




AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, HCD

SUBJECT: West Grand & Brush Phase I Affordability
Restriction Amendment

DATE: April 1, 2022

City Administrator Approval 

Date May 5, 2022

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87994 C.M.S. To Add Affordability Restrictions At West Grand & Brush Phase I, An Affordable Housing Project Located At 2201 Brush Street & 760 22nd Avenue, Proposed By the East Bay Asian Local Development Corporation (EBALDC) and Allied Housing, Inc.

EXECUTIVE SUMMARY

Staff recommends that the City Council adopt a resolution amending [Resolution No. 87994 C.M.S.](#) to add affordability restrictions of the proposed fifty-nine (59) unit affordable housing development to be known as West Grand & Brush Phase 1 (the Project). These modifications have been requested by the project's developer, East Bay Asian Local Development Corporation (EBALDC) and Allied Housing, Inc. The amendment would adjust the rent and income limits of several units to reflect the project as it was presented to the California Department of Housing and Community Development (CA-HCD) for their Multifamily Housing Program (MHP). These adjustments will slightly increase the average income levels served from what was presented when the City approved the Project for funding from 35.2% to 36.1% of Area Median Income (AMI). A detailed analysis of the current and proposed affordability levels is included below in **Tables 1** and **2** (Analysis and Policy Alternatives). This amendment would allow the Project to receive necessary financing from CA-HCD-MHP in the amount of \$11,616,978, ensuring that the construction timeline can remain on schedule.

The commitment of MHP funding is critical to the success of the project. Without it, the Project will not close escrow for construction financing and will not begin construction activities by summer 2022. As a California Housing Accelerator project, construction must begin within 180 days of the Accelerator award. The award was issued February 3, 2022 and the Project must begin construction by approximately August 2, 2022. If MHP funding is suddenly not available, the Project will not meet the Accelerator deadline, the \$25,675,517 in Accelerator funds will be rescinded, and the total project units will not be built.

City Council
May 17, 2022

BACKGROUND/LEGISLATIVE HISTORY

West Grand & Brush Phase 1 is a proposed fifty-nine (59) unit affordable housing development to be located at 2201 Brush Street & 760 22nd Avenue in Oakland, CA. In 2017, the City adopted [Resolution No. 87019 C.M.S.](#) awarding \$1,700,000 in Jobs Housing Impact Fees, Measure KK Bond Funds, and Low and Moderate Income Housing Asset Funds to the developer, EBALDC, for the development of the project site. In 2020 and through the adoption of [City Resolution No. 87994 C.M.S.](#), the Project received an additional commitment of \$3,965,000 in Affordable Housing Impact Fees through the 2019-2020 Notice of Funding Availability for New Construction of Multifamily Affordable Housing (NOFA). The Project consists of a five-story mixed-use building with 1,200 square feet of ground-floor retail including a ground level parking garage with approximately fifteen (15) parking stalls. Amenities include a common laundry room, a double height community room that opens to a courtyard and includes a kitchen, an outdoor landscaped courtyard with a playground on the second floor and an outdoor deck space on the fifth floor. Resident services and a total of sixty (60) indoor long-term and short-term bicycle parking spaces will be available. Property management office space will be located at the building's entrance to build rapport with residents and monitor building operations. Thirty (30) units will be set aside for homeless households and potentially placed through the Alameda County Coordinated Entry System. The project is 100% affordable.

After receiving the commitment of NOFA funds, the Project applied for MHP funding from the California Department of Housing & Community Development (HCD). A recent alteration to the MHP scoring guidelines meant the Project's affordability had to be revised to score competitively. The MHP guidelines award points based on average affordability of the project. However, any units above sixty percent (60%) of Area Median Income (AMI) are excluded from the averaging formula. By raising the AMI of several sixty percent (60%) units up to seventy percent (70%), and lowering the AMI of other units, the Project was able to deepen its average affordability according to the MHP criteria. Multiple developers and financial consultants alerted HCD staff to this issue and provided evidence that pursuing the strategy described above was a necessary means of securing funding. Affordable housing developers and consultants have expressed their concerns to HCD about this methodology. The adjustment was made in a ten percent (10%) increment because the California Tax Credit Allocation Committee (CTCAC), another funding source, does not recognize smaller increments.

In accordance with this strategy, the Project's proposed affordability was modified to increase the Area Median Income ("AMI") of eight (8) units from sixty percent (60%) of AMI to seventy percent (70%) of AMI, while deepening the affordability of other units.

EBALDC was notified on June 28, 2019 that the Project was awarded \$7,367,900 in Supportive Housing Multifamily Housing Program (MHP) funds. One year later, on June 26, 2020, both EBALDC and Allied Housing Inc. were notified that the project was awarded an additional \$4,249,078 in MHP funds, for a total award of \$11,616,978, facilitating an anticipated construction start in the summer of 2022.

