



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Director, Housing &
Community Development

SUBJECT: Housing Accelerator Fund

DATE: May 29, 2024

City Administrator Approval


Jestin Johnson (May 30, 2024 23:23 PDT)

Date: May 30, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt a Resolution Authorizing the City Administrator To:

(1) AUTHORIZING A \$10 MILLION UNSECURED RECOURSE LOAN TO THE HOUSING ACCELERATOR FUND TO ESTABLISH A FUND TO FINANCE AFFORDABLE HOUSING ACQUISITION AND REHABILITATION, AND APPROPRIATING MEASURE U BOND FUNDS FOR THIS PURPOSE;

(2) AUTHORIZING AND APPROPRIATING \$30 MILLION IN MEASURE U BOND FUNDS FOR PERMANENT FINANCING TO TAKE-OUT THESE ACQUISITION AND REHABILITATION LOANS;AND

(3) MAKING RELATED CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS

EXECUTIVE SUMMARY

The proposed Resolution would authorize the City Administrator to request \$10 million of Measure U funds and the authority to enter an unsecured loan with the Housing Accelerator Fund (HAF), a non-profit Community Development Financial Institution, to leverage private dollars from banks and philanthropists, and administer and fund acquisition and rehabilitation loans as part of the City's Acquisition and Conversion to Affordable Housing (ACAH) Program. This loan would be an unsecured, recourse obligation of the HAF with "first-loss" features for Oakland projects. Staff is also requesting \$30 million of Measure U funds for take-out permanent financing of the acquisition and rehabilitation loans. These actions will build upon and improve the City's established ACAH program and accelerate City anti-displacement efforts in low-income neighborhoods experiencing gentrification.

CED Committee
June 11, 2024

Since 2017, Oakland HCD staff has operated the ACAH Program by awarding Measure KK funds through competitive Notice of Funding Availability (NOFA) processes. The program has been a key part of the City's affordable housing preservation and anti-displacement efforts, and successfully facilitated the acquisition and rehabilitation of over 312 affordable housing units. However, City staff has received consistent feedback that the ACAH Program is missing impactful real estate opportunities since HCD does not have sufficient staff or processes in place to rapidly evaluate applications and close loans within the timeframe of the competitive real estate market. Partnering with the HAF to leverage additional funds and administer acquisition and rehabilitation loans on behalf of the City will have the following benefits:

- Increase the City's capacity to provide more loans, more quickly to meet the real-time demands of the real estate market;
- Leverage private, below market capital for affordable acquisition and rehabilitation from private lenders and philanthropists, which will be taken out by City funds at conversion to permanent financing;
- Offer technical assistance to borrowers during the application, loan closing, and construction phases of the projects to build the capacity of community-based organizations; and
- Leveraging deep expertise in anti-displacement and preservation lending to assist the City in continuing to improve the ACAH program design and focus on other preservation activities, such as capacity building of community land trusts, limited equity co-operatives and other anti-displacement efforts.

The HAF has been working in this capacity with the City of San Francisco's Mayor's Office of Housing and Community Development since 2017 and has a reliable and successful track record. Begun with a similar \$10 million loan investment from the City of San Francisco, the HAF has leveraged that investment 30:1 to create a revolving loan fund to support the creation and preservation of affordable housing, for a total capitalization of more than \$300 million. Since 2017, the HAF has administered over \$189.5 million of funding to specifically support the preservation and rehabilitation of existing multi-family properties as part of the San Francisco Small Sites Program, after which the ACAH program was modeled. Upon completion of the acquisition and rehabilitation of each of the properties, the HAF loan is repaid using permanent debt and City subsidy. The HAF lending capital revolves, so that as loans it makes are repaid, new lending to additional pipeline preservation properties is possible. The HAF provides this anti-displacement bridge lending to affordable housing developers with rapid execution to beat out speculative for-profit buyers. This preserves existing multifamily housing with permanent affordability and results in long-time residents being able to stay in their homes. More detailed information on the HAF is in **Attachment A**. Activities funded through the loan to the HAF will include:

- Leveraging private and philanthropic below-market rate capital for affordable housing uses;
- Evaluating, underwriting and administering loans for the acquisition, conversion and rehabilitation of affordable housing in order to rapidly respond to opportunities in the Oakland real estate market and,
- Working with HCD staff and local community partners to update ACAH Program guidelines to best match current market demands and needs of ACAH partners.

