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**REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
AGENDA REPORT**

TO: Office of the Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: March 27, 2007

RE: **A Resolution Authorizing An Owner Participation Agreement With The First African Methodist Episcopal Church For Developing A Mixed Use Project At 5803-5833 Foothill Boulevard In The Central City East Redevelopment Project Area, And Authorizing A Predevelopment Loan In An Amount Not To Exceed \$175,000 To The Project**

SUMMARY

Community and Economic Development Agency (CEDA) staff is requesting the Redevelopment Agency to authorize an Owner Participation Agreement (OPA) between the Agency and the First African Methodist Episcopal Church (FAME) to assist with the development of a site located at 5803-5833 Foothill Boulevard, and to authorize a predevelopment loan in an amount not to exceed \$175,000 from the Central City East (CCE) Redevelopment Area's Tax Increment Fund.

CEDA's Redevelopment Division will assist FAME, the owners of the 42,800 square foot four parcel site located in the CCE Redevelopment Project Area with the feasibility and market analysis for a proposed development at this site, and with making payments on existing site acquisition loans. FAME has recently purchased this site and preliminary indications are that it will be utilized as a mixed-use residential and commercial development.

FAME has requested assistance from the CCE Redevelopment Area. CCE Redevelopment staff supports aid towards the development of this site, as it is one of the CCE targeted development sites and FAME has expressed its willingness to pursue a mixed-use development. FAME received the endorsement of the CCE Project Area Committee (PAC) to receive a loan of up to \$175,000 in tax increment funds for predevelopment costs and to offset existing loans related to purchase of the site.

FISCAL IMPACT

Approval of the proposed resolution will authorize the allocation of a one-time predevelopment loan of up to \$175,000 to FAME. It is anticipated that this loan will be apportioned in the fiscal year of 2006- 2007. This fund can only be used for the purposes of predevelopment and offsetting FAME's current loan responsibilities. Repayment of this loan will be received within an initial term of twelve months with the option of an additional twelve months thereafter, at the discretion of the Agency Administrator. The attached Resolution authorizes the Agency

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Administrator to further extend the loan repayment terms in her discretion. The loan will be secured by the property. The loan agreement will be structured so that all payment will come from the proceeds of the development. As payment is received, the repaid funds will be deposited to the initial source of funding outlined below for other development projects in the CCE Project Area.

Upon approval of this loan, no more than \$75,000 will be allocated for the feasibility and market analysis (predevelopment) for the site. In addition, an amount of \$100,000 will be provided to FAME to make payments on existing loans that funded the purchase of the site. The first of these two previous loans closed on August 1, 2005, and is in the amount of \$430,000. The second loan, initiated on October 20, 2006, totals \$700,000. The Agency will subordinate its deed of trust to the other deeds of trust currently on the property securing these loans. There will be no interest due on the Agency loan.

A total of \$175,000 will be allocated from the Central City East Operations Fund (9540), Central City East Organization (88699), Miscellaneous (54929), Central City East Public/Private Development Project (S233360) and will be managed by the Commercial Lending Services staff within CEDA. At present the Public/Private funding source has a total of \$225,000 available to cover these costs.

BACKGROUND

The site is located at 5803-5833 Foothill Boulevard on the southwestern side of the street between Avenal Avenue and Seminary Avenue. The Assessor Parcel Numbers (APNs) for the four parcels are: 038-3128-020; 038-3128-021; 038-3128-022; and 038-3128-023. All four parcels are owned by the First African Methodist Episcopal Church. FAME acquired the parcels from the Oakland Community Housing Inc. (OCHI) in August of 2005. OCHI had previously purchased this property with the assistance of an Agency affordable housing site acquisition loan. OCHI has repaid the Agency, however the site remains subject to recorded covenants requiring that a percentage of any residential units on the site be developed for affordable housing. Currently, there are no buildings on the site and the lot is vacant.

KEY ISSUES AND IMPACTS

The site is one of 40 sites identified by the CCE PAC as an "Opportunity Site" – a blighted site in the redevelopment area which the PAC has targeted for development. The PAC established these sites in September of 2004. Since that time, CCE Redevelopment Staff has been working with property owners and potential developers to address and improve the sites. FAME is such an owner, and has expressed interest in improving their site. FAME approached the CCE PAC during the January 2007 meeting with their intent to develop the site. At this meeting, FAME made a request for financial assistance to pay for a market and feasibility analysis of the site and to meet their existing purchasing loan costs.

