

**REDEVELOPMENT AGENCY
AND THE CITY OF OAKLAND**
OFFICE OF THE CITY CLERK
OAKLAND
AGENDA REPORT

2011 OCT 13 PM 6:19

TO: Office of the City/Agency Administrator
ATTN: Deanna J. Santana
FROM: Community and Economic Development Agency
DATE: October 25, 2011

RE: Two Agency Resolutions And One City Resolution Regarding The California Hotel: An Agency Resolution Approving The Replacement Housing Plan For The California Hotel, And Amending The Agency's Single-Room Occupancy Replacement Housing Policy To Exempt The California Hotel; An Agency Resolution Amending Resolution No. 2011-0010 C.M.S. to Allow A Portion of the Agency Loan to the California Hotel Project to be Used to Establish a Trust Account in the Amount of \$1.5 Million for An Operating Reserve; And A City Resolution Amending Resolution No. 83252 C.M.S. to Change the Source of A Portion of the Funds from HUD HOME funds to HUD Neighborhood Stabilization Program 3 Funds and State Local Housing Trust Fund Funds

SUMMARY

The City and Agency have awarded \$8,421,000 of City and Agency affordable housing loans, and \$625,000 in Agency grant funds to the California Hotel affordable housing project, sponsored by the East Bay Asian Local Development Corporation (EBALDC). The project also received an award of Low Income Housing Tax Credits in June 2011. Additional City and Agency approvals are now required to enable the City and Agency to provide the funds and allow EBALDC to acquire the property and start construction by February 2012. Please note that the City and Agency loans will not be closed until the California Supreme Court issues its opinion on the future of redevelopment agencies, which is anticipated in January 2012.

The actions requested in the attached resolutions include: 1) approval of a Replacement Housing Plan for the project; 2) an exemption for the project from the Redevelopment Agency's replacement housing policy for single room occupancy (SRO) units; 3) approval to establish a third-party trust account in the amount of \$1.5 million for operating reserve funds with a portion of the Agency funds awarded to the project; 4) replacement of \$1,851,250 of HUD HOME funds with \$1,300,000 of HUD Neighborhood Stabilization Program 3 (NSP3) funds and \$551,250 of State of California Local Housing Trust Fund Program (LHTFP) funds.

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FISCAL IMPACT

The City Council previously approved \$3,168,000 in City funds for the California Hotel project from the HUD-HOME Fund (2109), Housing Development Organization (88929), and HOME Housing Development Project (G172111). Staff proposes to substitute \$1,851,250 of HUD HOME funds with funding from two other sources: \$1,300,000 of HUD Neighborhood Stabilization Program (NSP3) funds in the Community Development Block Grant Fund (2108) and \$551,250 of State of California Local Housing Trust Fund Program (LHTFP) funds in the California Housing and Community Development Fund (2144). No change in the total commitment is proposed for the California Hotel; only the funding sources are being modified.

This substitution of funds would free up HUD HOME funding that could be used to fund senior housing projects in the 2011-12 affordable housing Notice of Funding Availability (NOFA) funding round. Because State redevelopment law places limits on the amount of Low/Moderate Income Housing funds that can be spent on senior housing and because the Agency has exceeded this limit for the current 10-year compliance period, the Agency cannot spend additional funds on senior housing. HUD HOME funds do not have this limitation, so the proposed substitution of funds would provide a timely commitment of the NSP3 and LHTFP funds while also providing more flexibility for the next NOFA round. Staff expects to receive several critical funding requests for senior affordable housing developments in the upcoming NOFA cycle, making additional flexibility extremely desirable.

Council also previously approved \$5,253,000 in Agency funds for this project, of which \$1,683,802 is from the Low Mod Operations Fund (9580), Housing Development Organization (88929), Housing Development Program project (P209310). Staff proposes to establish a third party trust account with \$1,500,000 of these Agency funds. The account may only be used for California Hotel operating deficits, and City staff approval will be required for disbursement of funds. Again, no change in the total commitment is proposed; only the use of a portion of the Agency funds is being modified.

BACKGROUND

The California Hotel, located at 3501 San Pablo Avenue, is one of the properties in the Oakland Community Housing, Inc. (OCHI) portfolio that has been threatened due to OCHI's collapse and by the building's urgent need for rehabilitation.

