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OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND 2012 OCT 11 PM 3:04

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Reduction in Unit Count at Savoy

DATE: September 27, 2012

City Administrator
Approval

Deanna J. Santana

Date

10/3/12

COUNCIL DISTRICT: 3

RECOMMENDATION

Staff recommends that City Council adopt:

A Resolution Amending Resolution Nos. 82914 And 2011-0096 C.M.S. (Authorizing Development Loans) And Resolution No. 2010-0095 C.M.S. (Approving Replacement Housing Plan) To Reduce The Number Of Units From 102 To 101 At The Savoy Project (Formerly Jefferson Oaks Apartments) Located At 1424 Jefferson Street

OUTCOME

Amending Resolutions 82914 C.M.S. and 2010-0096 C.M.S. to reduce the total number of units at the Savoy from 102 to 101 would enable the project to continue its rehabilitation and ensure a safe and structurally sound building. By amending Resolution 2010-0095 C.M.S., the City will meet its requirements under State law.

BACKGROUND/LEGISLATIVE HISTORY

The Savoy is a 101 unit affordable housing project that is currently undergoing a substantial rehabilitation by the developer and owner (Jefferson Oaks LP, an affiliate of Affordable Housing Associates). The City and former Redevelopment Agency have provided \$3,600,000 in affordable housing loans and an \$800,000 City grant. The project has also received \$15 million in tax credit equity, \$2 million from the Oakland Housing Authority, and \$1.5 million from California Housing Finance Agency. Construction began in December I, 2011 and is scheduled to be completed in March 2013.

Item: _____
CED Committee
October 23, 2012

The project consists of two existing Single Room Occupancy (SRO) residential buildings: the Oaks Hotel (formerly 84 units and owned by an affiliate of Oakland Community Housing Inc.) and the Jefferson Hotel (formerly 65 SRO units and privately owned). In July 2010, Council approved a replacement housing plan for the project, which addressed the reduction of 48 units in the two buildings combined in order to add kitchens and bathrooms to all of the units. Furthermore, in July 2010, Council also approved the relocation plans for the tenants who needed to be relocated during construction and amended the Agency's single-room occupancy replacement housing policy to exempt the Savoy project.

ANALYSIS

Due to unforeseen structural conditions on the mezzanine level of the Oaks portion of the building, it is infeasible for the developer and owner to rehabilitate the one SRO unit located on that level. In order to bring the unit online, cost prohibitive structural changes would be needed to provide the support girders (beams) on the mezzanine level, and even if the changes were made, the height of the floor to ceiling would still be lower than City of Oakland Building Code allows for a residential unit. Furthermore, On a Roll, the commercial tenant located on the ground floor of the Oaks building that has remained open during construction, would have to close for at least six months, costing the project approximately \$100,000 in business interruption costs and severely impacting the financial viability of the small business. The mezzanine will be used for storage instead. As a result of these issues, the total number of units in the project needs to be reduced from 102 to 101 units. The total number of income restricted units will be reduced by one to 100, and one unit will remain an unrestricted manager unit.

In addition, the Replacement Housing Plan needs to be amended due to the loss of the very low income unit, provided in *Attachment A*. The Replacement Housing Plan guides and facilitates the City's effort to bring about the development of replacement housing for persons or families of low or moderate income in accordance with the requirements of State law (California Health and Safety Code Section 33413.5). The replacement housing unit will be provided by the Clinton Commons project (formerly 720 E 11th Street), which also provided the replacement units for the other 48 units. Clinton Commons also received City and former Agency funds and is newly constructing a total of 54 units of affordable housing targeting to very-low income residents.

PUBLIC OUTREACH/INTEREST

This item originally went to Council in July 2010 and the public had the opportunity to comment at that time. As with the City's other funds for affordable housing development, the City and Agency funds were awarded to the Savoy after a thorough application and review process through the City's Notice of Funding Availability (NOFA).

Item: _____
CED Committee
October 23, 2012

COORDINATION

Housing staff worked with the City Attorney's Office to draft the report, resolution and grant deed amendments. The Budget Office has reviewed the report as well.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:
Total Project Costs \$0
2. COST ELEMENTS OF AGREEMENT/CONTRACT:
TOTAL AGREEMENT/CONTRACT AMOUNT \$0
3. SOURCE OF FUNDING:

Staff is not recommending an appropriation of any new funds.

4. FISCAL IMPACT:

There is no fiscal impact associated with this action. As stated above, staff is not recommending appropriation of any new funds or reallocation of previously budgeted funds.

SUSTAINABLE OPPORTUNITIES

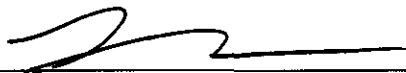
Economic: This affordable housing rehabilitation project is creating well-paying construction jobs for City of Oakland residents and spurs further investment into the community.