PROJECT DESCRIPTION

The purpose of the Owner Participation Agreement is to set the requirements for both parties as a condition to granting the request by FAME for predevelopment financial assistance from the Redevelopment Agency. The loan would provide up to \$75,000 for a feasibility and market analysis of the site; in addition it will provide \$100,000 to FAME to make payments on existing loans that funded the purchase of the site. The proper development of this site could offer quality housing to the community as well as provide thousands of square footage for commercial use through the development of a mixed-use project. The funding will be provided by CCE tax increment funds in the form of a loan and will be administered by the Community and Economic Development Agency's Commercial Lending Unit.

The funds are not being utilized toward the development of a building for worship, proselytization, or any religiously linked activity. There are no relevant legislative, regulatory, or public safety issues. All necessary environmental reviews and investigations will be undertaken by the property owner as part of the process related to the development of the property. The result of a development project in this community could lead to a tremendous positive impact upon the local economy by providing new retail options and an influx of new residents to contribute to the local economy. A development project on this site could also lead to a positive impact to the quality of life of the community providing jobs and housing. Any negative short term impacts would include a potential increase in noise, traffic and all other construction - related development activities; however the long term benefits of the increase in housing, retail and jobs easily offset any negative short term impacts.

At this time, the development of this site would not lead to a major reduction or expansion of City services. There could be a minor expansion of services based on the introduction of additional residential units and commercial tenants such as waste management if a development project is successfully designed and executed.

SUSTAINABLE OPPORTUNITIES

The OPA and \$175,000 loan by themselves will have minimal direct impact on sustainable opportunities. They will provide the existing owner with assistance to develop a blighted vacant lot.

Economic:

This OPA and loan will promote the in-fill development of a blighted vacant lot that is owned by an Oakland church that has a number of its congregants located near the project area. The analyses will focus on the most effective mixed-use project for this site, promoting both retail and housing development as the foci. The CCE PAC has communicated their strong desire for more homeownership opportunities in the redevelopment area, and that will be taken into account. The initial retail targets include drug stores, which will increase access to various necessary items and in the community.

Environmental:

The targeted area is a blighted vacant lot. The ORA will require that any development project undertaken by FAME focus on environmentally sound site design and planning, and that the various aspects of project development fall within reasonable sustainable building practices. The area has access to public transit and the site would be located along the route of major and minor AC Transit bus lines that run along Foothill Boulevard and Seminary Avenue including the 40, 40L, 43, 56 and 840. BART access is facilitated by use of the 56 bus line.

Social Equity:

The OPA and \$175,000 loan will assist in the development of a blighted vacant lot that currently detracts from the community. Any positive use of this site will enhance the community; expanding housing and retail possibilities will add to the positive benefits. This action will show an investment in the physical development of a section of the Central City East Redevelopment Area targeted by the community for improvement. Representatives of FAME have been involved in the community outreach process by utilizing the PAC, as well as attending other community meetings to discuss the site. FAME has stated its intention to continue working with the community to develop a satisfactory project.

DISABILITY AND SENIOR CITIZEN ACCESS

The OPA and \$175,000 loan will not have an impact on disability and senior citizen access. There were representatives of people with disabilities and of seniors in the CCE PAC endorsement process, and FAME has a history of working with seniors and people with disabilities. Any future development of the site will comply with the Americans with Disabilities Act (ADA) and the older Americans Act and other applicable laws.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Agency approve a resolution authorizing an Owner Participation Agreement with the First African Methodist Episcopal Church for developing a mixed-use project at 5803-5833 Foothill Boulevard in the Central City East Redevelopment Project Area and authorizing a predevelopment loan in an amount not to exceed \$175,000 to the project.

This would aid in the development of a blighted vacant lot located in the CCE Redevelopment Area and currently targeted by the CCE PAC as an "Opportunity Site," that members of the community would like to see developed. FAME will receive funds for a feasibility and market analysis of the site and will also receive aid in meeting existing loan costs from the purchase of the site. FAME has agreed to work with a fee-developer to properly develop the site once the analyses are complete and a course of action is set. FAME has been active with its community outreach and will continue to involve the community in its plans to develop the site. This will be

a loan, with a term of 12 months and an option for up to 12 more. It will be administered by CEDA's Commercial Lending Unit in conjunction with CCE Redevelopment Staff. All monies issued to CEDA Redevelopment for the payment on the \$175,000 will be returned to the CCE Public and Private Development Category funding source when received.

If the Agency chooses not to loan the amount, then FAME may not be able to work to develop the site. The proper feasibility and market analysis may not be undertaken. FAME will continue to require assistance to meet existing loan costs which may impact the ability to pursue development of the site. A blighted vacant lot that representatives of the community have requested be improved may continue to remain a vacant lot.