Staff has presented numerous reports since 2007 (May 22, 2007; January 22, 2008; April 22, 2008; April 26, 2008; March 17, 2009; August 25, 2009; January 5, 2010; March 9, 2010) to Council regarding the decline of OCHI and the affect the decline has had on its Oakland properties. Staff's ultimate goal has been to keep as many properties open as possible (given the limited funds available) while the transfer of ownership and reconfiguration of the properties is worked out.

The property has been cited with extensive code violations and has required on-going emergency operating assistance from the Agency since 2007 to remain open. Most recently, the Agency provided a \$325,000 grant to the court-appointed trustee of the California Hotel, Anne Omura, through Resolution No. 2010-0023 C.M.S. dated March 16, 2010 to help cover monthly operating expenses, including utilities, minor maintenance and an elevator service contract. The City has worked with Ms. Omura (the director of the Eviction Defense Center) and EBALDC to come up with a feasible plan to transfer the property and ensure its continuing affordability for the future.

The California Hotel was approved for a \$5,253,000 Agency loan and \$3,168,000 City loan through the City's Notice of Funding Availability (NOFA) for New Construction and Substantial Rehabilitation by Resolution Nos. 2011-0010 C.M.S. and 83252 C.M.S. on March 3, 2011. EBALDC also received an Agency grant in the amount of \$300,000 by Resolution No. 2010-0022 C.M.S. on March 16, 2010 for predevelopment expenses associated with the acquisition and rehabilitation of the property.

KEY ISSUES AND IMPACTS

- The California Hotel currently has 150 units, all of which have their own bathrooms. Fifty-three (53) units are SRO units without kitchens (each floor has a common kitchen for resident use), eighty (80) units are SRO units with kitchenettes, and sixteen (16) units are studio units with full kitchens. One (1) unit is a two-bedroom manager unit. Approximately 35 units are currently occupied by very low-income individuals and the remaining 115 units are vacant and generally unsuitable for occupancy until rehabilitation can be undertaken. The majority of the vacant units have been unrentable for many years due to their poor condition. The rehabilitation of the California Hotel will reconfigure the building to equip each unit with its own kitchen or kitchenette. Furthermore, to make the property more financially feasible for the long-term, the unit types will be diversified. Since SRO units are not as in demand or marketable as other unit types, more studios are being added and one- and two-bedroom units are also being included. As a result, the total number of affordable units in the building will be reduced by 14. Under state law, the reduction in the absolute number of units in the property requires approval of a Replacement Housing Plan. While the current suspension of redevelopment agency activities under state law prohibits agencies from taking many actions, it does not prohibit agency adoption of a replacement housing plan.

The reduction of SRO units without equivalent replacement SRO units also does not meet the Agency's own replacement housing policy for SRO units, adopted through Resolution No. 2003-54 C.M.S. Per the definition of SRO unit in the policy, 25 SRO units will be lost in the California Hotel when units are converted into studio, 1- and 2-bedroom units, even though the total number of units will be reduced by only 14 units. The 25 units must be replaced with equivalent replacement SRO units per the Agency's policy. The project is requesting an exemption from this policy considering the project had many vacant SRO units for many

years, and because studio, 1- and 2-bedroom units are in greater demand and more marketable.

- In March 2011, the California Hotel was awarded \$3,168,000 in HUD HOME funds by the City (in addition to \$5,253,000 in Agency funds for a total of \$8,421,000). The Redevelopment Agency has exceeded its mandated proportionality test for senior housing funds, which requires that funds be spent on senior housing based on the proportion of seniors in the redevelopment area. As a result, only HOME funds can be used for affordable senior housing development. In order to free up HOME funds that could possibly be awarded to a senior housing project in the 2011-2012 NOFA, staff proposes that \$1,851,250 of City HOME funds be swapped for \$1,300,000 of HUD Neighborhood Stabilization Program 3 (NSP3) funds and \$551,250 of State LHTFP funds.
- In view of the high operating costs the project will likely face, EBALDC will require significant upfront funding of an operating reserve in order to move ahead with acquiring and rehabilitating the property. In June 2011, the California Hotel was awarded 9% Low Income Housing Tax Credits, which will generate equity sufficient to fund close to 50 percent of the rehabilitation, or \$11.5 million. In order to access the tax credit equity awarded to the project, EBALDC has to form a limited partnership with an equity investor who receives tax benefits in exchange for providing project financing. EBALDC's affiliated entity for the property will become the owner of the project at year 15 when the partnership dissolves; however, the equity investor keeps the project assets, including funds in reserve accounts, remaining at that time. To fund a long-term operating reserve but avoid the investor taking the reserves after the 15-year tax credit period, staff is requesting approval to establish a third-party trust account in the amount of \$1.5 million with a portion of the Agency funds awarded to the project. This account will enable the project's operating reserves to remain with the project when the limited partnership dissolves and thus protect the project's long term financial viability. City staff approval will be required for disbursement of funds from this trust account, and funds will only be disbursed if and to the extent the project is facing operating deficits. After the 15-year tax credit period, the trust account will be closed; the funds will then be deposited into the project's operating reserve and used in accordance to the project's Regulatory Agreement.

