

**SUMMARY REPORTS PURSUANT TO SECTIONS 52201 AND 53083 OF THE GOVERNMENT CODE ON THE PROPOSED LEASE DISPOSITION AND DEVELOPMENT AGREEMENT AND LEASE BY AND BETWEEN THE CITY OF OAKLAND AND A TO-BE-FORMED PARTNERSHIP BETWEEN SATELLITE AFFORDABLE HOUSING ASSOCIATES AND NATIVE AMERICAN HEALTH CENTER, INC. AND AFFILIATED ENTITIES FOR THE ACQUISITION OF 3050 INTERNATIONAL BOULEVARD IN OAKLAND, CA AND AN OPTIONAL VACANT LOT AT DERBY AND INTERNATIONAL BOULEVARD**

The City of Oakland's, Economic & Workforce Development Department has requested a report pursuant to California Government Code Section 52201 and Section 53083 regarding the proposed Lease Disposition and Development Agreement ("LDDA") by and between the City of Oakland (the "City") and Satellite Affordable Housing Associates, a California nonprofit public benefit corporation ("SAHA") or an affiliated entity in which SAHA has a controlling interest as the managing general partner, and by and between the City and Native American Health Center, Inc., a California nonprofit public benefit corporation ("NAHC") or an affiliated entity of which NAHC has a controlling interest (together with SAHA the "Developer") for a proposed mixed-use project. The City will enter into separate ground leases with each party. This report is based on information provided by the City, which includes appraisals, development pro forma models, a project summary, a draft Term Sheet and a Joint Development Agreement.

**California Government Code Section 52201**

California Government Code Section 52201 (a)(1), states that "a city, county, or city and county may sell or lease property to create an economic opportunity. The acquisition, sale, or lease shall first be approved by the legislative body by resolution after a public hearing. Notice of the time and place of the hearing shall be published in a newspaper of general circulation in the community at least once per week for at least two successive weeks, as specified in Section 6066, prior to the hearing."

Furthermore, California Government Code Section 52201(a)(2) states that, "The city, county, or city and county shall make available, for public inspection and copying at a cost not to exceed the cost of duplication, a report no later than the time of publication of the first notice of the hearing mandated by this section."

The report must include:

- A. A copy of the proposed acquisition, sale, or lease.
- B. A summary that describes and specifies all of the following:
  - 1. The cost of the agreement to the city including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the city, plus the expected interest on any loans or bonds to finance the agreements.

2. The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the general plan or zoning.
3. The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments, which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use, then the city shall provide as part of the summary an explanation of the reasons for the difference.
4. An explanation of why the sale or lease of the property will assist in the creation of economic opportunity, with reference to all supporting facts and materials relied upon in making this explanation.

## **52201 SECTION B.1**

### **Project Summary**

The project will be located at 3050 International Boulevard (the “3050 International Site”), currently a vacant 32,571-square-foot lot, and will include 76 residential units on the second to fifth floors with a ground floor health center operated by NAHC. The site will be subdivided into two vertical airspace parcels, and each project sponsor will own and manage its respective parcel. In addition, NAHC is contemplating acquiring an additional parcel located at Derby Avenue and International Boulevard (the “Derby Lot”). The Derby Lot is currently vacant and unimproved and previously served as a parking lot for the Melrose Ford Auto Center. If acquired via a ground lease, the Derby Lot would provide additional parking for the health center.

The NAHC health center will focus on youth/adolescent clinic services and will include a medical/integrated behavioral health and dental clinic; women, infants and children services; a community/cultural center; accompanying administrative offices; and 20 parking spaces with additional parking provided by the Derby Lot, if it is ground leased.

The SAHA affordable housing project will include 75 deed-restricted units for families earning between 20% and 60% of area median income (“AMI”) and one manager unit for a total of 76 units. SAHA intends to provide 28 residential parking stalls through mechanical stackers.

The 3050 International Site is currently zoned CC-2, Community Commercial Zone, with a general plan designation for Neighborhood Center Mixed Use. The site is in Height Area 7, which permits a maximum building height of 75 feet or seven stories and up to 118 units

### Project Sponsors

SAHA was formed through the combination of Satellite Housing and Affordable Housing Associates. Satellite Housing was founded in 1966, and Affordable Housing Associates was founded in 1993. Both entities were based in Berkeley, California. In 2012, the entities merged and became SAHA. SAHA currently owns and manages 75 properties with more than 4,000 units serving low-income seniors, families, veterans, and people with special needs.