BACKGROUND / LEGISLATIVE HISTORY

On November 8, 2016, Oakland voters passed Measure KK, the Affordable Housing and Infrastructure Bond that provided \$100 million in funding for affordable housing. On November 29, 2016, the City Council approved **Ordinance No. 13403 C.M.S.**¹ that enacted the City of Oakland Affordable Housing and Infrastructure Bond Law. On June 19, 2017, the City Council approved **Resolution No. 86774 C.M.S.**², which identified the programs authorized for funding with proceeds from the first tranche of Measure KK bonds in an amount of \$55 million, which included the Site Acquisition Program (the former name of the ACAH program). While originally intended to be a short-term revolving loan program, the program shifted and **City Resolution 87220 C.M.S.**³ modified the Site Acquisition Program to allow for long-term loans on June 5, 2018.

On June 24, 2019, Oakland City Council passed the 2019-2021 Budget with \$12 million allocated to a Preservation of Affordable Housing Fund (PAHF). The goal of the PAHF was to help community land trusts and limited equity housing cooperative acquire and preserve properties with 25 units or less. City staff incorporated this Council directive into the ACAH Program and used Bond Measure KK funds for the PAHF. However, additional funding for the PAHF has not been allocated through the budget process in subsequent years and ACAH funds have been the sole funds utilized for community land trusts and limited equity housing cooperatives.

On September 12, 2019, City Council approved **Resolution No. 87876 C.M.S.**⁴ to rename the Site Acquisition Program to the “Acquisition and Conversion to Affordable Housing (ACAH) Program,” to improve its ability to prevent resident displacement and preserve affordable housing in Oakland neighborhoods. The ACAH program was also given authorization to release up to \$30 million “over the counter” without returning to Council, which has now been committed and mostly utilized. Also, on December 10, 2019, City Council approved **Resolution No. 87981 C.M.S.**⁵ authorizing additional funding under Measure KK for the ACAH Program. The ACAH Program implemented a competitive NOFA process to prioritize areas of Oakland facing the most extreme displacement pressures, properties with rent burdened and/or vulnerable households facing eviction pressures, properties in substandard conditions and/or projects sponsored by emerging developers.

Lastly, City Council approved **Resolution 89503 C.M.S.** on December 6, 2022 to allocate an additional \$12,265,543 (plus a contingent additional \$10,000,000 if the City did not receive a funding award from the State Homekey Program) to the ACAH Program. Since the additional funds awarded to Homekey were not available, \$12,265,543 of funds were awarded through a competitive NOFA that was released on December 21, 2022, and revised on January 4, 2023. This most recent NOFA prioritized projects submitted by emerging developers, projects in neighborhoods experiencing heightened levels of gentrification and previously funded ACAH projects that needed additional funds to complete vital rehabilitation work.

¹ City of Oakland - [File #: 16-0340](#) (legistar.com)

² City of Oakland - [File #: 16-1229](#) (legistar.com)

³ City of Oakland - [File #: 18-0514](#) (legistar.com)

⁴ City of Oakland - [File #: 18-2222](#) (legistar.com)

⁵ City of Oakland - [File #: 18-2515](#) (legistar.com)

ACAH Achievements To-Date

Table 1 below summarizes ACAH program awards since 2017. The ACAH Program has been primarily funded by Measure KK Affordable Housing Bond funds (Fund 5331 and Fund 5333) through NOFAs in 2017, 2019, 2020 and 2022. A total of \$53,050,000 has been awarded to 19 projects, funding the acquisition and conversion of 312 unsubsidized affordable housing units to long-term restricted affordable units. In addition to Measure KK, small amounts of funds have been provided from Jobs Housing Impact Fee, Boomerang and Low Moderate Income Asset Funds.

Starting in 2019, the ACAH Program was bifurcated into two subprograms to establish a set-aside for community land trusts and limited equity housing cooperatives after Council passed the 2019-21 Budget, which allocated \$12 million to the Preservation of Affordable Housing Fund (PAHF). **Table 1** shows the breakout of projects and funds by subprogram: *Community Land Trusts & Cooperatives Subprogram* and *All Developers – General Pool Subprogram* from 2017 through present. **Attachment B provides a list of all ACAH funded projects.**

Table 1: ACAH Awards by Subprogram

ACAH 2017-2022 by Subprogram	Projects	# of Units	Total Funds Awarded
Community Land Trusts & Cooperatives	12	78	\$18,350,000
All Developers - General Pool	7	234	\$34,700,000
ACAH Total	19	312	\$53,050,000

As of May 2024, nine out of the twelve projects in the *Community Land Trusts & Cooperatives Subprogram* have closed their ACAH loans (projects in this subprogram have 25 units or less). The remaining three projects are in various stages of predevelopment and will likely close their loans in late 2024. In the *All Developers- General Pool*, six of the seven projects have closed their City loans; the remaining project needs to secure additional financing before closing (projects in the *All Developers* subprogram are not limited by number of units; however, the maximum loan amount is \$7.5 million per current ACAH guidelines). Since all funds allocated to the ACAH Program have been committed at this time, additional funding is needed to continue this important and impactful program. Four projects are currently on the pipeline from the December 2022 ACAH NOFA and ACAH partners are monitoring several properties on the current market and expressed interest in participating in this new over-the-counter program, when available. In addition, the softening in the rental market has created opportunities to acquire newer market rate properties and convert them to affordable housing.