Environmental: The rehabilitation is utilizing sustainable and green materials and practices. It is rehabilitating existing housing near public transit, jobs, and other services located in Downtown Oakland.

Social Equity: Affordable housing is a means of achieving greater social equity. The rehabilitation of the Savoy will provide affordable, safe and clean housing to extremely-low and very-low income individuals and families.

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

Respectfully submitted,



Fred Blackwell
Assistant City Administrator

Reviewed by:

Michele Byrd, Deputy Director
Department of Housing & Community Development

Norma Thompson, Housing Development Manager

Prepared by:
Meghan Horl, Housing Development Coordinator IV
Housing and Community Development

Attachment A: Amended Replacement Housing Plan

Item: _____
CED Committee
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THE SAVOY REPLACEMENT HOUSING PLAN

(AMENDED OCTOBER 2012)

I. Introduction

The Redevelopment Agency of the City of Oakland (“Agency”) is providing funding to assist Affordable Housing Associates affiliate, Jefferson Oaks, L.P. (the “Developer”) with the rehabilitation of the Savoy affordable housing project (the “Project”), formerly the Jefferson Oaks Apartments, as described in Section II below. The Project is located within the Central District Redevelopment Project Area (the “Project Area”), which is governed by the Central District Urban Renewal Plan adopted on June 12, 1969, as subsequently amended up to June 20, 2006 (the “Redevelopment Plan”).

The rehabilitation of the Project requires the reduction of a total of 49 very low-income housing units located in the Oaks Hotel property at 587 15th Street and the Jefferson Inn Hotel located at 1424 Jefferson Street. The Notice to Proceed for the rehabilitation is scheduled to be issued in November 2010.

This Replacement Housing Plan for the Project (“Replacement Housing Plan”) will guide and facilitate the Agency’s efforts to rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, replacement housing for persons or families of low or moderate income in accordance with the requirements of State law (California Health and Safety Code § 33413.5).

II. The Savoy Project

The Savoy project includes the rehabilitation of two existing residential properties, the Oaks Hotel and the Jefferson Hotel. The Project will combine these two properties as one affordable housing project under joint ownership and management and will connect the two properties at the lobby level. The Agency and City of Oakland have provided funding in the amounts of \$1,100,000 and \$2,500,000 respectively for the Project, which was contingent on approval of a Replacement Housing Plan and other project feasibility approvals.

The Oaks Hotel is an 84-unit single-room occupancy (SRO) affordable housing property with rents restricted to very low-income residents. The Jefferson Hotel is a 65-unit market rate SRO providing both permanent and transient housing to very low-income residents.

The rehabilitation Project includes reconfiguration and enlargement of units in the properties, resulting in a reduced number of total units – 45 units in the Oaks and 55 units in the Jefferson (plus one unrestricted manager's unit). Units at the Oaks are extremely small and do not include bathrooms or kitchen facilities. All units in the Jefferson contain bathrooms, but the majority include no cooking facilities. The rehabilitation plan includes adding private bathrooms and kitchenettes to all units to improve livability for residents. The space needed to add these facilities requires an overall reduction in the number of units.

After rehabilitation is complete, the Jefferson Oaks Apartments Project will total 101 units, 100 of which are permanently affordable to people with very-low incomes. The Developer will execute a joint regulatory agreement with the Agency and the City of Oakland, to be recorded against the Project, to formalize the rent restrictions and preserve the affordability of the rental units for a term of 55 years.

III. Compliance with State Law

Section 33413(a) of the California Health and Safety Code provides in part as follows:

“Whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low and moderate income housing market as part of a redevelopment project which is subject to a written agreement with the agency or where financial assistance has been provided by the agency, the agency shall, within four years of the destruction or removal, rehabilitate, develop or construct, or cause to be rehabilitated, developed or constructed, for rental or sale to persons and families of low or moderate income, an equal number of replacement dwelling units that have an equal or greater number of bedrooms as those destroyed or removed units at affordable housing costs within the territorial jurisdiction of the agency.... When dwelling units are destroyed or removed on or after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to persons in the same or a lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units.”

Section 33413(c)(1) through (4) of the California Health and Safety Code provides in part as follows:

“The agency shall require that the aggregate number of replacement dwelling units and other dwelling units rehabilitated, developed, constructed, or price-restricted pursuant to subdivision (a) or (b) remain available at affordable housing cost to, and occupied by, persons and families of low-income, moderate-income, and very low income households, respectively, for the longest feasible time, but for not less than 55 years for rental units and 45 years for homeownership units, except as set forth in paragraph (2).... The requirements of this section shall be made enforceable in the same manner as provided in paragraph (2) of subdivision (f) of §33334.3...”

