4	8
50%	2	10	6
60%	2	9	6
70%	2	0	3
20%	3	2	4
30%	3	5	3
50%	3	7	10
60%	3	5	0
70%	3	0	2
Mgr	2	1	1
	Total	77	77

If the City does not approve the proposed changes, the Project will not be able to receive the more than eleven million dollars in MHP funds that have been awarded. The City's denial of the

proposed modification would trigger a cascade of events in which the Project is significantly delayed or becomes entirely infeasible. The Project would be able to apply for funding in future MHP funding rounds, but would be unlikely to score competitively without making the changes as requested. In addition, other affordable housing funding sources, particularly the Low Income Housing Tax Credit (LIHTC) program, award higher scores to projects that already have significant commitments of public funds. If the Project cannot receive MHP funds, it would be unlikely to secure a sufficient allocation of Low Income Housing Tax Credits during the next funding round and would have to overhaul its funding scenario and timeline.

If the Project is unable to modify its affordability and receive the MHP funds, SAHA estimates that construction may be delayed by three to five years or longer while the Project seeks alternative funding sources. In recent years, construction costs have escalated by ten percent (10%) annually; if this pattern holds, each year that the project is delayed will create a growing financing gap to meet these increased construction costs. At worst, not amending the affordability of this Project could render it infeasible.

If the Project is able to receive the committed MHP funds, it is expected to commence construction in the first quarter of 2021. Allowing this amendment would ensure construction can begin on the proposed timeline.

The City's NOFA scoring guidelines heavily prioritize project readiness in determining which projects to recommend for funding. The purpose of this is to allocate funds to projects that are able to begin construction and deliver a completed housing development expeditiously. The proposed modifications are in keeping with the intention of this scoring criteria. The changes will help ensure that affordable units are quickly added to the City's housing stock during our present housing shortage, while delivering the levels of affordability contemplated when the City approved its funding.

FISCAL IMPACT

There is no anticipated fiscal impact associated with the proposed resolution. City funds have already been committed to the Project.

PUBLIC OUTREACH/INTEREST

SAHA has taken proactive measures to integrate the Project into the community and integrate the community into the design and development of the Project. SAHA has conducted a community outreach process that included identification of key stakeholders and meetings with community organizations and neighbors. This community outreach process started at the time this property was acquired in 2017. The seller of the property maintains a neighboring business and was aware of SAHA's plan to build housing on the site. SAHA also owns two existing developments in the neighborhood, East Side Arts and Housing (located at 2719 Foothill Boulevard) and Camino 23 (located at 1245 23rd Avenue). Neighborhood outreach began immediately after the site was acquired. A public meeting held on July 14, 2018 was attended by nearly fifty neighbors who provided feedback about design ideas. Since then, SAHA has

continued to be in regular contact with the community through its two neighboring developments as well as through local organizations such as Eastside Arts Alliance.

COORDINATION

HCD staff prepared this resolution and agenda report in coordination with the City Attorney's Office and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Amending the affordability of this project will allow the project to proceed to construction on schedule. This Project will generate construction jobs, professional services, and ongoing property management jobs in Oakland.

Environmental: Ancora Place is located in an amenity and transit rich area. Its proximity to mass transit enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development. Ancora Place will achieve GreenPoint Rated (GPR) Gold status through sustainability features such as a resource-efficient landscape, a community garden, energy-efficient appliances, and the inclusion of large stature trees on the site.

Race and Equity: This Project will help the City achieve greater racial, social, and public health equity within Oakland. Ancora Place will provide affordable rental housing for low, very low, and extremely low-income residents in Oakland during the current housing crisis. Reducing homelessness and providing supportive housing to Oakland residents achieves greater social equity and is important to the long-term health of the city. Sixteen (16) units will be rented to individuals experiencing homelessness. According to the 2019 EveryOne Home homelessness count and survey, seventy percent (70%) of people experiencing homelessness in the city are African-American—far higher than their twenty-four percent (24%) share of the Oakland population. In addition, African-American and Latino households have been disproportionately impacted by COVID-19. Providing permanent housing to these at-risk groups reduces the transmission of communicable diseases by easing overcrowding and unsafe living conditions.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The action proposed by this resolution qualifies for a CEQA exemption pursuant to CEQA guidelines Section 15061(b)(3). The modification to the Project's affordability will not have a significant impact on the environment and is therefore exempt from environmental review.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Amending The Affordability Restrictions At Ancora Place, An Affordable Housing Project Located At 2227-2257 International Boulevard Proposed By Satellite Affordable Housing Associates.

For questions regarding this report, please contact Brian Warwick at 510-238-6984.

Respectfully submitted,



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