



AGENDA REPORT

TO: Steven Falk
Interim City Administrator

FROM: Sofia Navarro
Interim Director, Economic
and Workforce
Development Department

SUBJECT: Exclusive Negotiating Agreement
with Satellite Affordable Housing
Associates for a Portion of the 12th
Street Remainder Parcel

DATE: March 27, 2023

City Administrator Approval

Date: Apr 11, 2023

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution (1) Declaring A Portion Of The 12th Street Remainder Parcel, Located At East 12th Street And 2nd Avenue (Property), As Exempt Surplus Land Under The State Surplus Land Act Meeting The Criteria Under Government Code Section 54221(f)(1)(A); (2) Waiving The Competitive Process For Disposition Of Property For Development; and (3) Authorizing The City Administrator To Negotiate And Enter Into An Exclusive Negotiation Agreement With Satellite Affordable Housing Associates And/Or An Affiliate, For Twenty-Four (24) Months With One Additional Six-Month Administrative Extension, For The Potential Lease Disposition and Development Of A Portion Of The Property And Development Of An Affordable Housing Project, Subject To The Completion Of A California Environmental Quality Act Determination

EXECUTIVE SUMMARY

The City of Oakland (City) owns approximately 0.925 acres of vacant land near Lake Merritt, with frontage on 12th Street, between Lake Merritt Boulevard and 2nd Avenue (Property). The Property will be developed into affordable housing in two phases. The first phase, a 91-unit affordable housing project (Parcel 1 Project), will be built by an affiliate of the East Bay Asian Local Development Corporation (EBALDC) on a portion of the Property referred to as Parcel 1.

The second phase was initiated by the City Council on July 19, 2022 ([Resolution No. 89334 C.M.S.](#)), when it directed the City Administrator to solicit a proposal from Satellite Affordable Housing Associates, a California nonprofit public benefit corporation (SAHA), to construct another 100 percent affordable housing project on the remaining half of the Property, as depicted on **Attachment A** (Parcel 2). SAHA has submitted a proposal to build 84 units of affordable housing serving lower income households earning between 30 percent and 60 percent of the median income for the area (AMI) on Parcel 2 (Parcel 2 Project). SAHA prepared

its proposal with input and collaboration from Eastlake United for Justice (EUJ), a local neighborhood organization and community coalition.

Staff recommends that the City Council authorize the City Administrator to enter into an Exclusive Negotiation Agreement (ENA) with SAHA to negotiate the terms of a Lease Disposition and Development Agreement (LODA) and a potential ground lease of Parcel 2 for development of the Parcel 2 Project.

BACKGROUND / LEGISLATIVE HISTORY

A. Property Description

The Property is owned by the City. The site was previously public right-of-way and was created in 2011 as a result of the reconfiguration of 12th Street that was a part of the City's Lake Merritt Park Improvement/12th Street Reconstruction Project funded by Measure DD.

The Property, measuring approximately 40,293 square feet (0.925 acre), is bounded by East 12th Street on the east, by 2nd Avenue and Oakland Unified School District (OUSD) property on the south, by open space to the west and by Lake Merritt Boulevard to the north. As described in more detail below, the Property is now being developed as two parcels, with two separate projects and leasehold interests.

The Redevelopment Agency acquired the Property from the City on June 16, 2011 for the purpose of guiding development of this key site through a Disposition and Development Agreement (ODA). In February of 2012, with the dissolution of the Redevelopment Agency, the Property was transferred to the Oakland Redevelopment Successor Agency (ORSA). On April 7, 2014, ORSA transferred ownership of the Property back to the City pursuant to a directive from the California State Controller.

B. History

On July 14, 2015, the City, in compliance with the Surplus Land Act (SLA), released an Offer and Intent to Convey Property (Notice) for the development of the site, and a team including EBALDC and a market-rate developer was selected to develop a mixed-income project, including 91 units of housing affordable to lower-income households. On July 19, 2016, the City Council adopted [Ordinance No. 13382 C.M.S.](#), approving the terms of a ODA between the City and the selected developer team for the sale and development of the Property. The City and the development team executed a ODA on February 15, 2017, but the project did not move forward.