This Replacement Housing Plan provides that the Project shall be governed by a recorded regulatory agreement, enforceable by the Agency and the City of Oakland, requiring the replacement housing units to remain available at affordable housing cost and occupied by persons or families of very low income for a period of 55 years.

The following terms shall have the same meaning in this Replacement Housing Plan as in California Health and Safety Code § 33411.2: “affordable housing cost,” “replacement dwelling unit,” “persons and families of low and moderate income,” and “very low income households.”

IV. General Location of Replacement Housing

All 49 of the replacement dwelling units as defined in California Health and Safety Code § 33411.2 for the Savoy Project, will be developed off-site as part of the Clinton Commons affordable housing project, formerly the 720 E. 11th Street project.

V. Means of Financing

Funding for the Savoy Project includes the following estimated sources and amounts of financing:

| SOURCES | |
|---|-------------------|
| Oakland Housing Authority | 3,000,000 |
| Mental Health Services Act | 2,000,000 |
| CEDA (Agency) Loan Funds | 1,100,000 |
| CEDA (City) Loan Funds | 2,500,000 |
| City of Oakland PATH (CDBG) Grant Funds | 800,000 |
| FHLB AHP Funds | 1,130,000 |
| 9% Tax Credit Equity | 11,082,000 |
| TOTAL | 21,612,000 |

The funding for the replacement dwelling units at 720 East 11th Street include the following anticipated sources and amount of financing:

| SOURCES | |
|--|-------------------|
| Developer Equity | 300,000 |
| Permanent Mortgage | 2,520,000 |
| Proposition IC Infill Grant | 1,537,549 |
| Northern Cal. Comm. Loan Fund (NCCLF) | 50,000 |
| 9% Tax Credits | 11,491,882 |
| CEDA (Agency) Loan Funds | 7,497,000 |
| Mental Health Services Act | 500,000 |
| Hsg Opp. For Persons with Aids (HOPWA) | 300,000 |
| Deferred Developer Fee | 100,000 |
| TOTAL | 24,296,431 |

VI. Finding that the Replacement Housing Plan Does Not Require Approval Under Article XXXIV of the California Constitution

By its terms, Article XXXIV is only applicable if a “state public body” (which includes the Agency) “develops, constructs, or acquires” a “low rent housing project.” However, California Health and Safety Code Section 37001(f) excludes from the definition of a “low-rent housing

project” the “replacement of...dwelling units of a previously existing low-rent housing project, or a project previously or currently occupied by lower income households”.

The low-income affordable units in the Clinton Commons project provided under this Replacement Housing Plan are replacing the comparable units being demolished, and previously occupied by lower income households. Also, in assisting the affordable housing component of the Project and monitoring construction and compliance with the conditions of such assistance, the Agency will be carrying out its routine governmental functions as a housing development agency, will be performing the conventional activities of a lender, and will be imposing conditions on the Project developer authorized under the California Community Redevelopment Law. Thus, based on the above facts it is hereby found and determined that the replacement housing component of the Project is exempt from the requirements of Article XXXIV under California Health and Safety Code §§ 37001(a) and (f) and 37001.5(e).

VII Number of Dwelling Units Housing Persons and Families of Low or Moderate Income Planned for Construction and Rehabilitation

A. Analysis of Existing Units Housing Persons and Families of Low or Moderate Income

The units to be reduced through the rehabilitation of the Oaks Hotel and Jefferson Hotel property include 49 SRO units occupied by very low-income households.

B. Analysis of Dwelling Units to be Rehabilitated, Developed or Constructed

Resources for Community Development (RCD) will develop housing at 720 East 11th Street which will be all affordable rental housing. The units to be provided in the project consist of one-bedroom, two-bedroom, three bedroom, and four bedroom affordable apartments. All units are to be restricted to very low-income residents (at or below 50% of Area Median Income). Project residential units to be constructed are described in the following table:

| Unit Type - Number of Bedrooms | Very Low Income Units (at or below 50% of AMI) | Total Number of Bedrooms |
|---------------------------------------|---|---------------------------------|
| 1 | 18 | 18 |
| 2 | 17 | 34 |
| 3 | 16 | 48 |
| 4 | 3 | 12 |
| Totals: | 54 | 112 |

Three units in the Clinton Commons project – one 1-bedroom apartment and two 2-bedroom apartments – have already been identified as the replacement housing units for the MacArthur

Transit Village Project, per that project's Agency-approved Replacement Housing Plan. Therefore, the following units in the 720 E. 11th Street project will be counted as replacement units for the Jefferson Oaks Apartments project: seventeen 1-bedroom units; fifteen 2-bedroom units; sixteen 3-bedroom units; and one 4-bedroom unit.

