



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, Housing and
Community Development

SUBJECT: Substitution of Co-Developer at Mark
Twain Homes (MPI/BACS)

DATE: June 21, 2021

City Administrator Approval

Date: Jul 8, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending City Council Resolution No. 88555 C.M.S. To Change Memar Properties, Inc.'s Designated Co-Developer From Oakland & The World Enterprises, Inc. to Bay Area Community Services, Inc. Or Its Affiliate For The Acquisition And Rehabilitation Of The Mark Twain Homes Development Project Located At 2426 And 2438 35th Avenue And 3525 And 3529 Lyon Avenue, And Adopting Appropriate California Environmental Quality Act (CEQA) Findings.

EXECUTIVE SUMMARY

Adopting the proposed resolution would authorize the substitution of Oakland & the World Enterprises, Inc. (OAW) with Bay Area Community Services, Inc. (BACS) as the co-developer with Memar Properties, Inc. (MPI) for the Mark Twain Homes Project (the "Project"). MPI had originally identified OAW as their development partner in a Notice of Funding Availability (NOFA) application submitted to the City in September 2019 seeking development funding for the Project, but has since requested to change its development partner to BACS, which has extensive affordable housing and social service experience.

BACKGROUND / LEGISLATIVE HISTORY

Background

The Project will consist of the acquisition and rehabilitation of Mark Twain Homes, located at 2426 and 2438 35th Avenue and 3525 and 3529 Lyon Avenue in the Harrington neighborhood (Council District 4). The Project is an existing affordable housing development built between the 1950s and 1980s, comprised of four buildings which consist of 102 units. The scope of work for the proposed rehabilitation includes modifying the floor plans to replace multi-bedroom units with full studios containing private kitchens and bathrooms. The Project would provide permanent, supportive housing for formerly homeless individuals and individuals with special

City Council
July 20, 2021

needs. Supportive services were already anticipated to be provided by BACS under the 2019 NOFA application. OAW and MPI have formed Mark Twain Partners, LP (the “Developer”), a limited partnership to act as the development entity for the Project. Staff recommends adoption of this resolution, which would allow BACS to replace OAW in the limited partnership after acquisition closing.

Legislative History

On June 14, 1994, the City of Oakland’s former Redevelopment Agency authorized two loans in the amounts of \$250,000 and \$400,000 for the rehabilitation of the Project under a prior owner. These loans are connected to a Regulatory Agreement associated with the Project dated May 31, 1996.

OAW and MPI received an unsecured, over-the-counter predevelopment loan in the amount of \$50,000 in September 2019. On February 18, 2020, the City Council approved increasing the Project’s \$50,000 predevelopment loan by \$300,000 to facilitate continued site control and predevelopment activities, including attaining California Environmental Quality Act (CEQA) clearance.

In 2018, OAW and MPI received an over-the-counter commitment for a Site Acquisition loan in the amount of \$174,000. On September 27, 2019, OAW and MPI submitted an application requesting an additional \$4,826,000 in funding pursuant to the City’s Acquisition, Rehabilitation and Preservation NOFA, for a total loan of \$5,000,000.

Pursuant to City Council Resolution No. 88039 CMS, adopted February 18, 2020, an increased predevelopment loan was provided to the Developer which enabled them to enter into an Option Agreement to retain site control and to carry out the architectural work needed for a submittal to the Planning Bureau to attain CEQA clearance. Assembly Bill 1763, which became effective on January 1, 2020, provided a new mechanism for the Developer to receive increased residential density on the site through a Planning application for Regular Design Review, which was reviewed and approved by Planning staff on January 7, 2021. At that time, the Project was determined to be exempt from CEQA.

Recent City Actions

On March 16, 2021, the City Council adopted Resolution No. 88555 C.M.S. authorizing the full loan not to exceed \$5,000,000 (inclusive of the prior Naturally Occurring Affordable Housing (NOAH) commitment and predevelopment loan funds) to the Project. The Developer is scheduled to close the acquisition loan with the funds from the City’s Acquisition, Rehabilitation and Preservation NOFA and Enterprise Community Fund as of the writing of this report in mid-June 2021.

ANALYSIS AND POLICY ALTERNATIVES

Request to Substitute BACS as Co-Developer

In May 2021, OAW officially notified Housing & Community Development staff that it was seeking to exit the Developer partnership with MPI on the Project to focus on its other project in

development (7th+Campbell). MPI then requested substituting BACS as its qualified affordable housing development partner.

