



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Brooklyn Basin CFD No. 2023-1
(Series 2024) Bond Ordinance

DATE: June 10, 2024

City Administrator Approval


Jestin Johnson (Jun 18, 2024 15:59 PDT)

Date: Jun 18, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Providing For The Borrowing Of Funds And The Issuance And Sale Of Special Tax Bonds In A Principal Amount Not To Exceed \$6,000,000 For And On Behalf Of City Of Oakland Community Facilities District No. 2023-1 (Brooklyn Basin Facilities and Services); Approving Certain Related Matters; And Adopting Appropriate Findings Under the California Environmental Quality Act.

EXECUTIVE SUMMARY

Pursuant to Section 219 of the Charter of the City, an ordinance is required to authorize the borrowing of money. Zarsion-OHP I, LLC, a California limited liability (Developer), has requested the City of Oakland (City) to issue bonds for City of Oakland Community Facilities District No. 2023-1 (Brooklyn Basin Facilities and Services) (Community Facilities District No. 2023-1) to finance certain public improvements related to the Brooklyn Basin Project (Facilities) constructed by the Developers. Adoption of the proposed ordinance will authorize the borrowing of funds and the issuance and sale of a not-to-exceed amount of \$6,000,000 of one or more series of bonds payable from the Facilities Special Tax levied upon the taxable property in CFD No. 2023-1 (the "Bonds"), which may be taxable or tax-exempt and have one or more maturities. There is no impact to General Purpose Fund or fiscal impact to the City.

The Bonds will be issued to pay (i) a portion of the costs of acquiring or construction of the demolition of the existing wharf structure intended to accommodate the future construction of Phase 2 of Township Commons Park, (ii) the Clinton Basin Shoreline improvements comprised of retaining walls intended to stabilize the shoreline, construction of the initial Phase of the Clinton Basin Boardwalk to create the Boardwalk deck, (iii) associated design, permitting and construction costs, and (iv) formation costs incurred from the CFD No. 2023-1. The terms and provisions of the Bonds, the sale of the Bonds, and the forms of agreements relating to the Bonds, including but not limited to forms of a fiscal agent agreement, a bond purchase agreement and a continuing disclosure certificate, and the form of an official statement for the Bonds, will be scheduled for consideration by the City Council at a later date.

City Council
July 2, 2024

BACKGROUND / LEGISLATIVE HISTORY

Brooklyn Basin Project and the Related Development Agreement

In 2006, the City approved a development known as the Oak-to-Ninth Avenue Mixed Use Development on approximately 64.2 acres of land area (and 7.95 acres of water surface area) along the Oakland Estuary, which included up to 3,100 residential units, up to 200,000 square feet of commercial space, a minimum of 3,534 parking spaces, approximately 31 acres of open space, two renovated marinas, as well as shoreline improvements, new roads, and other infrastructure and improvements (Original Brooklyn Basin Project).

The City, as an original party and as successor to the Redevelopment Agency of the City of Oakland, and the Developer, as successor by assignment from Oakland Harbor Partners, LLC, are parties to the Development Agreement, dated August 24, 2006, approved by Ordinance No. [12760 C.M.S.](#) adopted on July 18, 2006, related to the development of the Original Brooklyn Basin Project. The most recent amendment of the Development Agreement is a Third Amendment to the Development Agreement, which was approved by Ordinance No. [13739 C.M.S.](#) on May 16, 2023, together with related entitlements authorized by the City Council pursuant to Resolution No. [89707 C.M.S.](#), Resolution No. [89708 C.M.S.](#), Resolution No. [89709 C.M.S.](#) each adopted on May 2, 2023, and Ordinance No. [13738 C.M.S.](#) adopted on May 16, 2023.

The Original Brooklyn Basin Project, as updated by the Third Amendment to the Development Agreement and related entitlements, is referred to herein as the Brooklyn Basin Project.

The Brooklyn Basin Project is divided into four (4) phases and twelve (12) parcels, as summarized below.

Summary of Brooklyn Basin Project

Parcels By Phase	Market Rate Units	Affordable Units	Total Units	Development Status
<u>Phase I</u>				
Parcel A		254	254	130 units completed/occupied; and 124 units completed and under lease up
Parcel B	241		241	Completed and occupied
Parcel C	241		241	Completed and occupied
Parcel F		211	211	Completed and occupied
Parcel G	371		371	Completed and under lease up
Subtotal	853	465	1,318	
<u>Phase II</u>				
Parcel D	243		243	Construction anticipated to start in 2025
Parcel E	191		191	Construction anticipated to start in 2025
Parcel H	382		382	Construction anticipated to start in 2025
Parcel J	378		378	Completed and under lease up
Subtotal	1,194		1,194	
<u>Phase III</u>				
Parcel K	400		400	Construction to start approx. 2027
Parcel L	250		220	Construction to start approx. 2027
Subtotal	650		620	
<u>Phase IV</u>				
Parcel M	538		568 ¹	Construction to start approx. 2025
<u>Total</u>	3,235	465	3,700	

At this time, Phase I streets are open to the public (except for certain construction staging areas), and Phase 1 of Township Commons Park (formerly known as Shoreline Park) is constructed and open to the public. Phase 2 street and utility improvements are substantially complete.

