CITY OF OAKLAND

AGENDA REPORT

TO:	Edward D. Reiskin City Administrator	**FROM:**	Shola Olatoye Director, Housing and Community Development
SUBJECT:	Frank G Mar Loan Amendments	**DATE:**	July 13, 2020
City Administrator Approval		Date:	July 22, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending City Council Resolution No. 83369 C.M.S. And Oakland Redevelopment Agency Resolutions 88-68B C.M.S. And 88-68C C.M.S. To Authorize The City Administrator, Or His Or Her Designee, To Modify Loans For The Frank G Mar Apartments By: (1) Extending The Maturity Dates; (2) Reducing The Interest Rates To The Long-Term Compounding Applicable Federal Rate; And (3) Consolidating And Amending The Loans And Updating Other Terms Of The Loan Documents To Reflect Current City Form Documents And Terms.

EXECUTIVE SUMMARY

Frank G Mar Apartments (the Property) was originally constructed in 1990 and partially funded through three loans from the City and the former Redevelopment Agency of the City of Oakland (the Former Agency). A major rehabilitation is now being planned for the Property, which would address various life safety repairs and deepen and extend its affordability. Adoption of this resolution would allow staff to extend the loan maturity dates to 2075, reduce the interest rates of the loans, and make other such modifications as necessary to reflect current City form documents. Staff recommends that the City Council adopt the proposed resolution to allow amendments to the existing loan agreements for the Property.

BACKGROUND / LEGISLATIVE HISTORY

The Property, located at 283 13th Street in Oakland, is an existing multifamily affordable housing development originally built in 1990 as part of a mixed-use complex composed of residential, commercial, and garage components. The entire project was created through an air rights subdivision, which is subject to a Declaration of Covenants, Conditions and Restrictions (CC&Rs). The residential component provides one hundred nineteen (119) units serving low-income families. The ground floor provides approximately 11,500 square feet of commercial space for community-serving retail and nonprofit use. The garage portion includes one floor of resident parking owned by the owner of the residential portion, and two floors (approximately two hundred stalls) of public parking owned by the City (the City-owned portion is referred to as the Harrison Garage). From the commencement of this project, East Bay Asian Local Development Corporation (EBALDC) or an affiliated entity has acted as the developer, owner, and property manager of the non-City owned portions. The Property was assisted with two loans from the Former Agency and one Housing Development Grant (HDG) loan from the City.

This resolution would amend the resolutions listed below in **Table A**, which authorized the original loans to the Property:

Table A

Resolution No.	Date Adopted	Original Loan Amount	Issuer	Loan Expiration
88-68B C.M.S.	9/7/1988	$1,500,000	Former Agency	2038
88-68C C.M.S.	9/7/1988	$2,500,000	Former Agency	2038
83369 C.M.S.	5/17/2011	$5,523,579	City	2042

The Property has not undergone a substantial rehabilitation since construction. It was refinanced in 2012. In connection with that refinancing, Resolution No. 83369 C.M.S. was passed on May 17, 2011 to amend Resolution No. 66603 C.M.S. This 2011 amendment authorized modifications to the City HDG loan similar to those now being proposed—an extension of the loan term, a reduction in the interest rate, and other modifications to ensure the long-term viability of the Property.

EBALDC submitted a response to the City's 2019-2020 Notice of Funding Availability (NOFA) for the acquisition, rehabilitation, and preservation of multifamily affordable housing, released on August 9, 2019. On January 21, 2020, the City Council adopted Resolution No. 87995 C.M.S. approving a commitment of $5,000,000 to the Property to assist with rehabilitation costs. In connection with this loan, the affordability of the property will be expanded and deepened for new and existing income-qualified tenants (existing tenants will not be required to move, except as may be temporarily required for the construction work). Currently, the City only restricts one hundred eight (108) units to households earning eighty percent (80%) of Area Median Income (AMI). With the new funding, the Property affordability mix will be as follows:

- Thirty (30) units for Extremely Low-Income households (at or below 30% of AMI)
- Thirty-two (32) units for Very Low-Income households (at or below 50% of AMI)
- Thirty-five (35) units for households at or below 60% of AMI
- Twenty (20) units for Lower Income households (at or below 80% of AMI)
- Two (2) exempt manager's units.

