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OAKLAND

CITY OF OAKLAND
MAY -9 PM 2:25

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Michele Byrd
Director, HCD

SUBJECT: Bond Measure KK Program
Amendment

DATE: May 3, 2018

City Administrator Approval

Date:

5/8/18

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 86814 C.M.S. Which Allocated Measure KK General Obligation Bond Funds For the Affordable Housing Programs Including Short-Term Loans Under The Site Acquisition, Rehabilitation and Preservation Program, To Allow The Program To Make Long-Term Loans.

EXECUTIVE SUMMARY

Housing and Community Development staff recommends amending Resolution No. 86814 C.M.S. to allow for long-term affordable housing loans of up to 55 years for the Bond Measure KK Site Acquisition, Rehabilitation and Preservation Program. Currently, the resolution allows for short-term affordable housing loans of up to three years. However, after implementing the City program for the past year, it has become clear that the program will be more effective, and the long-term affordability of the affordable housing projects more feasible, if the City Administrator has the ability to extend these loans up to 55 years.

BACKGROUND / LEGISLATIVE HISTORY

On July 19, 2016, the City Council approved Resolution No. 86335 C.M.S to place the Infrastructure Bond Measure KK on the November 2016 ballot. The bond measure was approved by the voters.

On November 29, 2016, the City Council approved Ordinance No. 13403 C.M.S. that enacted the City of Oakland Affordable Housing and Infrastructure Bond Law.

On June 19, 2017, the City Council approved a resolution identifying the affordable housing programs that are authorized for funding with proceeds of the City of Oakland general obligation bonds (Measure KK), series 2017A-1 and 2017A-2, allocating bond proceeds in the amount not to exceed \$50 million for the identified programs, and authorizing the City Administrator, or

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designee, to make site acquisition program loans from bond proceeds without returning to the City Council.

On June 29, 2017, the City Council approved Resolution No. 86814 C.M.S., to increase the amount of Measure KK Bond amount for affordable housing programs to \$55 million and allocate the additional funds to affordable housing programs. Of the \$55 million, \$18 million was allocated to the Bond Measure KK Site Acquisition, Rehabilitation and Preservation Program.

The stated purpose of the Measure KK Site Acquisition, Rehabilitation and Preservation Program under Resolution No. 86814 C.M.S is to provide short-term loans for affordable housing acquisition-related costs, and to protect and preserve long-term affordable housing for both ownership and rental properties. Initially, staff believed by providing short-term loans of up to three years, that applicants would have enough time to secure additional financing, entitlements and environmental reviews and eventually pay back the loan at permanent loan closing. Unfortunately, this is not the case. Applicants are having trouble obtaining additional financing because the City's loan terms are so short and therefore refusing to loan funds to the developer. Therefore, staff is recommending to extend the loan terms to match the City's 55-year loan terms allowed under the Notice of Funding Availability Program.

In June 2017, the Housing and Community Development Department began accepting applications for this program and awarded approximately \$17 million in Measure KK funds on an "over the counter" basis in August 2017. The rationale for the "over-the counter" process allowed for a non-competitive review of the applications until all Measure KK funds were committed. To date, the City received eight applications and of these, six applicants received commitment of Measure KK funds.

ANALYSIS AND POLICY ALTERNATIVES

While working with affordable housing developers on the Site Acquisition, Rehabilitation and Preservation Program for the past 12 months, it has become clear to staff that the Program will be more effective if the City Administrator is authorized to make long-term loans of up to 55 years. Affordable housing projects often require multiple sources of financing in order to be feasible and other lenders are more likely to commit their funds if the City funds are committed for a longer period of time than three years (which is the current loan term for Site Acquisition, Rehabilitation and Preservation funds). Recipients of the awards are having difficulty securing the other finance sources for their projects and this program modification will greatly improve their ability to move forward with the acquisition, rehabilitation and preservation of affordable housing projects.

Allowing the City Administrator the flexibility to increase the Site Acquisition loan terms, on a case by case basis, from three years to up to 55 years will make these projects more financially feasible. Currently, the concern our award recipients are having is the difficulty securing all of the required and necessary financing for their projects within the three-year loan term maximum under the program guidelines. A longer loan term will incentivize other lenders to invest in the properties, which is vital for these affordable housing projects to move forward.

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Under the program loan guidelines, if a project is unsuccessful in securing financing and entitlements or unable to make the full loan repayment within three years, the City Administrator, or designee, will determine if the property is likely to move forward and if so, may at their discretion authorize an extension of the three-year loan term.

