

CITY OF OAKLAND & REDEVELOPMENT AGENCY
AGENDA REPORT

OFFICE OF THE CITY ADMINISTRATOR
2006 FEB 16 PM 4:09

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Department of Human Services
DATE: February 28, 2006

RE: **A REDEVELOPMENT AGENCY RESOLUTION AUTHORIZING A LOAN GUARANTY FOR 15 YEARS IN THE AMOUNT OF \$1.8 MILLION PLUS INTEREST TO EAST OAKLAND COMMUNITY PROJECT AND A CITY RESOLUTION ALLOCATING \$1 MILLION OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME TO EAST OAKLAND COMMUNITY PROJECT FOR DEVELOPMENT OF A NEW HOUSING FACILITY FOR THE HOMELESS AT 7515 INTERNATIONAL BOULEVARD**

SUMMARY

East Oakland Community Project (EOCP) has proposed a new 125 bed housing facility for the homeless. The new proposed facility has a total development cost of \$10,300,000. EOCP has secured a \$2.4 million loan from Washington Mutual, but requests a \$1.8 million loan guarantee from Oakland Redevelopment Agency and \$1 million in additional funds from the Community Development Block Grant (CDBG) program to close the gap for the development of the new proposed facility.

EOCP has been working toward relocating to a more appropriate building for several years and on February 3, 2003 purchased a site at 7515 International Boulevard in Oakland. At this site, EOCP will construct a state-of-the-art facility that will provide their clients an environment more conducive to their growth toward independent, self sufficient living. The Planning Commission unanimously approved a Conditional Use Permit for the development of this facility on October 6, 2004.

FISCAL IMPACT

EOCP has worked hard to develop the funding base to accomplish this project, including receiving a commitment for a private loan of \$2.4 million from Washington Mutual to finance a funding gap. The private loan commitment is contingent upon EOCP offering \$1.8 million security in addition to the real property which is valued at \$600,000.

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Staff proposes the Redevelopment Agency provide a 15-year Loan Guaranty of Payment in the amount of \$1.8 million. The Redevelopment Agency, under this Loan Guaranty, would have guaranteed obligations of payment of the loan principal and in a maximum amount of \$1.8 million, along with interest on that portion of the loan at the rate set forth in the Note. The maximum principal amount constituting the Guaranteed Obligations shall be reduced each year by \$93,333.33 on the anniversary date of the Loan Guaranty. The Redevelopment Agency would only be responsible for making payments on the note within ten (10) business days after the Bank's written demand for payments in the event of EOCP's failure to pay the note. The funds would be allocated from the Central City East Operations Fund (9540); Central City East Development Organization (88699); ORA – Central City East Repayment Agreement Project (S233310). In order for EOCP to make the debt service payments on an ongoing basis, the City must continue funding EOCP with CDBG funds at the existing level of \$296,000 for the next 15 years.

At the February 7, 2006 City Council Meeting, Community and Economic Development Agency discussed that \$1 million of CDBG funds from the housing rehabilitation program could be utilized to fund EOCP's transitional shelter. Staff proposes to allocate \$1 million from Community Development Block Grant Fund (2108); Residential Lending Organization (88939); Rehabilitation Loan Program Costs (G08750) for East Oakland Community Project for the development of this new housing facility for the homeless at 7515 International Boulevard. If Council approves the recommended allocation, staff will return to Council with a separate resolution authorizing amendment of the 2005-2006 Consolidated Plan to include the development of the EOCP transitional shelter..

BACKGROUND

History

In November 1989, immediately after the Loma Prieta Earthquake, the City of Oakland signed a lease for a portion of the property at 5725 E. 14th Street (now International Boulevard). The City and Alameda County had been seeking a location for an emergency shelter for the homeless in East Oakland for some time. The earthquake made it essential that the many people made homeless by the natural disaster be served. The two missions were combined to open the East Oakland Shelter. The City committed to providing the space for the shelter, and the County committed to funding a major portion of the operating costs.

East Oakland Community Project (EOCP), a stable, experienced and well-respected nonprofit agency that provides housing and services for homeless people, singles and families, people with HIV/AIDS, was selected as the administering agency based on a joint City and County decision. EOCP is an established, reliable provider of emergency shelter and transitional housing with services to support people in moving toward independent, self sufficient living. EOCP provides these for both singles and families and provides the only dedicated AIDS shelter beds in Alameda County. EOCP also participates in the Homeless Youth Consortium, providing shelter and services to youth.