On July 19, 2022, the City and EBALDC, pursuant to [Resolution No. 89333 C.M.S.](#), entered into an ENA to negotiate the terms for a potential ground lease and development of Parcel 1. On February 1, 2023, pursuant to [Ordinance No. 13724 C.M.S.](#), the City and East 12th Street Housing, LP, a California limited partnership (Parcel 1 Developer), an affiliate of EBALDC, entered into the LODA, 12th Street Remainder Parcel 1 Project, pursuant to which Parcel 1 Developer will develop the Parcel 1 Project affordable to households earning 30 percent to 80 percent of AMI. The Parcel 1 Project will be redesigned and constructed as a stand-alone residential project, but otherwise is substantially the same as the affordable housing component of the mixed-income project that was previously approved by the City Council in 2016.

On July 19, 2022, the City Council also adopted Resolution No. 89334 C.M.S., directing the City Administrator to solicit a proposal from SAHA for a 100 percent affordable housing project on Parcel 2 that would qualify as Exempt Surplus Land under SLA Section 54421(f)(1)(A), and to return to the City Council to seek authorization for the City Administrator to enter into an ENA with SAHA for Parcel 2.

On August 26, 2022, staff sent a letter to SAHA soliciting a proposal for an affordable housing project on Parcel 2.

On October 21, 2022, staff received a project proposal from SAHA that was prepared in collaboration with EUJ, a local neighborhood organization and community coalition for development the Parcel 2 Project on Parcel 2.

ANALYSIS AND POLICY ALTERNATIVES

A. Exemption from the Surplus Land Act

Staff recommends that the City Council make a finding declaring Parcel 2 exempt from the SLA. Under Government Code Section 54221, surplus land may be exempt from certain SLA guidelines if the City Council declares the property to be "exempt surplus land" meeting certain exemption criteria. A property may be exempt if it is County- or City-owned surplus land that is transferred for the development of affordable housing at less than fair market value, with restrictions as described in Government Code Section 25539.4 or 37364.

The Parcel 2 Project proposed by SAHA will meet the requirements under Section 37364 as follows:

- It will provide housing affordable to persons and families of low or moderate income, as defined by Section 50093 of the Health and Safety Code;
- Not less than 80% of the area of the parcel will be used for the development of housing;
- Not less than 40% of the total number of those housing units will be affordable to households whose incomes are equal to or less than 75% of the maximum income of lower-income households, and at least half of which shall be affordable to very low-income households, as defined in Sections 50079.5, 50093, and 50105 of the Health and Safety Code; and
- Dwelling units will be restricted by regulatory agreement to remain affordable for at least 30 years, which must be recorded on the land, with a provision making the covenants and conditions of the agreement binding upon successors.

Ultimately, this recommended action will further the Citywide policy of promoting housing, economic, and cultural security by satisfying statutory requirements for building affordable housing on City-owned surplus land.

B. The Project

SAHA, in collaboration with EUJ, is proposing to construct the Parcel 2 Project, comprised of an eight-story building with approximately 84 new homes for families earning between 30 percent and 60 percent of AMI, including households and individuals with special needs and those who have experienced homelessness. The proposed unit mix consists of 12 studios, 20 one-bedroom apartments, 25 two-bedroom units, and 27 three-bedroom apartments serving large families. According to the proposal, the ground floor of the building is planned to have a mix of amenity spaces that will serve residents of the building, as well as the greater neighborhood community

SAHA is considering a combination of street-activating, resident and neighborhood-serving uses on the first floor, including property management and supportive services offices, cultural/community space to support resident and neighborhood artists, and multipurpose space for group activities, classes and workshops that can be utilized by residents, as well as by neighborhood groups. A final development program will be determined during the ENA period as the Parcel 2 Project proceeds through the environmental and planning review and approval process. Staff estimates that it will return to the City Council in the summer of 2025 for approval of the terms of a LODA and ground lease for the development of Parcel 2, and if approved, construction of the Parcel 2 Project is anticipated to start in 2026.

C. The Developer and its Collaborator

SAHA, originally founded in Oakland in 1966, has developed more than 70 affordable housing projects serving seniors, families, and special needs groups throughout the Bay Area; 26 of which were affordable housing projects, containing 1,509 units of affordable housing, developed in Oakland.

SAHA prepared its proposal for development of Parcel 2 in close collaboration with EUJ. EUJ is a neighborhood group and community coalition led by women of color that initially came together in 2011 with the intention of building neighborhood relationships in the Eastlake area of Oakland. EUJ has led organizing and advocacy efforts for affordable housing development on the Property since 2015.

