



CITY OF OAKLAND

AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, HCD

SUBJECT: Clifton Hall

DATE: December 10, 2020

City Administrator Approval

Date: December 10, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution To:

- (1) Amend Resolution No. 88280 C.M.S. Which, Among Other Things, Allocated \$5,220,000 In Homeless, Housing, Assistance And Prevention (HHAP) Funds For 13 Years Of Operating Subsidy For The Permanent Affordable Housing At Clifton Hall, Awarded A Grant To An Operator Selected By The City Administrator, and Allocated \$2 Million Of Funds From The Affordable Housing Trust Fund (Boomerang Funds) For The Rehabilitation Of Clifton Hall And Closing Costs, To:
 - A. Increase The Allocated HHAP Funds For Clifton Hall By \$1,780,000, For A Total Amount Of \$7,000,000;
 - B. Reduce The Allocated HHAP Funds For The Operating Subsidy By \$400,000; And
 - C. Allow Up To \$30,000 Of The Allocated Boomerang Funds To Also Be Used For Ongoing Property Management Services At Clifton Hall
- (2) Amend Resolution No. 88281 C.M.S Which, Among Other Things, Allocated \$1.2 Million Of The FY 2020-21 Measure Q Funds (Fund 2244) For The Cost Of Operating A Family Shelter By East Oakland Community Project (EOCP) At Its Current Emeryville Location And Relocating To Clifton Hall And Awarded A Grant Agreement To EOCP For The Same, To:
 - A. Increase The Allocated Measure Q Funds By \$719,000 For 15 Years of Utilities; And
 - B. Increase The Allocated Measure Q Funds For FY 20/21 By \$262,740 And Increase The Grant Award To EOCP By Same, For A Total Grant Award Of \$1,462,740; And
- (3) Waive Competitive Bidding And Award, To An Entity Selected By The City Administrator, A Professional Services Agreement For Property Management Services At Clifton Hall For A Term Of 15 Years, In An Amount Not To Exceed

\$2,929,000, Consisting Of \$2,180,000 Of HHAP Funds, \$30,000 Of Boomerang Funds, And \$719,000 Of Measure Q Funds.

EXECUTIVE SUMMARY

On December 8, 2020, the City of Oakland (City) acquired Clifton Hall (Property), a 63-unit dormitory building previously owned by the California College of the Arts (CCA) in the amenity-rich neighborhood of Rockridge in North Oakland. The City acquired the Property using funding from the California State Housing and Community Development Department's Homekey grant program (Homekey).

Clifton Hall will provide 42 units of permanent housing for people experiencing homelessness at high risk of COVID-19, with focus on those exiting Project Roomkey motels/hotels. The Project will also be the permanent home of the emergency shelter housing for approximately 20 families experiencing homelessness to be run by the East Oakland Community Project (EOCP). The property will be divided between EOCP occupying the ground floor with its offices and first floor with family units, and a permanent housing operator on the second and third floors with units dedicated for permanent housing.

Adoption of the proposed resolution would allow the City to increase the Homeless, Housing, Assistance And Prevention (HHAP) allocation to \$7,000,000 for Clifton Hall, as well as approve the division of these HHAP funds between the permanent housing operations and the building-wide property management. The resolution also would increase the Measure Q allocation for EOCP's fiscal year (FY) 2020-2021 operation of the family shelter, allocate additional Measure Q funds for 15 years of property management services and reallocate a small portion of Boomerang funds. Finally, the resolution would allow the City Administrator to award a professional services agreement for property management services, with the agreement funded by HHAP, Measure Q, and Boomerang funds.

BACKGROUND / LEGISLATIVE HISTORY

On August 13, 2020, the City applied for Homekey funding for the acquisition of Clifton Hall.

On August 28, 2020, City Council approved Resolution No. 88280 C.M.S. to allocate \$5,220,000 in HHAP funds for 13 years of operating subsidy to be granted to a permanent affordable housing operator to be selected by the City Administrator. The staff report for this resolution has been attached (see ***Attachment A***).

On November 17, 2020, the City and State executed the Homekey Standard Agreement, securing the grant for the Project. On December 8, 2020, the City closed on the acquisition of Clifton Hall and advancing renovations to facilitate the anticipated operations.

Also in late August, City staff issued a request for information from experienced developers and property managers from the approved Alameda County's Health Care Services Agency list. Out of this solicitation, the City selected Satellite Affordable Housing Associates (SAHA), a nonprofit affordable housing developer and property manager with over 50 years of experience in the region.