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The transitional shelter facility and EOCP's main office are currently located at 5725 International Boulevard in Oakland. The facility is an old warehouse building that is extremely expensive and inefficient to maintain and to operate.

Current Conditions

The City of Oakland continues to pay the cost of the lease, which now amounts to \$22,500 per month and will continue to increase each year according to the escalator built into the original lease. The County continues to fund a major portion of the operating costs.

EOCP has outgrown its current location and is in need of a more functional, well-designed and cost effective facility. EOCP faces major challenges in this old former warehouse, which was hastily rehabilitated in 1989, including:

- Poor heating and ventilation systems
- Prohibitive gas and electrical costs
- Ill designed space allocation which impedes the effective delivery of supportive services
- Deteriorated materials which contribute to a decrepit, gloomy looking facility, not optimal for people who have lived on the street and are often depressed
- Ongoing battles with mold and other unhealthy environmental conditions.

Currently, too many resources are spent trying to maintain an inappropriate, deficient building.

New Site

EOCP has been actively pursuing relocation of its programs for several years now. EOCP purchased the land and buildings at 7515 International Boulevard. The total acquisition cost was \$699,000. The City and Alameda County provided funding from various sources to make this purchase possible. The new site meets the basic requirements of a shelter facility with a total square footage of 13,000. The existing building is the former site of the East Oakland Health Clinic (now located directly across the street). The area is zoned for commercial, with residential property in close proximity. The existing structure is in poor repair and does not comply with City of Oakland Code requirements. The square footage of the existing structure is 8,000 square feet. The inside and outside space need to be combined to provide the needed space to accommodate an emergency housing facility for 125 persons. Therefore, demolition of the existing building and development of a new structure is planned.

EOCP's new site is located in the Elmhurst district of East Oakland. There are many community services in this area, which can enable homeless people to rebuild their support systems in the neighborhood; they include job training and food programs, a youth center (East Oakland Youth Development Center) and many churches, including Allen Temple, which has a large community presence and has four successful permanent housing programs in the immediate area. Other neighborhood services available include: 1) the East Oakland Recovery Center; 2) the Ark of

Refuge, a transitional housing program for people living with HIV/AIDS who are too ill to live independently; 3) the Department of Social Services Self-Sufficiency Center, which provides benefits advocacy and employment counseling; and 4) the Employment Development Department. EOCP's new location is accessible to public transportation. Four heavily used bus lines run nearby and BART is also in close proximity. Easy access to transportation facilitates residents getting to medical and job related appointments and returning on time to make the 7:00 p.m. EOCP check-in.

Development Team

EOCP has engaged the firm of Kodama Diseño, Architects and Planners to provide architectural services for the project. Steven Kodama has been in the practice of architecture and planning for the past 39 years. His experience covers a broad range of projects from housing and community facilities to education and commercial projects. Over the past 20 years Mr. Kodama has focused on community, church, and social service facilities. His outstanding work and award winning projects have resulted in his induction into the American Institute of Architecture College of Fellows. Kodama Diseño principals, Steven Kodama and Maritza Delgadillo, are directly associated with each project. Mr. Kodama has worked with EOCP in the past.

The firm Gubb and Barshay provides legal services to EOCP's relocation effort. Mr. Barshay is a partner in the firm specializing in affordable housing, real estate and tax matters, syndications and nonprofit law. He has assisted lenders in analyzing underwriting risks, documenting transactions and negotiating favorable loan provisions. He has also been involved in structuring numerous syndications and advising clients on tax, fair housing, and relocation matters.

Jonathan Austin is a Principal of JSA Consulting Services and has 16 years experience in housing and community development as staff to three nonprofit organizations and the cities of Oakland and Fremont. Since the founding of JSA Consulting Services in 2000 he has worked with a number of housing related organizations including Oakland Community Housing, Inc., Burbank Housing Development Corporation, Resources for Community Development, East Bay Asian Local Development Corporation, and others.

