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OAKLAND

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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Larry Reid
President, Oakland City
Council

SUBJECT: Housing Related Infrastructure Loan
to the Coliseum Connections
Affordable Housing Development

DATE: June 20, 2017

City Administrator Approval

Date:

RECOMMENDATION

I recommend that the City Council adopt the following resolution:

RESOLUTION AUTHORIZING A ZERO INTEREST LOAN IN AN AMOUNT NOT TO EXCEED \$4,675,000 FROM HOUSING-RELATED INFRASTRUCTURE GRANT FUNDS UNDER THE 2015-16 AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM, TO COLISEUM TRANSIT VILLAGE ONE LP OR AFFILIATE FOR HOUSING-RELATED INFRASTRUCTURE AT THE COLISEUM CONNECTIONS AFFORDABLE HOUSING DEVELOPMENT AT 801-844 71ST AVENUE

EXECUTIVE SUMMARY

I, along with the Housing and Community Development Department (HCDD), am recommending approval of a resolution authorizing a \$4,675,000 loan from a portion of the total 2015-16 Affordable Housing and Sustainable Communities (AHSC) infrastructure grant award to the Coliseum Connections project.

The project developer, Urban Core, and the City were joint applicants for AHSC funding of Coliseum Connections, a "workforce" affordable housing development. The project was awarded \$14,844,762 in AHSC funds.

Recently, Urban Core requested that the City accept a portion of the infrastructure funds awarded to Coliseum Connection on behalf of Urban Core, and lend this amount to the project. This portion of the award -- the Housing Related Infrastructure (HRI) grant funds in the amount of \$4,675,000 -- is designated for infrastructure improvements required by the City's Planning and Building Department as a condition of approval of the Coliseum Connections housing development.

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REASON FOR URGENCY

If the proposed actions are not approved, the housing development will have a financing gap of approximately \$1,500,000. The reason for this is that Urban Core set up its financing structure such that the housing related infrastructure costs are included as a component of the housing development costs and are counted toward the "eligible basis" of the project. The eligible basis determines the amount of potential equity investment that will be provided by a low-income housing tax credit investor. Urban Core has been advised by tax counsel that if the HRI grant is included in the "eligible basis" it will be treated as taxable income to the housing development partnership, thus reducing the return to the investor and the amount of the equity investment. For non-profit housing developers that have received these types of grant funds, this is not an issue as those organizations are exempt from income taxation. However, since Urban Core is a for-profit company, receipt of grant funds would be subject to taxes even though the funds will be used for infrastructure required as a condition of approval for the development. As a result, Urban Core has asked the City, in its capacity as a joint applicant for the AHSC funds, to accept the grant on behalf of Urban Core and provide a no-interest loan back to the development partnership. The developer has expressed urgency with regard to advancing this transaction as the low income housing tax credit equity generated by this transaction might be further reduced due to the national debate around income tax rates. Additionally, if this loan issue is not resolved, it threatens the other AHSC funds awarded to the project in the total amount of \$14,844,762 (see detail of projects in "Background/Legislative History" section below).

BACKGROUND / LEGISLATIVE HISTORY

On April 5, 2016, the City Council adopted Resolution No. 86094 C.M.S. authorizing the application for, acceptance of, and appropriation of up to \$160 million in grant funds from the California Strategic Growth Council (SGC) and the State of California's Housing and Community Development Department (CA HCD) under the 2015-2016 AHSC Program. Resolutions correcting the funding amounts were adopted on June 7, 2016, and July 7, 2016.