D. Waiving Competitive Process for Property Disposition

On July 19, 2022, the City Council adopted Resolution No. 89334 C.M.S., directing the City Administrator to solicit a proposal for an affordable housing project directly from SAHA, and to return to the City Council to seek authorization for the City Administrator to enter into an ENA with SAHA. Accordingly, staff recommends that the City Council make a finding and determination that it is in the best interest of the City to waive the competitive process for property disposition of Parcel 2 for development.

E. Exclusive Negotiation Agreement

Staff has negotiated the following ENA terms:

- The ENA will have a term of 24 months;
- An option for one, six-month administrative extension;

- A \$25,000 exclusive negotiation payment by SAHA to the City for the right to exclusive negotiations; and
- Certain time and performance milestones as provided in the Schedule of Performance attached hereto as **Attachment B**.

The Schedule of Performance includes the following performance milestones for SAHA:

- Identify Project team and roles and responsibilities.
- Conduct at least two public meetings in the community regarding the development plans for the Parcel 2 Project. Public meetings shall include major stakeholders from the community, including OUSD. The developer shall hold such additional community meetings as reasonably required by the City.
- Submit schematic design plans for the Parcel 2 Project to the City for review in its proprietary capacity.
- Submit to the City for review and approval a financing plan for the Parcel 2 Project, including a pro forma, which shall include a development budget, a statement describing the sources and uses of funds to finance the Parcel 2 Project and funding commitments from those financing sources (if available), and a 20-year cash flow analysis.
- Identify all relevant zoning, design review, environmental review and code requirements for the Parcel 2 Project that should be submitted to the City for approval in its regulatory capacity and submit all necessary and applicable zoning permit and other land use permit applications for the Parcel 2 Project.

Upon successful completion of all ENA requirements, staff will return to City Council with a recommendation that the City Council authorize the City to enter into an LODA and ground lease with SAHA and/or affiliate(s) on terms presented to City Council.

FISCAL IMPACT

Aside from staff time and preparation of an appraisal for Parcel 2, there is no fiscal impact on the City for the administration of the proposed ENA between the City and SAHA.

SAHA will bear sole responsibility for all costs associated with developing the Parcel 2 Project for approval, including consultant fees, permitting fees, legal fees, financing expenses, etc. In addition, the ENA will require SAHA to make a \$25,000 exclusive negotiation payment (Exclusive Negotiation Payment) to the City for the right to exclusive negotiations. The Exclusive Negotiation Payment from SAHA will be accepted and appropriated to Miscellaneous Capital Project Fund (5999), Central District Redevelopment Organization (85245), 12th St. Parcel ENA Project (1003826).

Given the economics and need for significant public financial assistance for the Parcel 2 Project, a ground lease with SAHA and/or its affiliate for the development of Parcel 2 is expected to yield residual lease revenues for the City with nominal payments at the beginning of the lease term that will increase over time and eventually Parcel 2 will return to the City. The fiscal benefits of the Parcel 2 Project will be analyzed during the ENA period. Note that the ongoing property tax revenue to the City from a 100 percent affordable project would be minimal due to such units being exempt from property tax.

PUBLIC OUTREACH / INTEREST

There has been a substantial amount of public interest in the development of the Property since its creation in 2011. SAHA is committed to giving the public an opportunity to review and comment on the Parcel 2 Project and has agreed to conduct at least two community meetings for this purpose per the proposed terms of the ENA. SAHA's collaboration with EUJ, a local neighborhood organization and community coalition, on the Parcel 2 Project promises to create broad participation by community stakeholders during public review. SAHA's work will also be informed by EBALDC's prior community outreach efforts for the Parcel 1 Project.

COORDINATION

The Economic and Workforce Development Department has coordinated on this agenda item with the City Administrator's Office, the Housing and Community Development Department, the Planning and Building Department, the Office of the City Attorney, and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The Parcel 2 Project will transform underutilized land into residential development that will provide much-needed affordable housing, significant investment and stimulus to the local economy. Development of the site is projected to generate construction and permanent jobs. SAHA will be required to comply with the City's local employment programs.

Environmental: There are no direct environmental impacts connected to the request for an ENA with SAHA for the proposal described in this report. SAHA will use its good faith efforts to design, develop and construct a Leadership in Energy and Environmental Design (LEED)-accredited building and/or an environmentally sustainable project with minimum conformance with the Oakland's "Build It Green" commercial checklist. The proposed development next to a regional transportation hub will encourage residents to use BART and AC Transit and reduce automobile reliance, which will decrease the use of fossil fuels and resulting greenhouse gas emissions.