PROJECT DESCRIPTION

Once rehabilitation efforts are completed, the California Hotel will provide 135 affordable units with supportive services for very low and extremely low-income individuals. (The property will also include two manager units for a total of 137 units.) The scope of rehabilitation work includes unit reconfiguration to include private cooking facilities; upgraded unit finishes; structural, fire, and life-safety upgrades to comply with current building code; new windows, plumbing, heating and roof; a solar powered water heater; accessibility improvements; a high-efficiency ventilation system; elevator upgrades; and other improvements. Sustainable and green

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materials and building practices will be utilized as part of the rehabilitation. The project also includes approximately 8,000 square feet of existing commercial space at the ground floor level.

This property is central to the City's PATH plan to create permanent supportive housing for those who are homeless. The project will target 25 percent of the units to homeless individuals and individuals with special needs. Social services will be provided by Lifelong Medical Care, and, for those units subsidized by the Mental Health Services Act, by service providers through Alameda County Behavioral Health Care Services. All units will receive a rental subsidy through new Project-Based Section 8 vouchers from the Oakland Housing Authority (OHA). Tenants will therefore pay only 30% of their income for rent, while operating income will be stabilized via the on-going operating subsidy from OHA.

Replacement Housing Plan Approval

Due to the Agency's funding of the project, the reduction of 14 units available to very-low income residents requires approval of a Replacement Housing Plan, provided as *Attachment A*. This Replacement Housing Plan will guide and facilitate the Agency's efforts 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). Replacement housing units will be provided by the St. Joseph's Family Apartments project, which has received Agency funding. This project will newly construct a total of 43 units of affordable housing targeted to very-low income residents, 14 of which will serve as the replacement housing units for the California Hotel.

SRO Replacement Housing Policy Exemption

The Agency adopted a replacement housing policy for SRO units through Resolution No. 2003-54 C.M.S., dated July 15, 2003. This policy requires one-for-one replacement of SRO units that are destroyed or removed from the housing market as part of a redevelopment project with other replacement SRO units. Although only a total of 14 affordable units will be removed from the property due to the rehabilitation, 25 SRO units will be removed from the housing stock, per the narrow definition of the Agency replacement housing policy.

The reduction in SRO units is due, in part, to the addition of private kitchen facilities to each unit. Also, as shown in the table below, the rehabilitation is diversifying the unit mix into studio, one- and two-bedroom units. Adding kitchens to each unit and diversifying the unit mix will help the long term financial health of the project. Adding some larger units allows for some residents to utilize in-home services provided by a caretaker. In general, larger units with kitchens are in greater demand and more marketable than SRO units and thus, will help reduce project vacancies.

Unit Type	Existing	Post-Rehabilitation
SRO without Kitchenette	53	0
SRO with Kitchenette	80	0
Studio	16	120
1-Bedroom	0	12
2-Bedroom	<u>1 (Manager Unit)</u>	<u>5 (2 Manager Units)</u>
Total	150	137

Since the definition of an equivalent replacement SRO unit set forth in the policy is fairly narrow, no equivalent SRO units are in the development pipeline at this time that can be considered as replacements for the 25 SRO units being reduced due to the rehabilitation of the California Hotel. However, the goal of this project is to upgrade this important housing stock and provide permanent supportive housing units to homeless and special need individuals. Therefore, staff is requesting an exemption to the policy for this project, as no new affordable units are currently in the development pipeline that can be considered as replacement SRO units as defined in the policy.

City Funding Source Change from HOME to NSP3 and State Local Housing Trust Fund Program

City funds have long supported the development of affordable housing development for seniors. However, the Redevelopment Agency has currently exceeded its mandated proportionality test for funds, which requires that funding be spent on senior housing based on the proportion of seniors in the redevelopment area. Therefore, currently only HOME funds may be used for senior housing. In an effort to make more HOME funds available for future senior housing projects, staff is requesting to change the sources of a portion of the City funds awarded to the California Hotel.