In lieu of receiving federal tax credits through the Low-Income Housing Tax Credit (LIHTC) program, as of February 3, 2022, the project received a commitment of \$25,675,517 in California

Housing Accelerator Tier 1 funds from HCD. As a condition of receiving such funds, the project must commence construction within 180 days of the February 3rd commitment letter (approximately August 2, 2022). However, for the Project to receive the MHP funds and start construction within the 180-day deadline, the City's commitment of NOFA funds must now be modified to correspond with the affordability matrix as submitted to the Department.

The changes will be memorialized through a regulatory agreement for the Project and a revised commitment letter for the commitment of NOFA funds. No other Project changes are being requested at this time. The City NOFA requires 100% of units funded with City of Oakland loan funds to be restricted as affordable at or below 60% AMI. While the project may include units at 70% AMI, the City's regulatory agreement will only restrict units up to 60% AMI. The set aside at 70% AMI will be un-assisted by the City while assisted by other lenders.

ANALYSIS AND POLICY ALTERNATIVES

In accordance with the City of Oakland Housing & Community Development Department's (HCDD) 2021-2023 Strategic Action Plan (SAP)¹, HCDD has identified program priorities for addressing housing affordability with a funding strategy in which roughly half the department's affordable housing funding will be directed towards new construction (production) or affordable housing, and half will be directed to acquisition and rehabilitation of affordable units (preservation). Through these NOFA processes, HCDD staff have recommended awards for new construction projects, the rehabilitation and preservation of existing affordable housing, and the conversion of unregulated housing to restricted affordable housing. This Project's progress into construction will also meet the City's goal of providing for the **housing, economic, and cultural security** of lower income Oakland residents.

With the affordability adjustments, the average income levels served across all Project units is slightly higher than when the Project was awarded City funding; at the time of City approval it had an average affordability of thirty-five and 2/10th percent (35.2%) of AMI, whereas it now stands at thirty-six and 1/10th percent (36.1%) of AMI. The Project's final score and eligibility for funds awarded through the City's NOFA program would not be affected by the proposed changes. The Project still meets all threshold requirements for affordability. The Project received ten points, the maximum available, on the income targeting portion of the NOFA; it would have still scored ten points with the revised affordability mix. The seventy percent (70%) AMI units are ineligible to receive NOFA funds under the program guidelines; however, the City awarded funds can be redistributed to other eligible units without exceeding the maximum loan amount or the maximum per-unit subsidy set forth by the HOME Investment Partnerships Program. The changes to the unit AMI mix are reflected in **Table 1** and **Table 2** below.

¹ <https://cao-94612.s3.amazonaws.com/documents/HCD.final.21-21Strategic-Plan.pdf>

Table 1: Affordability Comparison Summary

Unit AMI	Original Number of Units	Revised Number of Units
15%	0	5
20%	28	23
30%	5	5
50%	17	17
60%	8	0
70%	0	8
Manager	1	1
Total	59	59
Average AMI	35.2%	36.1%

Table 2: Affordability Comparison by Bedroom Size

Unit AMI	Unit Type (#BR)	Original Number of Units	Revised Number of Units
15%	0	0	5
20%	0	21	16
20%	1	5	5
20%	2	2	2
30%	2	2	2
30%	3	3	3
50%	0	3	3
50%	2	10	10
50%	3	4	4
60%	3	8	0
70%	3	0	8
Manager	2	1	1
	Total	59	59
	Average AMI	35.2%	36.1%

If the City does not approve the proposed changes, the Project will not be able to receive the more than eleven million dollars in MHP funds previously awarded. The Project will be significantly delayed or become infeasible if the proposed affordability restrictions are denied. The Project would be able to apply for funding in the future MHP funding rounds, but would be

unlikely to score competitively without making the changes as requested. In addition, other affordable housing funding sources, particularly the Low-Income Housing Tax Credit (LIHTC) program and the California HCD Housing Accelerator program, award higher scores to projects that already have significant commitments of public funds. If the Project cannot receive MHP funds, it would be unlikely to secure a sufficient allocation of Low-Income Housing Tax Credits or Accelerator funds during the next funding round and would have to overhaul its funding scenario and timeline.

If the Project is unable to modify its affordability and receive the MHP funds, construction could potentially be delayed by three to five years or longer while the Project seeks alternative funding sources. In recent years, construction costs have escalated by ten percent (10%) annually; if this pattern continues each year that the project is delayed will create a growing financing gap to meet these increased construction costs. At worst, not amending the affordability of this Project could render it infeasible.