Race & Equity: The City's 2018 Equity Indicators Report ranked housing as third in importance when compared to the report's other themes of economy, education, public health, public safety, and neighborhood and community life. The Equity Indicators Report examined housing inequities faced by Oakland's Black, indigenous, and people of color (BIPOC) communities across four areas: housing affordability, displacement, essential services, and housing quality. Specifically housing affordability is covered further in the City's HCD 2021-2023 Strategic Action Plan, which finds that Oakland's lowest income households are experiencing the highest rent burden with approximately 60 percent of Black renter households being generally rent burdened and about one-third severely rent burdened - the highest rate of any racial/ethnic group in Oakland. Homelessness also excessively affects Black residents, which represent 68 percent of Oakland's unhoused population. If developed, the Parcel 2 Project will help directly ameliorate the regional affordable housing shortage that is disproportionately harming Oakland's low-income communities of color, particularly its Black residents, and will also help to reduce the economic and physical displacement of longtime residents.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Nothing in this action to authorize the City Administrator to enter into an ENA should be interpreted as an approval or a pre-commitment to approve, now or in the future, the disposition of the City's interest in the Property, to any particular party, on any particular terms, or for any particular purpose. Any proposed disposition of the Property and any development project on Parcel 2, will require further discretionary actions of the City Planning Commission and City Council, and the City retains full discretion, following conclusion of the negotiation period set forth in ENA to proceed with disposition of its interest in Parcel 2 in compliance with CEQA. As such, this action will not result in a direct, or indirect, physical change in the environment and does not in-and-of-itself constitute a "project" pursuant to CEQA Guidelines Section 15378.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution (1) Declaring A Portion Of The 12th Street Remainder Parcel, Located At East 12th Street And 2nd Avenue (Property), As Exempt Surplus Land Under The State Surplus Land Act, Meeting The Criteria Under Government Code Section 54221(f)(1)(A); (2) Waiving The Competitive Process For Disposition Of Property For Development; and (3) Authorizing The City Administrator To Negotiate And Enter Into An Exclusive Negotiation Agreement With Satellite Affordable Housing Associates And/Or An Affiliate, For Twenty-Four (24) Months With One Additional Six-Month Administrative Extension, For The Potential Lease Disposition and Development Of A Portion Of The Property And Development Of An Affordable Housing Project, Subject To The Completion Of A California Environmental Quality Act Determination

For questions regarding this report, please contact Jens Hillmer, Interim Real Estate Manager, at 510-238-3317.