NAHC is a non-profit, Federally Qualified Health Center and an Urban Indian Health Project. NAHC's mission is to provide comprehensive services to improve the health and well-being of American Indians, Alaska Natives, and residents of the surrounding communities with respect for cultural and linguistic differences. There are no tribal or ethnic requirements to receive services. NAHC has 280 employees and serves 12,000 members per year.

**Cost of the LDDA to the City**

The 3050 International Site will be acquired by the Developer through a 99-year ground lease with closing of the ground lease to occur pursuant to the proposed LDDA, which has not been executed yet. Under the proposed LDDA terms, the Developer will agree to acquire the site through an up-front ground rent payment. Prepaid rent shall be equal to a lump sum of \$2,400,000 or fair market value based on a recent appraisal completed no later than 6 months prior to the execution of the Lease Disposition and Development Agreement. The City obtained an appraisal which was prepared by Yovino Young Incorporated on June 26, 2019 and concluded a value of \$2,800,000 for the fee simple interest in the property as of June 5, 2019. Based on the appraisal, the Developer is anticipated to make the following up-front ground rent payments for a total of \$2,800,000. In addition, NAHC has expressed interest in acquiring the Derby Lot through a ground lease. The terms of the ground lease are being negotiated and is anticipated to be in the form of an up-front ground rent payment equal to the fair market value based on a recent appraisal. The City obtained an appraisal from Yovino Young Incorporated with a valuation date of June 1, 2018, which concluded an appraised value of \$500,000.

**Table 1: Estimated Cost to City**

<b>Entity</b>	<b>Ground Rent 3050 International Blvd</b>	<b>Optional Derby Lot</b>	<b>Total</b>
SAHA	\$2,380,000	\$0	\$2,380,000
NAHC	\$420,000	\$500,000	\$920,000
<b>Total</b>	<b>\$2,800,000</b>	<b>\$500,000</b>	<b>\$3,300,000</b>

**Net Cost to the City**

The former Redevelopment Agency acquired the 3050 International Site in 2010 for approximately \$3,000,000. In addition, the City has spent funds for abatement and demolition costs to clear the land for development of which \$50,000 was provided by the seller as a credit for environmental remediation. The exact amount spent for preparing the land for development is not available. The Derby Lot was also acquired by the former City of Oakland Redevelopment Agency in 2010 for approximately \$250,000. The estimated net cost to the City will depend on whether NAHC acquires the Derby Lot through a ground lease. Below is a summary of the estimated net cost to the City under both scenarios.

**Table 2: Estimated Net Cost to the City**

	<b>3050 International Blvd</b>	<b>Optional Derby Lot</b>	<b>Total with Derby Lot</b>
Upfront Ground Rent Payment	\$2,800,000	\$500,000	\$3,300,000
Less: City Acquisition Cost	(\$3,000,000)	(\$250,000)	(\$3,250,000)
<b>Total</b>	<b>(\$200,000)</b>	<b>\$250,000</b>	<b>\$50,000</b>

**SECTION B.2.**

**Estimated Value of the Interest to be Conveyed**

3050 International Boulevard

The site is currently zoned CC-2 (Community Commercial District 3), which is intended to create, maintain, and enhance areas with a wide range of commercial businesses with direct frontage and access along the City's corridors and commercial areas. Permitted uses include a wide range of retail, commercial, civic, and business service uses. In addition, the site has a General Plan designation of Neighborhood Center Mixed Use and Mixed Housing Type Residential. Neighborhood Center Mixed Use allows for up to 125 units per acre. Current land uses along International Boulevard are predominantly commercial use (largely retail) with some residential uses.

As noted above, The City obtained an appraisal from Yovino Young Incorporated on June 26, 2019 with a valuation as of June 5, 2019. The appraised value was based on the site's highest and best use. According to the appraiser, the highest and best use of the site, as vacant, would be for "development with a multi-story residential or mixed-use structure conforming to the applicable zoning ordinance and general plan designation." Although International Boulevard is primarily a retail corridor, demand for retail uses is somewhat limited, and rent levels do not currently support new construction. Recent development projects have been residential with ground-floor commercial uses.

Derby Lot (Optional)

The Derby Lot is zoned RM-4 Residential Mixed Housing Type 4 Zone. The RM-4 zoning is intended to create, maintain, and enhance residential areas typically characterized by a mix of single-family homes, townhouses, small multi-unit buildings, and neighborhood businesses where appropriate. The RM-4 zoning has a maximum residential density of one unit per 1,100 square feet of site area, or 8 units for the subject site. The General Plan Designation is Mixed Housing Residential. Commercial uses are allowed only on properties with such a designation where such uses were established prior to 2011.