Mr. Austin's work in service-enriched housing for homeless and formerly homeless individuals includes the development of the Hamilton Apartments, a 92-unit studio building for which he obtained a McKinney moderate rehabilitation award, tax credits and AHP subsidy. Other service-enriched projects have included the Hookston Manor Apartments, a 100-unit project in Pleasant Hill that included 40% of its units for seniors at risk of homelessness. In addition, he has developed over 450 units of multifamily and single family housing. Mr. Austin served as a board member of East Bay Housing Organizations, and worked on a number of committees of EBHO, as well as the Non Profit Housing Legislative Committee.

Proposed Facility

The proposed facility will house up to 125 people consisting of 65 single men, 35 single women, including 25 people living with HIV/AIDS and 5 families. The project is a four-story wood frame and will be three stories of Type V construction over a single-story garage of Type I

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construction. It contains 60 rooms, including a communal dining room, a commercial grade kitchen, a smoking patio, a day room, a respite care area (for those who are ill, including people with HIV/AIDS), offices for counseling and administrative staff, a computer room, and meeting rooms. The communal area will have separate male, female and handicapped accessible restrooms, access to laundry facilities and a multi-purpose room.

For living quarters, there are five apartment-style rooms with private bathrooms for families and three dormitory style rooms for men and women (two for men and one for women, with storage area in the sleeping area for each resident and access to bathrooms and commodes and a handicap accessible bathroom in both sections). Other amenities include a playground for children, a private family lounge, a designated family dining area and children's room for after school activities.

The exterior of the project is stucco, and the bungalow-style design blends well with the surrounding neighborhood. The parking lot holds 14 cars, for members of the staff. Landscaping at the perimeter is done with drought-resistant native plants.

KEY ISSUES AND IMPACTS

Development of a new shelter/transitional housing site requires a Conditional Use Permit be granted. The Planning Commission unanimously approved the Conditional Use Permit required for the development of this project on October 6, 2004.

The EOCP funding plan is itemized below.

East Oakland Community Project Funding

Total Development Cost:	\$10,3000,000
Funding Source	
Washington Mutual (financing)	\$2,400,000*
State of California/EHAPCD	\$1,000,000
Federal Home Loan Bank/AHP	\$1,000,000
Alameda County Health Care Services	\$1,050,000
HOPWA (HUD)	\$1,600,000
HOPWA (SPNS)	\$1,287,500
City of Oakland CDBG	\$1,150,000***
Solar Investor (to use solar tax credits)	\$ 250,000**
Foundations	\$ 502,500
EOCP Board of Directors	\$ 10,000
Alameda County Waste Mgmt.	\$ 50,000

* \$1,800,000 of this amount would be guaranteed by the City of Oakland through an agreement between the City and Washington Mutual Bank. The difference of \$600,000 will be accepted by the Bank as the value of the land as security for the loan.

** An investor will own the solar panel system (not the entire building) for the first five years and EOCP will make payments purchasing the electricity from the system at below market rates. The investor will receive federal tax credits and the State rebate. EOCP will purchase the panels from the investor at the end of the 5-year depreciation period.

*** \$1 million is contingent on City Council approval.

EOCP has a \$2.4 million loan commitment from Washington Mutual Bank, conditioned on provision of a debt service guaranty for the loan; \$1.8 million of the \$2.4 million loan guaranty is proposed to come from the Redevelopment Agency. The Redevelopment Agency would be required to make payments only if EOCP fails to pay the note timely. In order for EOCP to make the debt service payments on an ongoing basis, the City must continue funding EOCP with CDBG funds at the existing level of \$296,000 for the next 15 years. Because the City has had a commitment to provide the stream of funding that pays for the lease costs since 1989, it is to our long term benefit to assist EOCP in the development of the new building, so there may be an end to that stream of funding at some point in the future. The loan guaranty is necessary because EOCP, like any other nonprofit service provider without rent income from their transitional

shelter, cannot show that the revenues will continue to be sufficient despite a decade long history of constant revenue stream.

EOCP has also requested additional CDBG funds to help close the project funding gap. At this time, there is a surplus of CDBG FY 2004-05 program income (\$1.2 million), due to the City's receipt of substantial repayments of loans made in earlier years. Within the surplus of CDBG program income, \$1million is available to help fill the gap of the development cost for the new facility. These funds can be used for infrastructure improvements such as street improvements; neighborhood facilities such as parks and playgrounds; acquisition, construction or rehabilitation of a public facility; or an economic development activity, but it can not be used for a Public Service. Given that program income is over and above the annual CDBG allocation, recommendations for use are made on a project by project basis for City Council consideration. The EOCP project is an eligible use for the funds. Therefore, staff proposes to use the CDBG funds to help EOCP close the funding gap on the development of the new site.