Urban Core and the City were co-applicants for AHSC funds to support the development of Coliseum Connections. The project is located at 801-844 71st Avenue (at Snell Street) near the Coliseum BART station. Rents for 55 housing units will be restricted to provide housing affordable to households at or below 60% of area median income. The project will include related public improvements that will be implemented by the City's Department of Transportation, AC Transit, and BART. Those public improvements include pedestrian-scale lighting installation and assorted pedestrian improvements and Class 2 bicycle lanes located on Edgewater. AC Transit will receive funds to purchase a new hybrid bus for AC Transit Route M7 and assorted infrastructure for the Bus Rapid Transit located on International Boulevard. At the Coliseum BART station, bicycle access channels will be installed to improve bicycle access to the station. Additionally, the AHSC award includes program funds that will provide transit passes for a period of three years to the residents of the housing development.

This development received a funding award for the AHSC 2016-17 program year on November 21, 2016. The City and Urban Core were awarded an aggregate amount of \$14,844,762 in

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AHSC funds consisting of (1) \$5,223,012 in an AHSC Housing Loan that CA HCD will disburse to the developer for the construction of the project; and (2) \$9,621,750 in AHSC Program Grant funds that CA HCD will disburse to the City. The AHSC Program Grant is comprised of four separate grants: (1) a \$4,675,000 grant for Housing-Related Infrastructure (the "HRI Grant"), (2) a \$27,225 Program Grant (the "PGM Grant"), (3) a \$4,421,325 Sustainable Transportation Infrastructure Grant (the "STI Grant"), and (4) a \$498,200 Transportation Related Amenities Grant (the "TRA Grant").

In April 2017, staff received a request from Urban Core that the City accept the HRI Grant in the amount of \$4,675,000 and provide a no-interest "mirror loan" or pass-through loan to the development partnership in the same amount to fund the housing-related infrastructure portion of the project costs. Those project costs are designated for infrastructure improvements required by the City's Planning and Building Department as a condition of approval of the Coliseum Connections housing development. The provision of a loan is allowable per the AHSC guidelines, which provide:

Where the Affordable Housing Development is receiving low-income housing tax credits, the Public Agency [in this case the City of Oakland] or Developer may provide AHSC Program grant funds to the limited partnership of the Affordable Housing Development in the form of a zero (0) percent, deferred payment loan, with a term of at least 55 years. The loan may be secured by a deed of trust which may be recorded with the local county recorder's office. Provided, however, the beneficiary of the loan shall not under any circumstances exercise any remedy, including, without limitation, foreclosure, under absolute discretion. The loan may not be sold, assigned, assumed, conveyed or transferred to any third party without prior written Department (CA HCD) approval in its sole and absolute discretion.

If the proposed resolution is approved, the funds that Urban Core will expend for the housing related infrastructure scope of work that was identified in the AHSC application will be loaned to the project by the City. A Standard Agreement between the joint applicants (Oakland and Urban Core) and CA HCD will be executed that will identify the City of Oakland as the "Designated Payee." The AHSC grant award is reimbursable, so the funds will be disbursed based on expenses incurred on the construction of the infrastructure scope of work identified in the AHSC application. Urban Core will provide the City all documentation for the expenses incurred in the format required by AHSC grant disbursement guidance. CA HCD will evaluate the reimbursement request and determine if it is sufficient to reimburse the expenses incurred, and will reimburse the City as Designated Payee of the grant. The City will then disburse the funds as a loan directly to the developer. Disbursement of the loan proceeds will require the same amount of management as other infrastructure grants awarded by CA HCD. The City's Housing and Community Development Department will coordinate the preparation and execution of the loan documents and any reporting and monitoring required of the HRI Grant.

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ANALYSIS AND POLICY ALTERNATIVES

If the City Council chooses not to proceed with this recommendation, then the Coliseum Connections project is at risk of not proceeding. The funding gap noted earlier in this agenda report of approximately \$1,500,000 would delay this project in a way that would be a detriment to the other financing that is committed to this project. Also, if the project developer is required to pursue these additional funds via other funding sources it would likely result in higher holding costs and risks of further increases in construction costs as has been the trend in the last few years.