The City and Agency awarded to the project a total of \$8,421,000, of which \$3,168,000 were HUD HOME funds. The City received an award of HUD Neighborhood Stabilization Program funds (NSP3) in March 2011. These funds have strict eligibility requirements and can only be spent on projects that are in foreclosure or abandoned in certain areas in West Oakland as defined in the NSP3 substantial amendments. Funds are to be spent on a specific number of units that will ensure a measurable impact and focus on a range of solutions that stabilize the targeted neighborhoods. Additionally, HUD has encouraged multi-family and single-family rental outcomes as a means of satisfying the continued requirement to use 25% of funding to assist households with incomes that are 50% or below the Area Median Income (AMI). The California Hotel property meets these requirements. As a result, staff proposes to allocate \$1,300,000 of the NSP3 funds to the California Hotel, which would free up the same amount of HOME funds for a future housing project.

Furthermore, in June 2010, the City of Oakland received an award of Local Housing Trust Fund Program funds in the amount of \$1,575,000 from the State of California, Housing and Community Development Department. Per the Program regulations and the City's agreement with the State, \$551,250 must be spent on affordable rental or ownership housing development targeting households at or below 35 percent of Area Median Income (AMI) (the remaining \$1,023,750 must be spent on the City's First-Time Homebuyer Mortgage Assistance Program targeting households at or below 80 percent of AMI). Considering 55 units at the California Hotel will target households at or below 35 percent of AMI and the project's construction schedule meets the expenditure timeline requirements of the LHTRF funds, staff recommends using \$551,250 of LHTRF funds on the California Hotel project. Furthermore, this action will free up additional HUD HOME funds, as discussed above, that could potentially be awarded to a senior housing project in the 2011-12 NOFA.

Trust Account for Operating Reserve

In June 2011, the California Hotel received an extremely competitive State of California 9% Low Income Housing Tax Credit award. The equity generated from the syndication of the tax credits will fund close to 50 percent of the rehabilitation, or \$11.5 million.

As with many affordable housing projects, the project will set aside a large operating reserve from the development budget to ensure the long term financial feasibility of the property. Since operating expenses tend to increase at a faster rate than rental revenue for the project of this size, income level and at this location, the operating reserve will be needed to subsidize property operations in the future. Although the project has a 30 year commitment of HUD Section 8 operating subsidy revenue, the reserve funds will also serve as a safety net in the unlikely case that this source of funding goes away. The property needs an operating reserve in the amount of approximately \$3 million, of which \$1.5 million will not be needed until after the fifteenth year of building operations.

In order to access the tax credit equity awarded to the project, EBALDC will form a limited partnership with an equity investor who receives tax benefits for 15 years in exchange for providing project financing. At the end of 15 years, the partnership will dissolve and EBALDC will buy out the investor to become the full owner of the property for the remaining life of the project. At the time the partnership is dissolved, all remaining project assets must stay with the investor, including any funds remaining in the operating reserve. As a result, the property could lose \$1.5 million of operating reserve funds that will have not yet been used. Therefore, staff is requesting approval to establish a third-party trust account in the amount of \$1.5 million from a portion of the Agency funds awarded to the project. This trust account will be separate from the limited partnership and thus, will not be considered an asset that will be kept by the partnership. The creation of this trust account will enable the funds to stay with the project. City staff approval will be required for disbursement of funds.

SUSTAINABLE OPPORTUNITIES

Economic: The California Hotel will preserve and expand the affordable housing inventory in Oakland and generate construction and professional services jobs. Providing permanent supportive housing units for formerly homeless and special needs households will stabilize their lives and help reduce the emergency health and other services typically required for this population. Providing very-low income people with affordable housing will free up disposable income to be spent on other goods and services in Oakland.

Environmental: This project will utilize sustainable and green materials and practices in the rehabilitation. It will rehabilitate existing housing near public transit, jobs, and other services located in the San Pablo Corridor area.

Social Equity: Affordable housing is a means of achieving greater social equity. The proposed developments will provide affordable rental housing for very low-income and formerly homeless individuals. Affordable housing with social services will help ensure stability for people who have previously had difficulty obtaining safe and decent housing.