ACTION REQUESTED OF THE AGENCY

Staff recommends that the Agency approve a resolution authorizing an Owner Participation Agreement with the First African Methodist Episcopal Church (FAME) for developing a mixed use project at 5803-5833 Foothill Boulevard in the Central City East Redevelopment Project Area and authorizing a predevelopment loan in an amount not to exceed \$175,000 to the project.

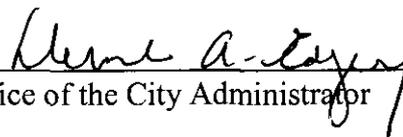
Respectfully submitted,



Gregory Hunter
Interim Director of Redevelopment, Economic
Development, Housing and Community
Development

Prepared by:
Kimani Rogers, Urban Economic Analyst
CEDA - Redevelopment

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

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Approved as to form and legality


Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

A RESOLUTION AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH THE FIRST AFRICAN METHODIST EPISCOPAL CHURCH FOR DEVELOPING A MIXED USE PROJECT AT 5803-5833 FOOTHILL BOULEVARD IN THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA, AND AUTHORIZING A PREDEVELOPMENT LOAN IN AN AMOUNT NOT TO EXCEED \$175,000 TO THE PROJECT

WHEREAS, the First African Methodist Episcopal Church (“FAME”) currently owns a vacant lot consisting of four parcels located at 5803-5833 Foothill Boulevard (the “Site”); and

WHEREAS, the Site is located within the boundaries of the Central City East Project Area, and its development will help meet the goals and objectives of the Central City East Redevelopment Plan; and

WHEREAS, FAME must repay \$1,130,000 in Site acquisition loans currently outstanding; and

WHEREAS, FAME has requested from the Redevelopment Agency a loan of \$100,000 to be used for assistance in the payment of their original Site acquisition loans; and

WHEREAS, FAME has requested from the Redevelopment Agency a loan of up to \$75,000 to be used for a market and feasibility analysis of the Site to facilitate development of the Site in a way in which would help meet the goals and objectives of the Central City East Redevelopment Plan; and

WHEREAS, funds are available from the Agency’s Central City East Redevelopment Project Area; now therefore be it

RESOLVED: That the Redevelopment Agency hereby authorizes the Agency Administrator or his or her designee to negotiate and execute an Owner Participation Agreement (“OPA”) with FAME providing for redevelopment of the Site; and be it

FURTHER RESOLVED: That the OPA shall provide for a predevelopment loan from the Agency in an amount not to exceed \$175,000 to FAME, or to an affiliated entity approved by the Agency Administrator or his or her designee, to be used for assistance in the payment of their Site acquisition loans and a market and feasibility analysis of the Site to facilitate development of the Site; and be it

FURTHER RESOLVED: That a total of up to \$175,000 will be allocated from the Redevelopment Agency’s Central City East Operations Fund (9450), Central City East Organization (88699), and Central City East Public/Private Development Project (S233360); and be it

FURTHER RESOLVED: That the loan shall be for a term of 12 months, with an option of 12 additional months at the discretion of the Agency Administrator, with no interest, with repayment to the Agency due at the end of the term, or on such other repayment terms and schedule as the Agency Administrator or his or her designee determines are in the best interests of the Agency and the project; and be it

FURTHER RESOLVED: That as a condition of the loan, the Agency shall require that covenants be recorded on the Site as part of the OPA restricting the use of the Site to a mixed-use residential and commercial development; and be it

FURTHER RESOLVED: That the loan shall be secured by a deed of trust on the Site land and improvements; and be it

FURTHER RESOLVED: That the making of the loan shall be contingent on and subject to such other appropriate terms and conditions as the Agency Administrator or his or her designee may establish; and be it

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or his or her designee in his or her discretion to subordinate the priority of the Agency 's deed of trust to liens or encumbrances of another private or governmental entity providing financial assistance to the project, if the Agency Administrator or his or her designee determines that (1) an economically feasible alternative method of financing the project on substantially comparable terms and conditions but without subordination is not reasonably available, (2) the Agency’s investment in the project in the event of default is reasonably protected, and (3) subordination is in the best interests of the Agency; and be it further

FURTHER RESOLVED: That the OPA and all loan documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution, and copies will be placed on file with the Agency Secretary; and be it

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or his or her designee to conduct negotiations, execute documents, administer the loan, extend or modify the repayment terms, and take any other action with respect to the OPA, the loan, and the Site consistent with this Resolution and its basic purpose,

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2007

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND
CHAIRPERSON DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California