While engaging with SAHA, City staff further developed the housing program and budgets for the Project based on SAHA's experience and coordination with the County. As a result of this research and program development, discussed further below, City staff now seek to increase the HHAP award to ensure a sustainable operating budget for 15 years. In addition to the overall increase to the grant, City staff seek to divide the grant between the permanent affordable housing operations and the property management of building common areas.

The increase in Measure Q funding for EOCP's FY 2020-2021 operations will right-size the amount budgeted to cover the annual operating costs for approximately 20 families and fund a portion of the property management services for 15 years.

ANALYSIS AND POLICY ALTERNATIVES

For the building operations, the City will enter into two separate leases for the family shelter (EOCP) and the permanent housing operations (SAHA). Separate from the two leases, the building common areas (stairwells, landscaping, lobby, parking garage, security systems, etc.) will be managed and maintained under a separate property management contract with an entity to be selected by the City Administrator, should the Council approve the recommended resolution. The City Administrator anticipates selecting SAHA or its affiliate for this property management contract. SAHA would assume responsibility for maintenance and operations of the facility, while the City would provide capital improvements and repairs for the facility.

The permanent housing lease will have a term of 15 years, to be supported by a capitalized operating subsidy of up to \$5,360,000 (up to \$4,820,000 HHAP funds and up to \$540,000 Homekey funds). The flexibility of HHAP funds allows for its use for operations, which is difficult to find in most sources for permanent housing. The flexibility of the HHAP funds for Clifton Hall was a critical part of obtaining the HomeKey funds to purchase the building. This HHAP funded operating reserve will cover 13 years of operations, and once combined with the two years of operating subsidy from Homekey, will result in 15 years of dedicated operating subsidy for the permanent senior housing.

The HHAP amount is being increased from \$5.3 million to \$7 million to accommodate refinements to the program that resulted in increases to the cost of operations and property management. Specifically, the original budget assumed that tenants could pay the maximum 30 percent Area Median Income (AMI) rents. Further, income eligibility was set as up to 30 percent AMI, in order to avoid preventing seniors on social security from qualifying.

However, after working closely with Alameda County on identifying likely tenants from Project Roomkey sites or off the Coordinated Entry List, it became clear that likely tenants earn closer to 20 percent AMI, and therefore would not be able to afford 30 percent AMI rents. City staff feel that it is still important to allow income eligibility up to 30 percent AMI, which means that tenant rents will cover less operational cost than originally presumed. Unfortunately, Homekey underwriters would not recognize this additional gap when sizing the Homekey operating subsidy, resulting in a smaller Homekey operating subsidy award than requested.

In addition, the operating budget was originally sized to approximately \$12,000 per unit per year, as an early estimate. The budget has been updated closely with SAHA and assessed against other comparable operating budgets. Because the permanent housing portion of the building is a

smaller project, the budget is unable to reach economy of scale for fixed costs, and has resulted in an increase to approximately \$13,500 per unit per year.

With these updates to the program and budgets, the total HHAP award must increase to \$7 million to ensure that the building and the tenants are supported and that the common areas, utilities and overall property are properly managed. With no other alternatives for this flexible funding, the Project could not feasibly operate for the full 15 year term.

While the two housing operators are co-located in the same building, they each rely on different funding streams and report to different City departments for oversight. As such, the master lease structure does not suit the relationships between the two operators and with the City. Instead, the City will now hold a separate lease with each operator, and separately contract out the property management services for common areas. The property manager will manage the payment of utilities and conduct custodial, maintenance, and minor repair services for the building. Capital repairs and major construction will remain the responsibility of the City.

FISCAL IMPACT

The chart below details the three uses of property management, permanent housing operations, and family shelter operations, and how the sources of HHAP, Measure Q, Boomerang, and Homekey are allocated to each use.

Clifton Hall Budget Uses	Source				Total
	HHAP	Measure Q	Boomerang	Homekey	
Property Management Agreement (15 Years)	\$ 2,180,000	\$ 719,000	\$ 30,000	\$ -	\$ 2,929,000
Permanent Housing Operating Grant (15 Years)	\$ 4,820,000	\$ -	\$ -	\$ 538,948	\$ 5,358,948
Family Shelter Operating Grant (1 Year)	\$ -	\$ 1,462,740	\$ -	\$ -	\$ 1,462,740
Total	\$ 7,000,000	\$ 2,181,740	\$ 30,000	\$ 538,948	\$ 9,750,688

As discussed above, the HHAP funds (Fund 2159) will be granted in the form of a capitalized operating and replacement reserve. This reserve will cover approximately 13 years of operations, and once combined with the two years of Homekey operating subsidy, will result in 15 years of dedicated operating subsidy for the permanent housing.