Once the new facility is constructed, the EOCP sources of the revenues for operating expenses will include, but not be limited to, the Supportive Housing Program (SHP) and Housing Opportunities for Persons with AIDS (HOPWA) dollars from HUD, the City of Oakland Emergency Housing Program funds, Alameda County Social Services Agency shelter dollars, FEMA, unrestricted grant funds, donor contributions, etc. Most of these sources have been in place for not less than 10 years. It can be reasonably expected that the funding will continue as the need for the services for homeless persons continues in Oakland and Alameda County.

SUSTAINABLE OPPORTUNITIES

Economic:

EOCP works with their clients to find employment or other income to which they are entitled with the aim of supporting them to become independent, self sufficient citizens.

Environmental:

A major goal of this project in terms of energy use is to minimize the ongoing costs of energy and, as a result, to reduce the impact on the environment caused by inefficient energy use. Currently EOCP has utility costs in excess of \$6,000 per month. By using more efficient systems, these costs will be cut by at least half, and possibly down to a bare minimum by using photovoltaic cells for electrical cost reduction. The project has been designed to take into account and maximize the presence of sunlight, especially southern exposures. A hydronic heating system provides hot water and heat at the same time, and is the most energy efficient system available (and can be used in conjunction with solar, or as a stand-alone system). Typically, these systems exceed Title 24 energy requirements by as much as 40%. It is also very cost efficient over time, minimizing cost

and providing very comfortable heating. Other passive measures being contemplated are: use of awnings and shades to reduce air conditioning and ventilation costs, orientation of windows to maximize solar conduction, and appropriate use of window coverings to reduce heat and cooling loss.

Social Equity:

Addressing the needs of the homeless population and of those with HIV/AIDS in Oakland in order that they may move toward independent, self sufficient lives is the main focus of EOCP's programs. A new building constructed to maximize the benefits available in an improved environment substantially increases the opportunity for success and increased social equity.

DISABILITY AND SENIOR CITIZEN ACCESS

EOCP serves many persons with disabilities. The new facility will be built to comply with all American with Disabilities Act (ADA) requirements.

Senior citizens are welcome to participate in EOCP programs. Where special requirements exist, such as a program for families or for persons and their families with HIV/AIDS, senior citizens must meet those requirements in order to participate.

RECOMMENDATION(S) AND RATIONALE

Staff recommends:

The Redevelopment Agency provides a Loan Guaranty of Payment for 15 years in the amount of \$1.8 million. This would provide security required for EOCP to secure a private loan from Washington Mutual in the amount of \$2.4 million to help fill a funding gap.

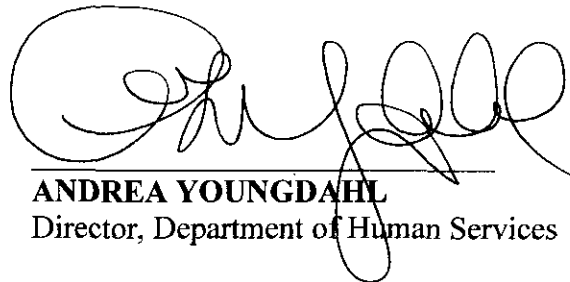
The Community and Economic Development Agency allocate \$1 million of CDBG funds from the housing rehabilitation program. This will provide the necessary funding to develop the site.

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ACTION REQUESTED OF THE CITY COUNCIL

Staff requests the adoption of a resolution from the Redevelopment Agency to provide a Loan Guaranty for 15 years in the amount of \$1.8 million for East Oakland Community Projects Private Loan and a City Resolution authorizing the Community and Economic Development Agency to allocate \$1 million in CDBG funds to East Oakland Community Project for development of a new housing facility for the homeless.