The Property has also been awarded an allocation of Low-Income Housing Tax Credits and tax-exempt bonds from the California Tax Credit Allocation Committee and California Debt Limit Allocation Committee (TCAC/CDLAC), and loan commitments from private lenders. If Council approves the proposed Resolution, EBALDC is prepared to begin construction in early August 2020.

EBALDC is now preparing to carry out a substantial rehabilitation of the Property. The rehabilitation will make significant seismic upgrades, replace damaged and unsafe balconies, address waterproofing issues, repair the roof, address various other health and safety issues, and add accessibility features to comply with the Americans with Disabilities Act.

ANALYSIS AND POLICY ALTERNATIVES

Staff has determined that the requested loan amendments are necessary to ensure the financial feasibility of the proposed rehabilitation as follows:

- Extension of the loan maturity dates is necessary for the Property to meet its long-term financial projections. The loans, which are currently set to expire in 2038 (the Former Agency loans) and 2042 (the HDG loan), will be extended to 2075.
- Reduction of the interest rate is necessary to avoid triggering an Original Issue Discount reduction in the low-income housing tax credits allocated to the Property, which is the primary source of funds for the rehabilitation. The loans currently carry an interest rate of three percent (3%). The Applicable Federal Rate (AFR) will be determined based on the close date of the Property financing and will likely be between one percent (1%) and one and one-quarter percent (1.25%).
- Consolidation of the loans, which will be carried out in conjunction with the new loan (pursuant to 2019-20 NOFA) into a single updated set of loan documents, will simplify the administration and regulation of the loans and will allow the terms to be consistent and reflect current City policy.

If the City Council does not approve the resolution, the Property would likely have to postpone, reduce, or cancel the planned rehabilitation.

FISCAL IMPACT

The loan amendments authorized by the resolution would not appropriate any new funds or reallocate any previously budgeted funds. The Former Agency loans and HDG loans have been fully disbursed. The Former Agency loans are fully deferred until the maturity date. The City HDG loan is a residual receipts loan, which means that the City is repaid only to the extent that project operating revenues exceed expenses. These loans accrue to the Low and Moderate Income Asset Fund (Fund 2830).

PUBLIC OUTREACH / INTEREST

EBALDC has performed significant public and tenant outreach related to the rehabilitation of the Property as required by State and local funding agencies. The organization has held a series of meetings and design workshops with residents to receive input on the rehabilitation and plan for any inconveniences during the construction process.

COORDINATION

This agenda report and Resolution was prepared by the Housing and Community Development Department, and reviewed and approved by the City Attorney's Office and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The Property provides housing affordable to low-, very low-, and extremely low-income households, which supports their financial independence and ability to participate in the economic life of Oakland. The proposed rehabilitation would bring jobs in construction, engineering, and other professional services to Oakland. As a recipient of NOFA funds, the Property would be required to comply with prevailing wage requirements, local hiring practices, and other requirements of the City's Contracts & Compliance Division.

Environmental: The Property is a dense, centrally located project close to transit and employment centers. Its long-term viability supports the ability of residents to reduce carbon emissions associated with automobile usage. The proposed rehabilitation would extend the useful life of the building, thereby conserving construction materials and reducing development pressure on outlying open space. The rehabilitation will also include upgrades to the lighting, air circulation, and other building components, thereby enhancing its energy efficiency.

Race & Equity: Affordable housing, particularly in central locations close to job centers, transit hubs, and other opportunities, is a means of achieving greater social equity. The proposed rehabilitation supported by this resolution will deepen the affordability for tenants and help prevent displacement of the tenant's low-income residents, many of which are people of color.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Amending City Council Resolution No. 83369 C.M.S. and Oakland Redevelopment Agency Resolutions 88-68B C.M.S. and 88-68C C.M.S. To Authorize The City Administrator, Or His or Her Designee, To Modify Loans To The Frank G Mar Apartments By: (1) Extending The Maturity Dates; (2) Reducing The Interest Rates To The Long-Term Compounding Applicable Federal Rate; And (3) Consolidating And Amending The Loans And Updating Other Terms Of The Loan Documents To Reflect Current City Form Documents And Terms.

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

Respectfully submitted,

SHOLA OLATOYE
Director, Housing and Community Development Department

Reviewed by:
Maryann Leshin, Deputy Director, Housing and Community Development Department

Christia Katz Mulvey, Manager, Housing Development Services

Prepared by:
Brian Warwick, Housing Development Coordinator, Housing Development Services