



Memar Properties, Inc.
DBA MPI Homes
MPIHomes.com

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September 27, 2019

Maraskeshia Smith
City of Oakland
Housing & Community Development Department
250 Frank Ogawa Plaza, 5th Floor
Oakland, CA 94612
510-238-3502

RE: Funding Application for Mark Twain Homes; 3525 Lyon Ave, Oakland, CA 94601

Dear Ms. Smith:

Jointly with Oakland & The World Enterprises, Inc. Memar Properties, Inc., dba MPI Homes is submitting the enclosed application for acquisition and rehabilitation of the above existing 102-unit rental project which has been housing persons with special needs, the homeless and seniors for many decades. In addition to the City's previous commitment of \$174,000 to this project, our current request of \$4,826,000 represents 18% of the total development costs of \$27 million.

Our team of Anne Phillips Architecture (APA), BBI Construction (BBIC), Bay Area Community Services (BACS), FPI Management (FPIM), OPC Services (OPCS) and Devine & Gong (D&G) bring substantial, in-depth experience to accomplish successful execution of this rehabilitation and supportive housing plan for this project.

Our request is based on no NEW Section 8 Project Based Vouchers, though inclusion of the same could lower the requested amount from the City of Oakland. However, our underwriting assumes conversion of the existing 22 Mod/Rehab Homeless SRO Vouchers to 22 Section-8 Project-Based Vouchers for Studios, as our rehab plan includes conversion of all existing 33 SROs to Studio units.

Below, please find an overview of various aspects of the project.

Site Information

Consisting of four parcels with a total of 50,843 square feet, or 1.17 acres, the site of Mark Twain Homes fronts both on Lyon Ave and 35th Ave and contains four separate buildings. Pedestrian and vehicular access to the property are on Lyon Avenue while there are several emergency exits on 35th Avenue. The site has a slight slope up on Lyon Avenue and thus the South Building is a partial three-stories with parking spaces tucked under.



Figure 2 Parking lot and tucked under parking

The Manager’s Office Building has one 1B/1BA behind it and two 1B/1BA above. Built in the 1950s and completely remodeled in 2014, The Annex Building contains 8 Studios.

The below table shows the distribution of all unit types in all the buildings.

Mark Twain Homes															
Existing Unit/Building Distributions															
	EFFICIENCY/SRO			STUDIO			1B/1BA			2B/1.5BA			TOTALS PER BUILDING		
	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR			
North Building	13	20		4			8	5		1	1		52		
Community Room Building					4								4		
South Building					18	17							35		
Manager's Building							1	2					3		
Annex Building				8									8		
TOTALS PER FLOOR	13	20	0	12	22	17	9	7	0	1	1	0	102	102	
	33			51			16			2			102		

Figure 3 Buildings and Units Distribution

Except for the Annex Building which was remodeled in 2015, all other buildings are in various states of disrepair and outdated service lives and Code compliance. Poor site drainage, deferred maintenance and

long-term absence of capital improvements have rendered the units and buildings in substantial need of rehabilitation.

Given the long-term residential uses of the site, there are no Recognized Environmental Conditions as provided in recently completed Phase I by AEI consultants.

The central community room and kitchen has been locked up for many years due to an order by the City's Fire Department. Even though the project has been used as a Special Needs housing for many decades, the residents have no on-going supportive services in place.



Figure 4 South Building's 2.5 story section

Project History

On August 01, 1997, the California Tax Credit Allocation Committee recorded a Regulatory Agreement on the subject property for Federal Credits only for a term of 55 years and for “SRO or Special Needs Project” with Physical Facility Features including a Community Kitchen, Equipped Laundry Room and Furnished Community Room for a total of 105 Low-Income Units; 1 Manager’s Unit consisting of 100 SROs and 6 1-Bedrooms with the provision that “105 units must be occupied by Tenants such that the *average* (emphasis added) income of Tenants at or below 40% of Area Median Income.” The 15-year tax credit compliance ended in 2012. The 55-year affordability compliance ends in 2052.



Figure 5 Jalousi windows circa 1950s

On May 31, 1996, the Redevelopment Agency of the City of Oakland recorded a Regulatory Agreement on the subject property restricting rents for 109 SROs to VLI, defined as 30% of 50% AMI for 1 person households. While the City's loan was paid off sometime in 2014, the affordability compliance period ends in 2026.

It appears the owner who received both City funds and Low Income Housing Tax Credits managed to convince the City it was delivering 109 SROs in May 1996, and then in August 1997, recorded an agreement with TCAC for 100 SROs and 6 one-bedroom units.

Sometime in 2014, after paying off the City of Oakland's loan, the new owner who acquired the then distressed property proceeded to remodel the units with the intent to convert them to market-rate units. After a major remodel of the 8-units at the Annex Building, informed of the market-rate conversion of the project, both the City of Oakland and the State TCAC took action to stop the conversion. While the City and TCAC were in the process of recording additional agreements, that owner sold the property to the current owners, without disclosing the Regulatory Agreement issues.

The current owners then entered into Assignment and Assumption of Regulatory Agreement with TCAC and the City in 2017.