The City shall cause to be developed or constructed, for rental to persons and families of very-low income, an equal number of replacement units to those 49 units destroyed or removed subject to and in accordance with the following standards:

1. **Timing:** The City will complete the replacement dwelling units within four years of the destruction or removal of dwelling units required to be replaced under this Replacement Housing Plan.
2. **Income:** The 48 replacement housing units will be rented to households with very low incomes.
3. **Guarantee for Displaced:** Those persons and families of low or moderate income who are displaced as a result of the Project shall be guaranteed priority for replacement housing.

VIII. Timetable For Development of the Replacement Housing

The projected start and completion dates for the replacement dwelling units at the Clinton Commons project are:

Start Construction: February 2011

Complete Construction: December 2012

IX. Monitoring and Reporting

Pursuant to California Health and Safety Code § 33418, the City will monitor on an ongoing basis, any housing affordable to persons and families of low or moderate income developed or otherwise made available pursuant to this Replacement Housing Plan. All the replacement units will be affordable to and occupied by households with incomes below 50 percent of AMI, enforceable by recorded regulatory restrictions with a term of 55 years.

The City will require the owners or managers of the replacement housing units to submit an annual report to the City. The annual report to the City must set forth the rental rate, income, and family size of the occupants of each unit (with the income information certified by each occupant). The City may impose fees on the owners of the monitored property to defray the cost of this monitoring system. The information obtained from this monitoring system will be included in any reports required by law to be submitted to the Department of Housing and Community Development or the Controller.

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FILED
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OAKLAND

2012 OCT 11 PM 3:04

APPROVED AS TO FORM AND LEGALITY:



Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AMENDING RESOLUTION NOS. 82914 AND 2011-0096 C.M.S. (AUTHORIZING DEVELOPMENT LOANS) AND RESOLUTION NO. 2010-0095 C.M.S. (APPROVING REPLACEMENT HOUSING PLAN) TO REDUCE THE NUMBER OF UNITS FROM 102 TO 101 AT THE SAVOY PROJECT (FORMERLY JEFFERSON OAKS APARTMENTS) LOCATED AT 1424 JEFFERSON STREET

WHEREAS, on March 16, 2010, the Redevelopment Agency of the City of Oakland adopted Resolution No. 2010-0045 C.M.S. authorizing an affordable housing development loan in an amount not to exceed \$1,100,000 to Affordable Housing Associates (the "Developer") to be used for the expanded Jefferson Oaks Apartments project, located at 1424 Jefferson Street in the City of Oakland, now known as the Savoy (the "Project"); and

WHEREAS, on March 16, 2010, the City Council adopted Resolution No. 82649 C.M.S. authorizing a City loan in an amount not to exceed \$2,500,000 to the Developer to fund the expanded Project; and

WHEREAS, the original proposal for the Project from the Developer included 105 affordable housing units, plus one manager's unit, for a total of 106 units; and

WHEREAS, Resolution Nos. 82649 C.M.S. and 2010-0045 C.M.S. mistakenly included approval of 110 units, rather than the actual submitted 106 units; and

WHEREAS, on July 20, 2010, the City and the Redevelopment Agency adopted Resolution Nos. 82914 and 2010-0096 C.M.S. respectively to reduce the number of units to 102 due to the redesign of the Project in order to increase the size of some of the units in the Project; and

WHEREAS, on July 20, 2010, the Redevelopment Agency adopted Resolution No. 2010-0095 C.M.S. approving the Replacement Housing

Plan for the Savoy, which designated 48 units from the Clinton Commons project (formerly the 720 E 11th Street project) as the replacement units; and

WHEREAS, the City is the successor to the housing functions of the Redevelopment Agency; and

WHEREAS, during construction, structural issues have been discovered that make it cost prohibitive to rehabilitate the mezzanine level of the Oaks Hotel property for habitation, which will result in the reduction of the total number of units by one to 101;

WHEREAS, reduction of this housing unit is necessary to proceed with the Project which will improve the housing conditions for residents, protect an existing affordable housing resource, and expand the number of affordable units in the city of Oakland; and

WHEREAS, an Amended Replacement Housing Plan reflecting this change was made available to other public agencies and the general public for a reasonable time prior to the adoption of this Resolution; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution Nos. 82914 and 2010-0095 C.M.S. to reduce the number of units in the Project from 102 to 101; and be it.

FURTHER RESOLVED: That the City Council hereby adopts the Amended Replacement Housing Plan for the Project, attached to the staff report accompanying this Resolution, designating one additional unit from the Clinton Commons project as a replacement unit.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council