Formation of Community Facilities Districts

The Development Agreement provides for the formation of a community facilities district to fund certain public services and permits the Developer to request the City to use any public financing method for public facilities.

¹ Developer is considering a proposed 85-unit residential development on Parcel M.

Consistent with Section 4.4.4.4 of the Development Agreement, in September 2017, the City Council established the City of Oakland Community Facilities District No. 2017-1 (Brooklyn Basin Public Services) (CFD No. 2017-1) to authorize the levy of special taxes upon the land within CFD No. 2017-1 to pay for the operation and maintenance of certain public infrastructure serving the Brooklyn Basin Project. Parcels A, B, C, and F, referenced in the summary table above, are subject to special taxes levied in CFD No. 2017-1, although Parcels A and F are currently exempt from the CFD No. 2017-1 special tax because they are developed with affordable housing.

In 2023, the City established CFD No. 2023-1 to fund the operation and maintenance costs of public facilities serving the Brooklyn Basin Project (through the levy of the Services Special Tax) and to provide funds for the acquisition by the City of public facilities serving the Brooklyn Basin Project (through the levy of the Facilities Special Tax). The City is authorized to sell bonds in the aggregate principal amount of \$50,000,000 for CFD No. 2023-1 that would be payable from the CFD No. 2023-1 Facilities Special Tax. The parcels referenced in the summary table above, other than Parcels A, B, C, and F, are subject to special taxes levied in CFD No. 2023-1.

In connection with the formation of the CFD No. 2023-1, the City and the Developer executed an Acquisition Agreement Relating to the City of Oakland Community Facilities District No. 2023-1 (Brooklyn Basin Facilities and Services), dated as of February 1, 2024, pursuant to which the City may use proceeds of bonds issued by the City for CFD No. 2023-1 and Facilities Special Taxes to pay the purchase price for the Facilities constructed by the Developer. The City's acquisition of the Facilities with proceeds of bonds and Facilities Special Taxes results in a reimbursement to the Developer of the costs of constructing the Facilities.

ANALYSIS AND POLICY ALTERNATIVES

The Developer has requested the City to issue the Bonds for CFD No. 2023-1 to finance the acquisition of Facilities in accordance with the Acquisition Agreement. The proposed ordinance will authorize the issuance and sale of the Bonds, which will be issued in an aggregate principal amount not to exceed \$6,000,000 in one or more series, which may be taxable or tax exempt.

Based on the draft appraisal of the taxable property in CFD No. 2023-1 completed by Integra Realty Resources, the value of the taxable property in CFD No. 2023-1 (specifically Parcels G and J) has been determined to be not less than \$279.53 million. The appraisal will be finalized prior to the bond sale. The City's "Amended and Restated Local Goals and Policies and Appraisal Standards for Community Facilities Districts" adopted by the City Council on June 17, 2015, by Resolution No. [85664 C.M.S.](#) (Goals and Policies), require a minimum value to lien ratio for special tax financings of 3:1 (the value-to-lien calculation compares the market value of the property to the estimated principal amount of the Bonds proposed to be issued and overlapping tax and assessment debt). Issuance of the Bonds in the approximate principal amount of \$5,000,000 would result in a value to lien ratio of approximately 26:1.

The Development Agreement provides for the formation of a community facilities district to fund certain public services in the Brooklyn Basin Project and permits the Developer to

request the City to use any public financing method for public facilities serving the Brooklyn Basin Project. The Brooklyn Basin Project, with financing assistance from CFD No. 2017-1 and CFD No. 2023-1, advances a number of City priorities: (1) development of much needed housing in the City, including affordable housing, consistent with the goals of the newly adopted General Plan Update Housing Element, (2) support for local hire and training programs and (3) **development and funding of vibrant, sustainable infrastructure.**

The initial financing is expected to close in September 2024. Debt service on the Bonds is payable only from Facilities Special Taxes levied annually on taxable properties within CFD No. 2023-1 in the manner set forth in the Rate and Method of Apportionment of Special Tax (RMA) approved by the Council in connection with the formation of CFD No. 2023-1. Only properties with a Certificate of Occupancy, defined as “Developed Property” under the RMA, will be taxed to pay debt service on the Bonds.

FISCAL IMPACT

There is no impact to General Purpose Fund or fiscal impact to the City. The Bonds will be payable only from Facilities Special Taxes levied in CFD No. 2023-1.