Incorporated in 1953, BACS has 65 years of experience providing comprehensive, effective care coordination for the most complex populations described in **Attachment A**. BACS provides direct behavioral health services that span the continuum of care, including crisis residential, medical respite, assertive outreach/engagement, complex care coordination services, and step-down services. BACS is a Housing First agency that focuses on addressing immediate basic needs such as housing first, and simultaneously providing wraparound supports to the 'whole person'. BACS' expertise is in coordinated, individualized care that utilizes a team-based model following the principles of Wraparound Care, embedded in an Assertive Community Treatment evidence-based model, utilizing the Eight Dimensions of Wellness (Substance Abuse and Mental Health Services Administration, or SAMHSA) to guide care and outcomes for every participant served.

BACS submitted NOFA exhibits to demonstrate their ability to serve as a co-developer. BACS has extensive recent social service experience in affordable housing development projects. BACS recently received an allocation of funding pursuant to City Council Resolution No. 88284 C.M.S adopted August 28, 2020 through the State Homekey program. Because development experience points under the NOFA were awarded primarily based on MPI's experience, the Developer partnership substitution does not affect the team's development experience qualifications.

Given the tight timing of the purchase contract (which included a purchase deadline of June 15, 2021), the partners decided to proceed with purchasing the property under the current ownership structure and to complete the partnership substitution post-closing. Technically, the partnership substitution as contemplated would not normally require approval, but due to the close timing with the funding approval, staff are seeking formal City Council approval for the partnership change.

FISCAL IMPACT

The fiscal impact of this action is minimal, mainly consisting of staff time to review. The Project will be acquired in mid-June 2021 by OAW and MPI as Mark Twain Partners LP. BACS, as the new co-developer and newly admitted partner in the Developer partnership, will assume all prior predevelopment loans and is requesting to assume the NOFA loan with the approval of this resolution. The total City loan funding for this acquisition/ rehabilitation Project remains unchanged at a total of \$5,000,000, of which \$4,826,000 is funded via the City of Oakland Measure KK Second Tranche (Fund 5333, Org 89929, Project TBD), and \$174,000 of which is being funded by the Low and Moderate Income Housing Asset Fund's Site Acquisition, Rehabilitation and Naturally Occurring Affordable Housing (NOAH) Preservation Program (Fund 2830 ,Org 89929, Project: 1003307).

PUBLIC OUTREACH / INTEREST

The Developer has conducted meetings on-site with current tenants of the Project and will notify tenants of the acquisition and new co-developer upon acquisition. The tenants have expressed strong support for the acquisition and stronger on-site property management staff.

COORDINATION

This staff report and legislation were prepared by the Housing and Community Development Department and reviewed by the Office of the City Attorney and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Development loan funds will generate demand for professional services in Oakland. Providing individuals and families with affordable housing helps provide financial stability for low- and very low-income households which could free-up income to spend on other goods and services in Oakland. The robust resident services included in the proposed rehabilitation will assist the residents in becoming more financially stable and independent.

Environmental: The proposed rehabilitation will reduce development pressure on outlying areas and reduce vehicle miles travelled, extending the useful life of an existing dense multifamily property. The proposed rehabilitation will implement energy-efficient systems and appliances reducing greenhouse gas emissions.

Race and Equity: The developer organizations of MPI and BACS are minority-owned/led. Affordable housing is a means of ensuring that extremely low-income, low-income and moderate-income households can participate as resident stakeholders in the civic and social life of Oakland. The Project will target extremely low-income households which have the fewest options and face significant barriers in finding stable housing in Oakland. The proposed rehabilitation will include accessibility upgrades, increasing access to housing for persons with disabilities. The proposed rehabilitation will prevent displacement by deepening the affordability of the Project.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Staff has determined that the Project is exempt from CEQA pursuant to the following CEQA exemptions: Section 15332 of the State CEQA Guidelines: Infill development; Section 15183 of the State CEQA Guidelines: Projects consistent with the General Plan or Zoning; Section 15183.3 of the State CEQA Guidelines: Streamline for Urban Infill Projects; Public Resources Code Section 21159.23: affordable low-income housing.

ACTION REQUESTED OF THE CITY COUNCIL

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For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Manager, at (510) 238-3623.

Respectfully submitted,

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Attachment (1):

- A: BACS Experience