The City obtained an appraisal from Yovino Young Incorporated on June 8, 2018. The appraised value was based on the property's highest and best use, which the appraisal deems to be as a redevelopment project with a multi-housing residential (or mixed use) building of up to 8 units.

Summary

The appraiser estimated a fair market value for each site separately. The appraiser concluded that the most appropriate valuation approach for both the 3050 International Site and the Derby Lot is the sales comparison approach, which estimates the value based on the sales of comparable sites. In addition, the appraisal assumed a fee-simple interest transaction. Based on this approach, the appraisal concluded the following appraised values for the sites:

**Table 3: Appraised Value**

<b>Parcel</b>	<b>Value</b>
3050 International Site	\$2,800,000
Derby Lot (Optional)	\$500,000
<b>Total Appraised Value</b>	<b>\$3,300,000</b>

**SECTION B.3.**

**Estimated Value of the Property as Constrained by the Use and Conditions, Covenants, and Development Costs Identified in the Proposed LDDA**

While the LDDA has not been executed, the 3050 International Site is proposed to be developed as a mixed-use development with 75 affordable housing units, one manager unit, and a 14,000-square-foot health center on the ground floor. The up-front ground rent payment will total \$2,800,000, which is equal to the appraised value for a similar use; however, the appraised value reflects a typical market rate project and not an affordable housing project as proposed. While the Derby Lot is optional, it is intended to be utilized as a parking lot for the NAHC health center and the appraisal value at \$500,000 was based on its highest and best use as 8 residential units, the up-front ground rent payment for the Derby Lot will be equal to the appraised value of \$500,000.

**SECTION B.4.**

**Creation of Economic Opportunity**

According to California Government Code Section 52200.2, “economic opportunity” includes “Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that create, retain, or expand new jobs, in which the legislative body finds that the agreement will create or retain at least one full-time equivalent, a permanent job for every thirty-five thousand dollars (\$35,000) of city, county, or city and county investment in the project after full capacity and implementation.”

The proposed development will reactivate a vacant and previously blighted large lot along a primary retail corridor on International Boulevard. The proposed project will provide much-needed housing for 75 households earning between 20% and 60% AMI. The project is projected to generate approximately 330 full-time equivalent jobs during its construction period. Permanent jobs include on-site apartment managers, leasing staff, and maintenance workers, as well as employees of the NAHC health center, which will be relocated from the existing health center at 3124, 2950, 2920 and 2648 International Boulevard. SAHA expects that the new project

will generate approximately three full-time equivalent jobs. NAHC currently has 295 employees in its existing facilities. NAHC expects that these employees will be retained and 2 additional staff will be hired independent of the development project. However, the proposed project will include a new cultural center that will employ additional staff. NAHC has not yet determined how many employees will be hired to oversee the cultural center but the number of employees is likely to range between 2-4 full-time equivalent employees and will include maintenance and administrative staff.

**Table 4: Jobs**

<b>Economic Analysis - Jobs</b>	<b>SAHA Affordable Housing Total</b>	<b>NAHC Health Center with and without Derby Lot</b>	<b>Total</b>
Construction Employees (Short-term) Full-Time Equivalent	<b>290</b>	<b>40</b>	<b>330</b>
Permanent Jobs	<b>3</b>	<b>2-4</b>	<b>5-7</b>

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**The California Government Code Section 53083**

Section 53083 of the California Government Code requires that prior to approving an economic development subsidy within its jurisdiction, a local agency must provide all of the following information in written form and on its website:

1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable.
2. The start and end dates and schedule, if applicable, for the economic development subsidy.
3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.
4. A statement of the public purposes for the economic development subsidy.
5. Projected tax revenue to the local agency as a result of the economic development subsidy.
6. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

### **Item 1. Beneficiary of the Economic Development Subsidy**

The project has two beneficiaries. The first is Satellite Affordable Housing Associates, a California nonprofit public benefit corporation or an affiliated entity in which SAHA has a controlling interest. SAHA is located at 1835 Alcatraz Avenue, Berkeley, CA 94703. The second beneficiary is Native American Health Center, a non-profit, Federally Qualified Health Center and an Urban Indian Health Project located at 3124 International Blvd, Oakland, CA 94601.

### **Item 2. Term of the Economic Subsidy**

SAHA was awarded a grant through the City's Community Development Block Grant Program ("CDBG") in the amount of \$237,221 in July 2020. NAHC was also awarded a CDBG grant in the amount of \$150,000 in early July. The City anticipates that SAHA will request an additional subsidy in the amount of approximately \$4.1 million. Typically, the project sponsor will request funds in the form of a residual receipts loan or grant. Residual receipts loans generally carry a term of 30 or more years.