DISABILITY AND SENIOR CITIZEN ACCESS

All housing development projects receiving federal funds are required to construct and set aside units to be occupied by persons with disabilities (Federal Section 504 regulation). This means that at least five percent of federally funded newly constructed units will be available to persons with physical disabilities and two percent of units to persons with auditory or visual disabilities. The State's Title 24 and the Americans with Disabilities Act require consideration of persons with disabilities in design and construction of housing. The rehabilitation of the project includes accessibility upgrades. Furthermore, the property will be required to devise a strategy to effectively market housing units to the disabled community and present this strategy in their Affirmative Fair Housing Marketing Plan. This property, due to its funding through the Mental Health Services Act, will particularly target persons with mental disabilities who have been homeless.

RECOMMENDATIONS AND RATIONALE

Staff is recommending support for the following actions in order to improve the condition of the property through the acquisition and rehabilitation of the California Hotel. The project will increase livability for future residents of the project who will be able to obtain higher quality affordable housing which includes private cooking facilities. The reconfiguration of the project will increase its financial feasibility since larger units with kitchens are in greater demand, and will ensure that the developer will move forward with rehabilitation of this threatened affordable housing resource.

First, staff recommends that the Agency approve the Replacement Housing Plan for the California Hotel. The Agency has identified the St. Joseph's Family Apartments affordable housing project as replacement housing units for the 14 affordable units being reduced through the reconfiguration of the project.

Second, staff recommends an amendment to the Agency's SRO replacement housing policy to exempt the California Hotel. Although the number of SRO units as defined by the policy will be reduced by 25 units, residents will have upgraded living conditions, affordable rents, and social services to help them remain housed. Each unit will include private cooking facilities, rather than shared facilities. The project will provide 135 long-term restricted affordable units, with a mix of studios, one-bedroom and two-bedroom units, rather than only SRO units. The goal of the rehabilitation of the California Hotel is to upgrade this SRO housing resource. It will ultimately preserve and improve the permanently affordable units that serve extremely low-income individuals (including the formerly homeless and individuals with special needs) in supportive housing. The Agency is currently not funding any new projects that include SRO units that could be considered as sufficient replacement housing units as spelled out in the policy. Therefore, staff is recommending that this project be exempt from the Agency's policy requiring one-for-one replacement of SRO units.

Third, staff proposes that \$1,851,250 of HUD HOME funds be swapped for two other sources: \$1,300,000 of HUD Neighborhood Stabilization Program 3 (NSP3) funds and \$551,250 of State Local Housing Trust Fund Program funds. This substitution of funds would free up HOME funds that can be used to fund senior housing projects in the next affordable housing Notice of Funding Availability (NOFA) funding round. The swap will also utilize the City's award of NSP3 funds that have narrow geographic requirements for use and the City's award of LHFTP funds that have specific income and timeline requirements for use. No change in the total commitment is proposed for the California Hotel; only the funding sources are being modified.

Finally, staff recommends the creation of a third-party trust account for operating reserve funds in the amount of \$1.5 million with a portion of the Agency funds awarded to the project, which will help avoid tax liabilities associated with the project when the limited partnership dissolves in the fifteenth year of the project so that the operating reserves will be preserved to keep the California Hotel financially stable in the long term.

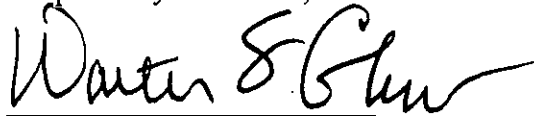
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ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends the following actions in the attached Resolutions for the California Hotel: Agency approval of the Replacement Housing Plan, Agency approval to exempt the project from the SRO replacement housing policy, Agency approval to establish a third-party trust account in the amount of \$1.5 million for operating reserve funds with a portion of the Agency funds awarded to the project; and City approval to change the source of \$1,851,250 from HOME to \$1,300,000 of NSP3 finds and \$551,250 of LHFP funds.

Respectfully submitted,




Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by: ^{MB}
Michele Byrd, Deputy Director
Housing and Community Development

Prepared by:
Meghan Horl
Housing and Community Development Division

**APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:**



Office of the City/Agency Administrator

Attachments

Attachment A: Replacement Housing Plan, the California Hotel

Attachment A

CALIFORNIA HOTEL

REPLACEMENT HOUSING PLAN

I. Introduction

The Redevelopment Agency of the City of Oakland ("Agency") is proposing to provide funding to assist the East Bay Asian Local Development Corporation or its affiliate (the "Developer") with the rehabilitation of the California Hotel affordable housing project (the "Project"), as described in Section II below. The Project is located within the West Oakland Redevelopment Project Area (the "Project Area"), which is governed by the West Oakland Redevelopment Plan adopted on September 23, 2003 (the "Redevelopment Plan").