Administrative Costs. CFD No. 2023-1 will be administered by the Oakland Public Works Department, with assistance from other City service areas as necessary and appropriate, including the Finance Department and Treasury Bureau, among others.

The RMA for CFD No. 2023-1 provides for the levy of Facilities Special Taxes to pay for the City’s costs of administering CFD No. 2023-1.

The payment of underwriting compensation and the issuance-related fees and expenses of the fiscal agent, the municipal advisor, the bond/disclosure counsel, and the special tax consultant will be paid from the proceeds of the Bonds. The fees of the appraiser will be paid with a deposit from the Developer and may be reimbursed to the Developer with proceeds of the Bonds.

PUBLIC OUTREACH / INTEREST

A notice of the proposed action was provided in accordance with City practices and the Ralph M. Brown Act to ensure that persons interested in the issuance of the Bonds would have an opportunity to be heard by the City Council.

COORDINATION

This report was prepared by the Finance Department in coordination with the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: Issuance of the Bonds will facilitate the long-term economic development of the Brooklyn Basin Project, which includes 3,700 new residential units and 200,000 square feet of new ground-floor commercial space, which will generate tax revenue for the City of Oakland.

Environmental: Issuance of the Bonds will result in the construction of high-quality public infrastructure in the Brooklyn Basin Project. Together, CFD No. 2017-1 and CFD No. 2023-1 will ensure adequate operation and maintenance of public infrastructure for the Brooklyn Basin Project, including quality open space for Oakland residents.

Race & Equity: CFD No. 2023-1 is located in District 2 and will add additional open space and other public amenities into an ethnically diverse community in Oakland, which has traditionally been underserved by public amenities.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Brooklyn Basin Project was analyzed under the certified 2009 Brooklyn Basin Environmental Impact Report (2009 EIR), which is comprised of the following documents: Oak to Ninth Avenue Project Draft EIR, August 2005; Oak to Ninth Avenue Project, 2006 Addendum #1 to the Certified Environmental Impact Report, June 7, 2006; Oak to Ninth Avenue Project Final EIR, August 2006; Revisions to the Analysis in the Oak to Ninth Project EIR (SCH. No. 2004062013) Prepared to Comply with the Alameda County Superior Court Order Case No. RG06-280345 and Case No. RG06-280471, November 2008; Oak to Ninth Avenue Project Response to Comments on the Revisions, December 2008; and Resolution No. [81769 C.M.S.](#), approved January 20, 2009.

In accordance with Public Resources Code Section 21166 and California Environmental Quality Act (CEQA) Guidelines Sections 15162 and 15163, the City examined whether the additional 600 units approved in the Third Amendment to the Development Agreement would result in “substantial changes” that would trigger the need for a major modification to the previously certified 2009 EIR due to a new significant impact or a substantial increase in the severity of previously identified significant impacts. The City, as the Lead Agency, determined that a Supplemental Environmental Impact Report (SEIR) for the updated Brooklyn Basin Project would be required.

As further set forth in the City’s Resolution No. [89707 C.M.S.](#), adopted on May 2, 2023, certifying the SEIR, the updated Brooklyn Basin Project did not result in any new or more severe potentially significant or significant and unavoidable impacts than analyzed in the previous 2009 EIR for the Original Brooklyn Basin Project.

Staff recommends that the City Council find and determine that the issuance of the 2024 Bonds are subject to the 2009 EIR for the Original Brooklyn Basin Project and the SEIR for the updated Brooklyn Basin Project and because the issuance of the 2024 Bonds for CFD No. 2023-1 is not a substantive change to the Updated Brooklyn Basin Project, that no further environmental

review is required. None of the circumstances that require a supplemental or subsequent EIR pursuant to CEQA Guidelines Sections 15162 or 15163 have occurred.

In addition, staff recommends that the City Council find and determine that the issuance of the 2024 Bonds for CFD No. 2023-1 is otherwise exempt from CEQA review under the following CEQA Guidelines sections: 15183 (projects consistent with a community plan, general plan or zoning), 15301 (existing facilities), and 15308 (actions by regulatory agencies for the protection of the environment), which individually and collectively form a basis for CEQA exemption.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt An Ordinance Providing For The Borrowing Of Funds And The Issuance And Sale Of Special Tax Bonds In A Principal Amount Not To Exceed \$6,000,000 For And On Behalf Of City Of Oakland Community Facilities District No. 2023-1 (Brooklyn Basin Facilities and Services); Approving Certain Related Matters; And Adopting Appropriate Findings Under the California Environmental Quality Act.

For questions regarding this report, please contact Erin Roseman, Director of Finance, at (510) 238-2026.

Respectfully submitted,



Erin Roseman (Jun 18, 2024 10:52 PDT)

ERIN ROSEMAN
Director of Finance, Finance Department

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