Additionally, if the City Council chooses not to proceed with this recommendation, then it would likely jeopardize other AHSC loans and grants committed to the project including transit infrastructure, amenities and programs. It is staff's understanding that all elements of the original AHSC awarded project must be completed in order to be eligible to receive the full disbursement of infrastructure grant funds.

Finally, if the City Council chooses not to proceed with this recommendation and other funds linked to this AHSC award do not get disbursed to the other transit projects present in the application, then it jeopardizes the City's relationship with AHSC applicant partners (internally between the City's HCDD and Department of Transportation; externally with AC Transit and BART).

FISCAL IMPACT

Securing the AHSC Program funds will contribute to the City's affordable housing development goals. This funding will also support important infrastructure including work on the City's complete streets program as well as transit infrastructure improvements for AC Transit's work on the International Boulevard Bus Rapid Transit that have a funding award linked to this development (\$3,132,525). Upgrades to all proposed City infrastructure will reduce the costs of maintaining aging infrastructure. In addition, it will prepare the City for its projected population growth and key objectives to create a sustainable and revitalized urban environment and fulfill the objectives of reducing reliance on automobile travel (vehicle miles traveled or VMT) and increasing affordable housing, as well as reducing greenhouse gas emissions (GHG).

The fiscal impact to the City is the staff time necessary to document the loan and coordinate with CA HCD regarding disbursement of the loan proceeds.

PUBLIC OUTREACH / INTEREST

Applicants to the AHSC Program must demonstrate that there has been some form of outreach to the community to evaluate the proposed projects. In the case of affordable housing developers, in order to maximize their final AHSC Program score, they should demonstrate and document that they have conducted community meetings with neighborhood organizations. They must also demonstrate the outreach approaches (e.g., social medial, printed flyers

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distributed in the neighborhood, and email list-serves) prior to application submission. Applicants must prepare a community outreach plan documenting efforts. In the case of public infrastructure project grant applicants, staff from those programs must demonstrate that the project is included in a public community plan (e.g. specific plan, bicycle master plan, station area plan, service expansion plan, or other types of community plans). These requirements were satisfied in connection with the original application for AHSC funding.

COORDINATION

The City's HCD Department work on these grants forges important and valuable relationships between the City's Department of Transportation and our state partner agencies, the SGC and HCD. Additionally, the City's HCD Department and Department of Transportation are strengthening their relationships with the regional transit providers BART and AC Transit. Inevitably, this will improve overall services to the Oakland community and support the region's goals on sustainability and resiliency.

SUSTAINABLE OPPORTUNITIES

Economic: Restructuring a portion of the AHSC grant as a loan to the development partnership will close a financing gap that would otherwise arise if the proceeds were treated as a grant to the partnership. Receipt of the AHSC Program funds will give the City the opportunity to use over \$15,000,000 in loans and grants to support City affordable housing and transportation infrastructure.

Environmental: Projects selected will be required to incorporate sustainable design elements, improve energy efficiency and reduce the use of natural resources by utilizing recycled-content materials wherever possible as well as recycle construction debris to meet City waste recycling program. Additionally, those applicants awarded loans and grants will have received funding because of the project's scoring based on reduction of vehicle miles travelled and related reductions in greenhouse gases.

Social Equity: Projects enhance the provision of basic service levels and quality of life amenities to very low- and low-income neighborhoods. In addition, those applicants awarded loans and grants will have received funding because of the project's proximity to Disadvantaged Communities as determined by California Air Resources Board who is using the California Emissions Estimator Model (CalEEMod) evaluation tool. Finally, all projects must demonstrate how they have consulted with and are implementing community-vetted projects.

CEQA

A threshold readiness requirement for the AHSC Program is documented compliance with either CEQA or NEPA depending on the type of project. The Coliseum Connections project has complied with this threshold in order to receive the AHSC funding award.

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ACTION REQUESTED OF THE CITY COUNCIL

I recommend that the City Council adopt a resolution authorizing the City to loan an amount equal to the AHSC Award for the HRI Grant to the Coliseum Connections project.