The rehabilitation of the Project requires the reduction of a total of 14 very low-income housing units located in the existing California Hotel property at 3501 San Pablo Avenue. The Notice to Proceed for the rehabilitation is scheduled to be issued in February 2012.

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. California Hotel Project

The California Hotel Project includes the rehabilitation of an existing historic residential property. The Agency and City of Oakland have made funding commitments of \$5,253,000 and \$3,168,000 respectively for the Project, for a City/Agency total of \$8,421,000, contingent on approval of a Replacement Housing Plan and other project feasibility approvals.

The California Hotel is a 150-unit single-room occupancy (SRO) affordable housing property with rents restricted to very low-income residents. The rehabilitation Project includes reconfiguration and enlargement of units in the properties, resulting in a reduction of 14 affordable units. Some units at the California Hotel are extremely small and do not include kitchen facilities. All units contain bathrooms. The rehabilitation plan includes adding private kitchenettes to all units to improve livability for residents and changing some SRO units to studio, one-bedroom and two-bedroom units. The space needed to make these modifications requires an overall reduction in the number of units.

After rehabilitation is complete, the California Hotel will total 137 units, 135 of which will be 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 14 of the replacement dwelling units as defined in California Health and Safety Code § 33411.2 for the California Hotel project, will be developed off-site as part of the St. Joseph’s Family Apartments project.

V. Means of Financing

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

SOURCES	
Mental Health Services Act	1,000,000
CEDA (Agency) Loan Funds	5,253,000
City of Oakland – HOME funds	3,168,000
FHLB AHP Funds	1,000,000
9% Tax Credit Equity	11,462,918
Historic Tax Credit Equity	4,424,468
TOTAL	26,308,386

The funding for the replacement dwelling units at St. Joseph’s Family Apartments include the following anticipated sources and amount of financing:

SOURCES	
City of Oakland – HOME funds	3,805,344
Redevelopment Agency of the City of Oakland	6,427,656
Developer Equity	1,100,000
Permanent Mortgage A	2,072,500
Permanent Mortgage B	1,567,452
Infill Grant Program	3,189,280
AHP Loan	620,000
Private Grants	125,000
Tax Credit Equity	10,554,821
TOTAL	29,462,053

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 St. Joseph’s Family Apartments 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 California Hotel property include 14 SRO units that are currently vacant and previously occupied by very low-income households.

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

BRIDGE Housing will develop housing at St. Joseph’s Family Apartments, located at 2647 International Boulevard, which will be all affordable rental housing. The units to be provided in the project consist of one-bedroom, two-bedroom, and three bedroom affordable apartments. Of the 61 affordable units, 43 units will 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	12	12
2	17	34
3	14	42
Totals:	43	88

The following units in the St. Joseph’s Family project will be counted as replacement units for the California Hotel project: twelve 1-bedroom units and two 2-bedroom units.

The Agency 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 14 units destroyed or removed subject to and in accordance with the following standards:

1. **Timing:** The Agency 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 14 replacement housing units will be rented to households with very low incomes.
3. **Guarantee for Displacees:** 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; although no displacement is anticipated due to the rehabilitation.

VIII. Timetable For Development of the Replacement Housing

The projected start and completion dates for the replacement dwelling units at the St. Joseph's Family Apartments project are:

Start Construction:	February 2012
Complete Construction:	March 2013

IX. Monitoring and Reporting

Pursuant to California Health and Safety Code § 33418, the Agency 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 Agency will require the owners or managers of the replacement housing units to submit an annual report to the Agency. The annual report to the Agency 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 Agency 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.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

APPROVED AS TO FORM AND LEGALITY:


AGENCY COUNSEL

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OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C.M.S.