Respectfully submitted,



ANDREA YOUNGDAHL
Director, Department of Human Services

Prepared by:
Susan Shelton, Interim Manager
Community Housing Services Division

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



Cheryl Thompson
Office of the City Administrator

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February 28, 2006

OFFICE OF THE CITY CLERK
APPROVED AS TO FORM AND LEGALITY:

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Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING A LOAN GUARANTY FOR 15 YEARS IN
THE AMOUNT OF \$1.8 MILLION PLUS INTEREST TO EAST OAKLAND
COMMUNITY PROJECT FOR DEVELOPMENT OF A NEW HOUSING
FACILITY FOR THE HOMELESS AT 7515 INTERNATIONAL BOULEVARD

WHEREAS, the East Oakland Community Project (EOCP) has proposed a new 125 bed housing facility for the homeless at 7515 International Boulevard; and

WHEREAS, the new proposed facility has a total development cost of \$10,300,000; and

WHEREAS, EOCP desires to borrow \$2.4 million from Washington Mutual to help close the funding gap; and

WHEREAS, the private loan from Washington Mutual is contingent upon EOCP offering security in addition to the real property valued at \$600,000; and

WHEREAS, EOCP desires the Redevelopment Agency to guarantee a 15-year debt service for the \$1.8 million loan from Washington Mutual; and

WHEREAS, the Redevelopment Agency, under this loan guaranty, would guarantee obligations of payment of the loan principal in a maximum amount of \$1.8 million, along with interest on that portion of the loan at the rate set forth in the note; and

WHEREAS, the maximum principal amount constituting the guaranteed obligations will be reduced each year by \$93,333.33 on the anniversary date of the loan guaranty; and

WHEREAS, the Redevelopment Agency would be responsible for making payments on the note within ten business days after Washington Mutual's written demand for payments in the event of EOCP's failure to pay the note; now, therefore, be it

RESOLVED: That the Agency hereby authorizes a loan guaranty for 15 years in the principal amount of \$1.8 million plus interest to EOCP for the development of a new housing facility for the homeless at 7515 International Boulevard; and be it further

RESOLVED: The funds shall be allocated from the Central City East Operations Fund (9540); Central City East Development Organization (88699); ORA – Central City East Repayment Agreement Project (S233310); and be it further

RESOLVED: That the Agency hereby authorizes the Agency Administrator to conduct negotiations, execute documents, and take any other action with respect to the project and the loan guaranty consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2006

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND CHAIRPERSON DE LA FUENTE

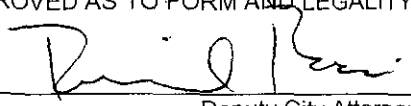
NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland

APPROVED AS TO FORM AND LEGALITY:

By: 
Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION ALLOCATING \$1 MILLION OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME TO EAST OAKLAND COMMUNITY PROJECT FOR DEVELOPMENT OF A NEW HOUSING FACILITY FOR THE HOMELESS AT 7515 INTERNATIONAL BOULEVARD

WHEREAS, the Housing and Community Development Division of the Community Economic Development Agency (CEDA) provides administration and related services for the Community Development Block Grant (CDBG) Program; and

WHEREAS, the CDBG budget includes \$1.8 million in "program income," which represents funds received as repayments of loans made to low income homeowners to rehabilitate their homes; and has seen significant repayments of first-time homebuyer loans made in prior years from HOME and Redevelopment Agency Low/Moderate Income Housing Funds; and

WHEREAS, in the past few years the CDBG program income has realized substantial revenue from unanticipated loan repayments due to the strong housing market; and

WHEREAS, as of June 30, 2005, there was approximately \$3.1 million of unspent CDBG program income funds in this program; and

WHEREAS, the East Oakland Community Project (EOCP) has proposed a new 125 bed housing facility for the homeless at 7515 International Boulevard; and

WHEREAS, the new proposed facility has a total development cost of \$10,300,000; and

WHEREAS, EOCP desires \$1 million of CDBG funds to help close the gap for the development of the new proposed facility; and

WHEREAS, \$1 million of CDBG program income has been recommended for EOCP to help close gap for the development of the new proposed facility; now, therefore, be it

RESOLVED: That the City Council hereby allocates \$1 million of CDBG program income to East Oakland Community Project for development of a new housing facility for the homeless at 7515 International Boulevard; and be it further

RESOLVED: The funds shall be allocated from the Community Development Block Grant Fund (2108); Residential Lending Organization (88939); Rehabilitation Loan Program Costs (G08750); and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator to conduct negotiations, execute documents, and take any other action with respect to the project and the allocation of CDBG funds consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2006

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND
 PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California