### **Item 3. Description of Economic Subsidy**

As noted above, SAHA and NAHC each received a CDBG grant in the amount of \$237,221 and \$150,000, respectively for a total economic subsidy of \$387,221. In addition, SAHA is expected to request a subsidy from the City totaling approximately \$4.1 million to fund the up-front ground rent payment, permits and fees, and a portion of architectural and engineering costs. The subsidy will typically be in the form of a grant or a residual receipts loan. Provided below is a summary of the project's proposed funding sources based on a draft NOFA Application prepared by the project sponsor. As shown below, SAHA anticipates that the project funding will be a mix of tax credit equity, permanent loan proceeds, state grants or loans and a general partner contribution, as is typical of affordable housing projects.

The NOFA application includes two sources of permanent financing. The first is a permanent loan estimated at \$1.3 million and the second is a low-cost loan through the State's Affordable Housing and Sustainable Communities program of approximately \$15 million. The total Year 1 permanent debt service is estimated to result in a debt service coverage ratio of over 1.7 times debt service. This projected debt service coverage ratio is high and suggests that the project could support additional permanent financing, which would offset the need for other sources of funding such as grants and residual receipts loans. However, while the project can support additional debt service, a higher permanent loan amount would not necessarily lower the required City subsidy as SAHA has not secured all funding sources and may receive less than expected State of California grants or loans or tax credit equity. Any funding gap resulting from lower-than-expected funds from other sources would typically be funded through City subsidies. Table 5 below provides a summary of the permanent funding sources per the SAHA NOFA application.

**Table 5: SAHA Project Funding Sources**

<b>Anticipated Sources</b>	<b>Total</b>
Current Request for HCD NOFA City Funds	\$4,133,779
City - CDBG	\$237,221
4% Tax Credit Equity	\$39,181,000
Permanent Loan	\$1,296,000
State Grants/Loans	\$20,302,000
GP Contribution	\$2,500,000
<b>Total</b>	<b>\$67,650,000</b>

**Item 4. Statement of Public Purpose**

The proposed project will reactivate an important section along International Boulevard and provide much-needed housing for 75 households earning between 20% and 60% of AMI. Provided in the following table is a breakdown of the units by AMI tier.

**Table 6: Project Affordability**

<b>Income Level</b>	<b>Total Units</b>	<b>% of Total</b>
20% of AMI	4	5.3%
30% of AMI	15	20.0%
50% of AMI	28	37.3%
60% of AMI	28	37.3%
<b>Total</b>	<b>75</b>	<b>100.0%</b>

**Item 5. Projected Tax Revenue to the City**

The City will receive additional revenue related to the development and ongoing operations of the project in the form of impact fees and sales and use taxes per Table 7 below.



**Table 7: Estimated Revenues to the City from Project**

	<b>SAHA Affordable Housing Amount</b>	<b>NAHC without Derby Lot Amount</b>	<b>NAHC with Optional Derby Lot Amount</b>
<b>One-Time Revenues to General Fund</b>			
Development Impact Fees	\$75,000	\$18,000	\$18,000
Transfer Tax	\$36,000	\$6,000	\$13,500
Business License (Gross Receipts During Construction)	\$92,000	\$15,000	\$15,000
Property Taxes During Construction	\$0	\$0	\$0
<b>Total One-Time Revenue Fees</b>	<b>\$203,000</b>	<b>\$39,000</b>	<b>\$46,500</b>
<b>Ongoing Revenues to General Fund</b>			
Property Taxes	\$0	\$0	\$0
Property Tax In-Lieu of Vehicle License Fees	\$0	\$0	\$0
Utility Consumption Tax	\$15,100	\$4,500	\$4,500
Business License Tax	\$0	\$800	\$800
Sales Taxes - Retail Sales, Employee and Resident Spending	\$8,200	\$1,800	\$1,800
Transfer Tax Upon Resale <sup>1</sup>	\$5,600	\$14,900	\$16,300
<b>Total Estimated Annual Revenues</b>	<b>\$28,900</b>	<b>\$22,000</b>	<b>\$23,400</b>

<sup>1</sup>Amount shown is annualized amount assuming 15-year hold period for both uses.

**Item 6. Jobs Creation**

Per Table 4 above, the project is expected to generate approximately 330 full-time equivalent jobs during construction and 5-7 new permanent jobs after construction completion.