If the Project can receive the committed MHP funds, it is expected to commence construction in the summer of 2022. Allowing this amendment would ensure construction may begin on the proposed timeline.

The City's NOFA scoring guidelines heavily prioritize project readiness in determining which projects to recommend for funding. The purpose of this is to allocate funds to projects that can begin construction and deliver a completed housing development expeditiously. The proposed modifications are in keeping with the intention of this scoring criteria. The changes will help ensure that affordable units are quickly added to the City's housing stock during our present housing shortage, while delivering the levels of affordability contemplated when the City approved its funding.

Approval of the proposed resolution to add affordability restrictions advances the City's priority to address housing affordability by developing fifty-nine (59) affordable housing units to serve the residents of Oakland. No fewer than thirty-three (33) units may be rented to extremely low-income households; no fewer than seventeen (17) units may be rented to very-low income households; and no fewer than eight (8) units may be rented to low-income households.

FISCAL IMPACT

There is no anticipated fiscal impact associated with the proposed resolution. City funds have already been committed to the Project.

PUBLIC OUTREACH/INTEREST

The development team, led by EBALDC, has taken proactive measures to integrate the Project into the community and integrate the community into the design and development of the Project. EBALDC has conducted a community outreach process that included identification of key stakeholders and meetings with community organizations and neighbors. This community

outreach process started at the time the subject property was acquired in 2014. Several community design meetings inviting neighborhood residents were hosted by the development team. Project updates were presented to key neighborhood organizations including the West Oakland Neighbors, the Neighborhood Crime Prevention Council, the Oak Center Neighborhood Association, and the Oakland Heritage Alliance.

The project has been embraced as a catalyst for neighborhood revitalization. Neighborhood support though is conditioned on safety and visual concerns; concerns for helping the design meet multiple needs of the neighborhood. Strategies include slowing down traffic, adding retail, reducing noise and improving air quality in proximity to the 980 freeway, including a green initiative, and the consideration of architectural style.

The development team has made efforts to address each concern and will continue its outreach to local stakeholders, providing updates with regards to design and project schedules as necessary. As a community developer, EBALDC has a long-term vested interest in the San Pablo Avenue corridor, adjacent to West Grand & Brush, Phase I. In addition to West Grand & Brush, EBALDC owns three fully occupied residential buildings and one commercial building along the corridor, including the California Hotel, the San Pablo Hotel, the Avalon Senior Housing, and EBALDC's headquarters.

A West Grand & Brush phase II project is planned for the future, although there is currently no active predevelopment work underway. This second phase is located across the street at 2101 Brush Street. Phase II will not include shared common areas but could share services and management staffing for operational efficiencies. EBALDC will continue to maintain contact with the community through its two neighboring developments.

COORDINATION

HCD staff prepared this Resolution and Agenda Report in coordination with the City Attorney's Office and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Amending the affordability of this project will allow the project to proceed to construction on schedule. This Project will generate construction jobs, professional services, and ongoing property management jobs in Oakland.

Environmental: West Grand & Brush Phase I is located in an amenity and transit rich area. Its proximity to mass transit, including AC Transit and BART, enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development. The project will achieve GreenPoint Rated (GPR) Gold status through sustainability features such as resource-efficient landscaping, durable non-combustible exterior materials, a smoke free environment, water-efficient fixtures, and energy efficient appliances.

Social Equity: This Project will help the City achieve greater racial, social, and public health equity within Oakland. West Grand & Brush Phase I will provide affordable rental housing for low, very low, and extremely low-income residents in Oakland during the current housing crisis. Reducing homelessness and providing supportive housing to Oakland residents achieves greater social equity and is important to the long-term health of the city. No fewer than thirty (30) units will be set-aside and rented to homeless households. According to the 2019 EveryOne Home homelessness count and survey, seventy percent (70%) of people experiencing homelessness in the City of Oakland are African-American—far higher than their twenty-four percent (24%) share of the Oakland population. In addition, African-American and Latino households have been disproportionately impacted by COVID-19. Providing permanent housing to these at-risk groups reduces the transmission of communicable diseases by easing overcrowding and unsafe living conditions.

CEQA

The action proposed by this Resolution qualifies for a CEQA exemption pursuant to CEQA guidelines Section 15061(b)(3). The modification to the Project's affordability will not have a significant impact on the environment and is therefore exempt from environmental review.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87994 C.M.S. To Add Affordability Restrictions At West Grand & Brush Phase I, An Affordable Housing Project Located At 2201 Brush Street & 760 22nd Avenue Proposed By the East Bay Asian Local Development Corporation and Allied Housing, Inc.

For questions regarding this report, please contact Everett Cleveland Jr. at 510-238-6543.

Respectfully submitted,


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