Since the City Administrator has the discretion to extend loan terms under the current guidelines on a case-by-case basis, it would give staff and the applicants, more time to explore financing options if the loan terms were officially changed to 55 years.

FISCAL IMPACT

At this time, City staff has committed all of the Measure KK funds currently allocated to the Site Acquisition, Rehabilitation and Preservation Program (approximately \$17 million) but only approximately \$3 million has been disbursed to the awardees. The difference between when funds are "committed" versus "disbursed" is a function of project readiness. Typically, when an applicant receives funding under the City's Notice of Funding Availability program, a commitment letter is executed between the developer and the City. The commitment serves as a "place-holder" of the funds until the applicant secures additional funding sources. When all financing is secured and the project is ready to move forward, the City and developer enter into a 55-year loan agreement allowing for the disbursement of the committed funds.

PUBLIC OUTREACH / INTEREST

Considerable public outreach was performed related to the issuance of Bond Measure KK in 2016 and the allocation of these funds to affordable housing programs in June 2017. The Measure KK Site Acquisition, Rehabilitation and Preservation Program was designed with input from the Mayor's Affordable Housing Task Force, specifically from the subgroup who was diligently working strategies for the acquisition of naturally occurring affordable housing (NOAHs). City staff continues to work with this group of affordable housing developers and stakeholders monthly to improve the program and ensure it meets the demands of the current affordable housing market.

COORDINATION

Housing and Community Development staff, in addition to the City Attorney's Office and Budget Office have collaborated to prepare this Agenda Report and proposed legislation.

SUSTAINABLE OPPORTUNITIES

Economic: These actions will improve the financial feasibility of the acquisition, rehabilitation and preservation of affordable housing using the Measure KK Site Acquisition, Rehabilitation and Preservation Program. Providing families with affordable housing frees up household disposable income to be spent on other goods and services in Oakland.

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Environmental: Many of the projects that are receiving the Measure KK Site Acquisition, Rehabilitation and Preservation program funds are located in transit-rich Downtown Oakland. Its proximity to mass transit enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

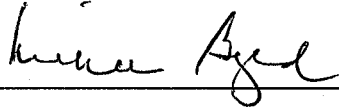
Social Equity: Affordable housing is a means of achieving greater social equity. The proposed change to the Measure KK Site Acquisition, Rehabilitation and Preservation program will ensure greater financial feasibility of affordable housing projects in Oakland.

ACTION REQUESTED OF THE CITY COUNCIL

Recommends That The City Council Adopt A Resolution Amending Resolution No. 86814 C.M.S. Which Allocated Measure KK General Obligation Bond Funds For the Affordable Housing Programs Including Short-Term Loans Under The Site Acquisition, Rehabilitation and Preservation Program, To Allow The Program To Make Long-Term Loans.

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

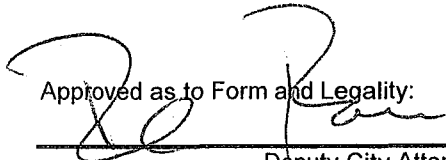
Respectfully submitted,



MICHELE BYRD
Director, Housing and Community Development

Prepared by:
Meghan Horl, Housing Coordinator

FILED
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OAKLAND
2018 MAY -9 PM 2:25

Approved as to Form and Legality:

Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO. 86814 C.M.S., WHICH ALLOCATED MEASURE KK GENERAL OBLIGATION BOND FUNDS FOR AFFORDABLE HOUSING PROGRAMS INCLUDING SHORT-TERM LOANS UNDER THE SITE ACQUISITION, REHABILITATION AND PRESERVATION PROGRAM, TO ALLOW THE PROGRAM TO MAKE LONG-TERM LOANS

WHEREAS, City Council Resolution No. 86774 C.M.S. adopted on June 29, 2017 increased the Measure KK General Obligation Bond ("Bond") amount for affordable housing to \$55 million and allocated the additional funds to affordable housing programs; and

WHEREAS, Resolution No. 86774 C.M.S allocated funds to the Site Acquisition, Rehabilitation and Preservation Program ("Program") for short-term loans; and

WHEREAS, the City Council wishes to modify the Program to allow for long-term affordable housing loans with terms up to 55 years to make the Program more effective; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No. 86814 C.M.S. to give the City Administrator or her designee the authority to make long-term affordable housing loans with terms up to 55 years under the Measure KK Site Acquisition, Rehabilitation and Preservation Program.

N COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN, AND
PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California