Respectfully submitted,



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Interim Director, Economic & Workforce
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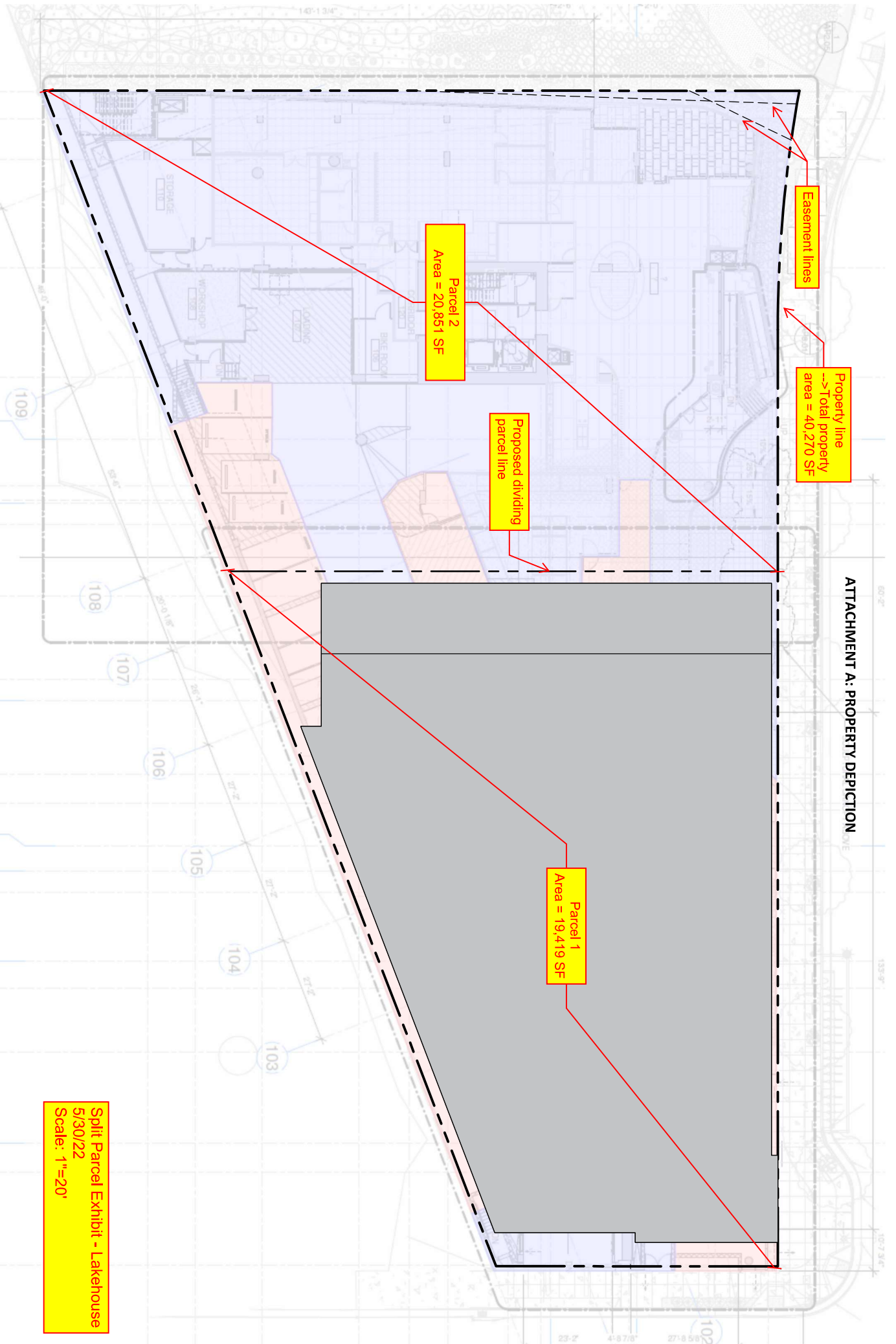
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Attachments (#): 2
Attachment A: Property Depiction
Attachment B: ENA Schedule of Performance

ATTACHMENT A: PROPERTY DEPICTION



Split Parcel Exhibit - Lakehouse
5/30/22
Scale: 1"=20'

ATTACHMENT B

**12th St. Remainder Parcel 2 - Satellite Affordable Housing Associates
24-Month Exclusive Negotiation Agreement Term + One 6-Month Extension**

TENTATIVE Schedule Of Performance Milestones

	CATEGORY	PERFORMANCE MILESTONE	DEADLINE	TENTATIVE DUE DATE** (tentative ENA exec. date: May 31, 2023)
	TEAM	Submit identification of all members of the project team and respective responsibilities.	Within 30 days of ENA approval	June 30, 2023
2	DESIGN	Retain design team tasked with preparing conceptual plans.	Within 60 days of ENA approval	July 30, 2023
3	COMMUNITY ENGAGEMENT	Hold first public meeting on proposed development plan.	Within 90 days of ENA approval	August 29, 2023
4	FINANCING	Submit updated budget, sources and uses of funds, Letters of Interest (or Letters of Intent, if available) 10-year cash flow report, and operating budget for the Project.	Within 120 days of ENA approval	September 28, 2023
5	SCHEDULE	Submit Project development schedule.	Within 120 days of ENA approval	September 28, 2023
6	DESIGN	Submit schematic design plans and list of public improvements	Within 180 days of ENA approval	November 27, 2023
7	CEQA& PERMITS	Identify any necessary zoning and land use approvals and submit applicable permit pre-applications and a schedule of approvals.	Within 180 days of ENA approval	November 27, 2023
8	COMMUNITY ENGAGEMENT	Hold second public meeting on proposed development plan.	Within 180 days of ENA approval	November 27, 2023
9	FINANCING	Submit Letters of Interest from lenders and equity partners to finance the Project.	Within 180 days of ENA approval	November 27, 2023
10	DESIGN	Submit plans for public art.	Within 548 days (1.5 years) of ENA approval	November 29, 2024
11	CEQA& PERMITS	Developer to complete environmental review and obtain Notice of Determination or Notice of Compliance, if applicable. Obtain any required zoning and land use approvals.	Within 548 days (1.5 years) of ENA approval	November 29, 2024
12	LODA	Complete LODA negotiations.	Within 710 days (~1.9 years) of ENA approval	May 10, 2025

Tentative due date subject to change; actual due dates to be determined by final date of ENA execution