Respectfully submitted,

LARRY REID
Oakland City Council

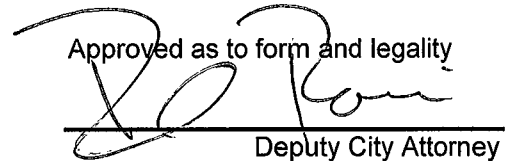
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Approved as to form and legality


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING A ZERO INTEREST LOAN IN AN AMOUNT NOT TO EXCEED \$4,675,000 FROM HOUSING-RELATED INFRASTRUCTURE GRANT FUNDS UNDER THE 2015-16 AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM, TO COLISEUM TRANSIT VILLAGE ONE LP OR AFFILIATE FOR HOUSING-RELATED INFRASTRUCTURE AT THE COLISEUM CONNECTIONS AFFORDABLE HOUSING DEVELOPMENT AT 801-844 71ST AVENUE

WHEREAS, the City Council adopted Resolution Nos. 86218 and 86272 C.M.S. on June 7, 2016 and July 5, 2016 authorizing the application for, acceptance of and appropriation of \$14,898,316 under the 2015-16 Affordable Housing and Sustainable Communities ("AHSC") Program from the State of California Strategic Growth Council ("SGC") and the California Department of Housing and Community Development ("HCD") for the Coliseum Connections affordable housing project located at 801-844 71st Avenue; and

WHEREAS, the City was a joint applicant with Urban Core for the AHSC funding for the Coliseum Connections project; and

WHEREAS, the Coliseum Connections project was awarded an aggregate amount of \$14,844,762 in AHSC funds and

WHEREAS, the AHSC funding includes a grant in the amount of \$4,675,000 for housing-related infrastructure (the "HRI Grant") and

WHEREAS, Coliseum Transit Village One LP, a California limited partnership, is the developer of the Coliseum Connections project, with Urban Core as its managing general partner; and

WHEREAS, in order to improve the financial feasibility of the project and maximize the amount of equity to be contributed by a low-income housing tax credit investor, Urban Core has asked the City to accept the HRI Grant on behalf of the developer and to provide a loan to the developer in the amount of the HRI Grant; and

WHEREAS, the AHSC Program Guidelines authorize AHSC grant proceeds to be used to provide loans to projects that are financed with low-income housing tax credits; now, therefore, be it

RESOLVED: That the City Council hereby authorizes the City Administrator or his or her designee to provide a zero interest loan in an amount not to exceed \$4,675,000 to Coliseum Transit Village One LP, or to an affiliated entity approved by the City Administrator or his or her designee, from the HRI Grant portion of the AHSC funding to be used for development of housing-related infrastructure for the Coliseum Connections project; and be it

FURTHER RESOLVED: That the loan shall be for a term of 55 years and shall include such repayment terms as the City Administrator or his or her designee determines are in the best interests of the City and the project; and be it

FURTHER RESOLVED: That as a condition of the loan, the City will require that appropriate restrictions on project occupancy, rents and operations be recorded against project improvements; and be it

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

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator or his or her designee in his or her discretion to subordinate the priority of the City's deed of trust and/or recorded restrictions to a lien or encumbrance of another private or governmental entity providing financial assistance to the project, if the City 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 City's investment in the project in the event of default is reasonably protected, and (3) subordination is in the best interests of the City; and be it

FURTHER RESOLVED: That all loan documents shall be reviewed and approved by the City Attorney's Office for form and legality prior to execution, and copies will be placed on file with the City Clerk; and be it

FURTHER RESOLVED: That the City Council hereby appoints the City Administrator and his or her designee as agent of the City to conduct negotiations, execute documents, administer the loan, extend or modify the repayment terms, and take any other action with respect to the loan and the project consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN,
KALB, KAPLAN, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council of
the City of Oakland, California