AGENCY RESOLUTION APPROVING THE REPLACEMENT HOUSING PLAN FOR THE CALIFORNIA HOTEL PROJECT, AND AMENDING AGENCY RESOLUTION NO. 2003-54 C.M.S. TO EXEMPT THE CALIFORNIA HOTEL PROJECT FROM THE AGENCY'S REPLACEMENT HOUSING POLICY FOR SINGLE ROOM OCCUPANCY UNITS

WHEREAS, through Resolution No. 2011-0010 C.M.S., dated March 3, 2011, the Agency has committed a \$5,253,000 loan to East Bay Asian Local Development Corporation (the "Developer") for the rehabilitation of the California Hotel project located at 3501 San Pablo Avenue (the "Project"); and

WHEREAS, the City of Oakland also committed a \$3,168,000 loan to the Developer for the Project through Resolution 83252 C.M.S., dated March 3, 2011, for a total City and Agency loan amount not to exceed \$8,421,000; and

WHEREAS, the Developer is proposing to enlarge units as part of the Project to add private cooking facilities in units currently without kitchen facilities and diversify the unit mix to add studio, one- and two-bedroom units; and

WHEREAS, the enlargement and reconfiguration of units associated with the rehabilitation of the Project will require the reduction of a total of 14 affordable units; and

WHEREAS, the Agency adopted a replacement housing policy for single room occupancy ("SRO") units through Resolution No. 2003-54 C.M.S. dated July 15, 2003, which requires that if Agency-funded projects result in the removal of vacant or occupied SRO units from the housing market, the Agency must provide or cause to be provided one-for-one replacement of those units with SRO units of comparable size and affordability; and

WHEREAS, the reduction in the total number of affordable units to add private kitchen facilities and the reconfiguration of the property to add studio, one and two-bedroom units will reduce the number of SRO units by 25 per specific definition of "SRO housing" in the replacement housing policy; and

WHEREAS, the reduction of these housing units 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 permanent supportive affordable units in the city of Oakland; and

WHEREAS, there are no new SRO housing units currently being rehabilitated or constructed meeting the definition of a replacement SRO housing unit set forth in the SRO replacement housing policy which the Agency can claim as replacement housing units for the 25 SRO units being reduced in the Project; and

WHEREAS, Section 33413 of the California Health and Safety Code requires that dwelling units housing households of very low, low or moderate income that are destroyed or otherwise removed from the low and moderate income housing market as part of a redevelopment project that is subject to a written agreement with a redevelopment agency or that receives financial assistance from the agency be replaced on a one-for-one basis with comparable units; and

WHEREAS, Section 33413.5 of the California Health and Safety Code requires that a redevelopment agency adopt by resolution a replacement housing plan if such dwelling units are destroyed; and

WHEREAS, the Agency drafted a Replacement Housing Plan for the Project, attached to the staff report accompanying this Resolution, providing for the replacement within four years of the housing units demolished on the Project site with 14 units affordable to very low-income households earning no more than 50% of area median income; and

WHEREAS, the Replacement Housing Plan was made available to other public agencies and the general public for a reasonable time prior to the adoption of this Resolution; and

WHEREAS, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the Agency hereby adopts the Replacement Housing Plan for the California Hotel Project, attached to the staff report accompanying this Resolution; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA pursuant to Section 15061(b)(3) (general rule) of the CEQA guidelines; and the Agency Administrator shall cause to be filed with the County of Alameda a Notice of Exemption; and be it

FURTHER RESOLVED: That Resolution No. 2003-54 C.M.S. is hereby amended to exempt the California Hotel Project from the Agency's SRO replacement housing policy; and be it

FURTHER RESOLVED: That the Agency Administrator or his or her designee is hereby authorized to take action as necessary to implement the Replacement Housing Plan, and take any other action with respect to the Replacement Housing Plan consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

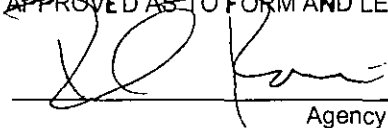
ATTEST: _____

LATONDA SIMMONS
Secretary, Redevelopment Agency
of the City of Oakland

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 OCT 13 PM 6:19

APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AMENDING AGENCY RESOLUTION NO. 2011-0010 C.M.S. TO ALLOW A PORTION OF THE AGENCY LOAN TO THE CALIFORNIA HOTEL PROJECT TO BE USED TO ESTABLISH A TRUST ACCOUNT IN THE AMOUNT OF \$1.5 MILLION FOR AN OPERATING RESERVE