Current Project Attributes

In 2018, Antoinette Pietras contacted MPI and OAW to consider acquiring the property and addressing long-term historical affordability and habitability compliance issues with the property. MPI and OAW entered into contract in 2018, but their application for Measure A-1 funding was not successful. The sponsors then met with the City, including Ms. Michele Byrd, Antoinette Pietras and Everett Cleveland Jr. to review the project's acquisition/rehab plan. The City then ordered an appraisal for the project and supported the sponsor's application to the County's A-1 funding competition.

The current non-subsidized rents for SROs range from \$374 to \$600, for Studios, they range from \$300 to \$700, for 1B/1BA from \$560 to \$800. The fundamental reason for such low rents for these units is the extremely poor and unsafe physical condition of the units and the buildings. Even if the affordability restrictions were removed, the project's "curb-appeal" and unsafe and inadequate conditions would not generate demand for the units.

For the past 23 years, OHA has provided 22 Mod/Rehab SRO Project-Based vouchers for the formerly homeless individuals at this property. In addition, there are 24 residents with their own Tenant-Based Section 8 or VASH vouchers who live at the property.

Financing Plan

City of Oakland's commitment of \$174,000 in 2018 is being supplemented with a new loan request in the amount of \$4,826,000 for a total maximum of \$5,000,000, which represents 18.5% of Total Development Costs of \$27,000,000. Additional funding is being sought from the State HCD's No Place Like Home (NPLH) and CalHFA's Special Needs Housing Program, supplemented by 4% Low Income Housing Tax Credits and Tax Exempt Bonds. A permanent mortgage of \$1.55 million is predicated on conversion of the existing 22 Project Based Mod/Rehab SRO Homeless Vouchers to 22 PBVs for Studios. These are not NEW vouchers, rather a conversion of existing vouchers from SROs to Studios after completion of the Project's rehabilitation. Michele Hasan of OHA has advised that such a conversion is routinely handled by San Francisco HUD.

Project costs include \$9.6 million in acquisition, \$8.9 million in rehabilitation, \$2.6 in soft and design costs, \$2.9 million in financing costs, \$1.9 million in developer costs and \$865,000 in reserves.

The financing plan includes a bridge loan to close on the acquisition in June 2020 whose costs are significant amounting to an additional \$592,000 in interest payments. The Sponsors are requesting a variance to the City's loan terms to include the City funding its commitment of funds at close of acquisition of the property in June 2020, after NPLH funds are secured in order to reduce substantial interest costs of carrying a full acquisition loan.

Proposed Rehab Plan

The rehab goal is to ameliorate short-term and long-term deferred maintenance and neglected capital investments in the project, convert the 33 existing SRO's to 33 Studios, re-configure unsafe unit layouts



and physical connections (bridges) between and among buildings, create useable open space, and re-design community room to allow for better circulation and use, and create counseling spaces, upgrade North Building’s life-safety systems, and repair and improve South Building’s systems and amenities. All of this will be accomplished without loss of any existing units or permanent displacement of any resident, along with minimal off-site relocation of residents.

Mark Twain Homes														
Post-Rehab Units/Buildings														
	EFFICIENCY/SRO			STUDIO			1B/1BA			2B/1.5BA			TOTALS PER BUILDING	
	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR	1ST FLOOR	2ND FLOOR	3RD FLOOR		
North Building				18	18		6	6		1	1		50	
Community Room Building							2						2	
South Building				1	18	17	3						39	
Manager's Building								3					3	
Annex Building				8									8	
TOTALS PER FLOOR	0	0	0	27	36	17	11	9	0	1	1	0	102	102
	0			80			20			2			102	

Figure 6 Post-Rehab Units/Buildings

Supportive Services

The Sponsors have teamed up with Bay Area Community Services (BACS) and Alameda County Health Care Services Agency (ACHSA) to design and implement a comprehensive supportive services plan for the current and future residents of Mark Twain Homes (MTH). Funded at the tune of \$280,000 annually, ACHSA has made a serious 20-year commitment to provision of robust supportive services for the homeless and other very low income residents with special needs. One of the most-celebrated comprehensive supportive service providers in Northern California, BACS has the commitment, organizational capacity and depth of experience to address the myriad needs of the current and future residents of MTH.

This proposed acquisition/rehab accomplishes the City’s goals in the following ways:

- Abates long-term health and safety problems including mold, fire-entrapment as a result of unpermitted partitions of units, site drainage, fire-sprinkler system, monitored fire alarm systems, moisture protection for tenants, ADA compliance, electrical, plumbing and heating systems;
- Addresses long deferred capital needs requirements for the buildings/units and the site;

- Provides comprehensive case-management supportive services with a budget of \$280,000 per year;
- Converts unsafe, unpermitted “SRO” units to Code compliant Studio units so each resident has his/her own private space for cooking and bathroom;
- Put the project under professional property management qualified to serve very low income residents;
- Put the project’s ownership under local nonprofit control.

We hope you will join us in addressing this long-term challenging housing project for the City of Oakland.

Sincerely,

Ali R. Kashani
President
Memar Properties, Inc.

Enclosures