This HHAP allocation increase is in concert with the broader allocation changes being presented for City Council approval at the same meeting. The additional HHAP and Measure Q funds, along with a small reallocation of Boomerang funds, will provide long term stability for this City-owned building and City-sponsored program, and adequately funding operations and maintenance is fundamental to supporting its residents.

PUBLIC OUTREACH / INTEREST

Representatives from the Mayor's Office and Public Information Office conducted outreach to neighborhood groups, including the Rockridge Community Planning Council (RCPC). On August 24th, the City participated in a community town hall meeting sponsored by District 1 Councilmember Dan Kalb. City staff and EOCP presented proposed project details and answered questions in the approximately two-hour session.

In coordination with Councilmember Kalb's staff, City staff prepared a project frequently asked questions (FAQ) guide to respond to questions received through engagements and through the Councilmember's office (see **Attachment B**). As the building approaches initial occupancy, both the housing and shelter operators will provide the contact information for property and shelter managers to ensure community members and neighbors have points of contact for the building.

COORDINATION

Several City departments, including the Office of the Mayor, City Administrator's Office, the Office of the City Attorney, Housing and Community Development, Finance, Human Services, Economic & Workforce Development (Real Estate Asset Management Division), and Planning and Building have been working closely together to coordinate this Project. This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: This project will generate some construction, professional services, and ongoing property management jobs in Oakland. The project also leverages significant State funding towards the acquisition and operation of the Property.

Environmental: Through the acquisition of an already existing building in very good condition, there will be less construction and less impact on the environment. The proposed project is extremely well located close to local services and public transit which enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

Race and Equity: Clifton Hall will promote social, racial, and health equity by providing permanent and temporary affordable housing to Oakland residents experiencing or at risk of homelessness.

The 2019 Point-in-Time count (PIT count) shows that Oakland has the highest concentration of people experiencing homelessness in Alameda County, with the neighborhoods to the west and south of the city experiencing the highest concentration of homelessness. Clifton Hall is located in the northeast portion of the City in a transit- and amenity-rich location that historically has not served this population. Because of the challenges of locating housing for people experiencing homelessness in high opportunity locations like this one, Clifton Hall presents an incredible opportunity to address racial and economic inequity through the building's rare site location.

In Oakland, the drivers of homelessness fall most squarely on the African American community who, due to long standing structurally racist practices such as redlining and employment discrimination, are most vulnerable to losing their homes. Over 70 percent of individuals who are homeless in Oakland are African American, while they only represent 24 percent of the City's population. African Americans are also disproportionately impacted by COVID-19. Providing permanent housing to these at-risk individuals promotes racial, social, and health equity for the city of Oakland.

The recent systems modeling work in Alameda County, done in conjunction with technical assistance provided by the U.S. Department of Housing and Urban Development, used a racial equity framework to identify the needs of African Americans experiencing homelessness. Racial disparities were specifically identified in rates of entry into homelessness and rates of return to homelessness. Not surprisingly, permanent deeply affordable housing was identified as one of the primary resources needed to end people's homelessness. The systems modeling analysis identified the gap between the need for specific resources in Oakland (such as emergency shelter and deeply affordable permanent housing) and what is currently available. Clifton Hall will increase capacity at both ends of the system by stabilizing an emergency family shelter and adding deeply affordable units.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Pursuant to Resolution Nos. 88280 and 88281 C.M.S., the City Council determined, on the basis of substantial evidence in the record, that the actions authorized under such legislation were exempt from CEQA pursuant to Health and Safety Code section 50675.1.2. This statute exempts projects using Homekey grant funds and satisfying the specified conditions as well as CEQA Guidelines 15301 and 15183. The proposed actions are amendments to the original legislation and remain exempt from CEQA pursuant to the same facts and findings under Health and Safety Code section 50675.1.2.

ACTION REQUESTED OF THE CITY COUNCIL

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For questions regarding this report, please contact Shola Olatoye, Director of the Department of Housing and Community Development, (510) 238-3714, SOlatoye@oaklandca.gov.

Respectfully submitted,



SHOLA OLATOYE

Director, Department of Housing & Community Development

Prepared by:

Christina Mun, Assistant to the Director,

Department of Housing & Community Development

Attachment (2):

A: August 25, 2020 Staff Report – Clifton Hall

B: Clifton Hall FAQ