WHEREAS, Resolution No. 2011-0010 C.M.S. dated March 3, 2011 (the "Resolution") authorized an affordable housing development loan in an amount not to exceed \$5,253,000 to East Bay Asian Local Development Corporation (the "Developer") for the California Hotel housing project (the "Project"), rehabilitation of a 137 unit rental housing project located at 3501 San Pablo Avenue in the City of Oakland; and

WHEREAS, the Resolution allocated \$1,683,802 from Low Mod Operations funds and \$3,569,198 from 2006 Affordable Housing Set-Aside Bond funds; and

WHEREAS, in June 2011, the Developer was awarded Low Income Housing Tax Credits to help finance the project that will result in the creation of a limited partnership between the equity investor and the Developer; and

WHEREAS, the limited partnership will dissolve after 15 years, and EBALDC will become the full owner for the remaining life of the Project; and

WHEREAS, the Project requires the creation of an operating reserve to subsidize future operating deficits to ensure the long term financial feasibility of the Project; and

WHEREAS, a third-party trust account is needed for the first 15 years of the Project to protect the operating reserves remaining in the Project from tax liabilities when the partnership dissolves; and

WHEREAS, the trust account will close at the end of 15 years when the limited partnership dissolves and the funds will be placed in the Project's operating reserve for use according to the Project's Regulatory Agreement now, therefore, be it

RESOLVED: the Redevelopment Agency hereby amends Resolution No. 2011-0010 C.M.S. to establish a trust account in the amount of \$1.5 million for an operating reserve with a portion of the Agency funds already awarded to the Project; and be it

FURTHER RESOLVED: That \$1,500,000 shall be allocated from Low Mod Operations Funds (9580), Housing Development Organization (88929), California Hotel Project (L438210) for this purpose; and

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or her designee to conduct negotiations, execute documents, and take any other action with respect to the trust account and the Project consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That all loan documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

LaTonda Simmons
Secretary of the Redevelopment Agency
of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 OCT 13 PM 6:19

APPROVED AS TO FORM AND LEGALITY:


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AMENDING RESOLUTION NO. 83252 C.M.S. TO CHANGE THE SOURCE OF FUNDS FOR A PORTION OF AN AFFORDABLE HOUSING DEVELOPMENT LOAN IN AN AMOUNT NOT TO EXCEED \$3,168,000 TO THE EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION FOR THE CALIFORNIA HOTEL PROJECT FROM HUD HOME FUNDS TO HUD NEIGHBORHOOD STABILIZATION FUNDS AND STATE OF CALIFORNIA LOCAL HOUSING TRUST FUND PROGRAM FUNDS

WHEREAS, Resolution No. 83252 C.M.S. dated March 3, 2011 (the "Resolution") authorized an affordable housing development loan in an amount not to exceed \$3,168,000 to East Bay Asian Local Development Corporation (the "Developer") for the California Hotel housing project (the "Project"), rehabilitation of a 137 unit rental housing project located at 3501 San Pablo Avenue in the City of Oakland; and

WHEREAS, the Resolution allocated \$3,168,000 from HUD HOME funds for the loan; and

WHEREAS, funds are now available from HUD Neighborhood Stabilization Program 3 ("NSP3") funds that can be used only for foreclosed or abandoned low-income rental housing within certain areas of West Oakland; and

WHEREAS, funds also are now available from State of California Local Housing Trust Fund Program ("LHTFP") monies that can be used only for affordable rental housing projects with units restricted to households with incomes at or below 35 percent of area median income (AMI); now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No. 83252 C.M.S. to change the source of funds for a portion of the loan to the Project in an amount up to \$1,300,000 from HUD HOME funds to HUD NSP3 funds, as determined appropriate by the City Administrator; and be it

FURTHER RESOLVED: That \$1,300,000 shall be allocated from NSP3 funds in a fund number to be determined for this loan; and be it

FURTHER RESOLVED: That the City Council hereby amends Resolution No. 83252 C.M.S. to change the source of funds for a portion of the loan to the Project in an amount up to \$551,250 from HUD HOME funds to State of California LHTFP funds, as determined appropriate by the City Administrator; and be it

FURTHER RESOLVED: That \$551,250 shall be allocated and appropriated from LHTFP funds in a fund number to be determined for this loan; and be it

FURTHER RESOLVED: That the original amount allocated from the HUD-HOME Fund (2109), Housing Development Organization (88929), HOME Housing Development Project (G172111), for this loan shall be changed from \$3,168,000 to \$1,316,750.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2011

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, City of Oakland