ACAH Unit Affordability and Resident Demographics

All ACAH units are restricted to households at or below 80 percent of the Area Median Income (AMI), which is \$112,150 for family of four as of June 3, 2023. Compared to the City's other affordable housing programs which typically allow household incomes up to 60% AMI, the ACAH Program allows for households up to 80% AMI for the following reasons:

- 1) ACAH projects tend to be considerably smaller than new construction or substantial rehabilitation projects, and as a result, less rental revenue is generated to cover operating expenses.

- 2) Operating subsidy is not available from the Oakland Housing Authority for ACAH projects, which typically subsidizes lower income rents in affordable housing projects.
- 3) Fewer other sources of non-City funds are available for these projects, limiting the funds available for rehabilitation and/or an operating reserve.

Although the ACAH Program allows households with incomes up to 80 percent of AMI, program sponsors report that the income of the existing tenants is often much lower than 80 percent of AMI. Data provided by our two ACAH partners reflect the average AMI income levels are between 40 and 51 percent of AMI. For example, the average AMI of tenants for 79 tenants at 2000 36th Avenue and 36th Avenue Apartments (owned by The Unity Council) who income certified is 44 percent. The Oakland Community Land Trust reported that for 27 households living in ACAH properties, the average AMI is 51 percent. As projects complete their rehabilitations and verify the incomes of existing tenants, the City will have more complete data on the tenant incomes in the ACAH Program.

Table 2 shows race and ethnicity demographics as reported for a portion (205 of 312, or 66%) of the ACAH units as of May 2024. The data is limited because the City receives demographic information after sponsors income certify existing tenants, which can be an extremely challenging and lengthy process. The provision of income and demographic information is optional for existing tenants, and they are much more likely to provide this information once a relationship and trust are established between the new owners and tenants, and after tenants learn about the City's affordable housing program and requirements. As a result, this typically occurs after property rehabilitations are complete. Furthermore, data is reported by property owners at the household (HH) level for the following race and ethnicity categories combined. City staff continue to refine reporting methods to better understand program impacts and improve equitable access to housing for Oakland individuals and families.

Table 2: Race and Ethnicity of Households in ACAH Program Units

Asian HHs	Black HHs	Latinx HHs	Native American n/ Alaskan Native HHs	Native Hawaiia n HHs	White HHs	Other HHs	Total
19	44	108	1	3	29	1	205
9%	21.5%	53%	.5%	1.5%	14%	.5%	100%

The data available shows that at least 86 percent of occupants in ACAH properties are people of color: 53% of the households are Latinx or of Hispanic origin, approximately 21.5% of the households are Black, and 9% are Asian. Remaining households include those of other or mixed race/ethnicities (0.5%), Native American/Alaska Native (0.5%) and Native Hawaiian/OPI (1.5%). Fourteen percent of households identify as White.

The ACAH program is in line with HCD's commitment to advancing racial equity amongst its programs and policies. HCD is committed to equitably promote housing access for, and stem the displacement of, Oaklanders most impacted by racial disparities, as outlined in the HCD 2023-2027 Strategic Action Plan (SAP).⁶ The SAP outlines how HCD will administer \$350

⁶ City of Oakland Housing and Community Development [2023-2027 Strategic Action Plan](#)

million of affordable housing capital dollars, a portion of Measure U's total \$850 million, over the years following its approval by voters in November 2022. A partnership with the HAF is consistent with the Equity Capital Investment Framework in the SAP, which projects that approximately 15% of HCD's capital funds will be spent on ACAH preservation projects.

The SAP is grounded in relevant housing data, disaggregated by race and ethnicity whenever possible, and is informed by a comprehensive stakeholder engagement process that included HCD staff, Oakland community members, regional partners, and City leadership. Drawing from the stakeholder engagement process, the SAP offers an equity goal and guiding principles that reflect Oakland's values and aim to maximize the impact of both Measure U and other local dollars.

ANALYSIS AND POLICY ALTERNATIVES

Although the ACAH Program has been a successful anti-displacement program through the acquisition of over 300 units since 2017, the program will be much more impactful, effective and efficient in partnership with the HAF for the following reasons:

- **Real-Time Capacity:** the HAF can operate the ACAH program on a continuous rolling basis, which allows potential program borrowers to continuously respond to real estate opportunities as they arise.
- **Expert Team:** the HAF offers a dedicated staff of real-estate and affordable housing finance experts to work with program sponsors to perform project feasibility analyses, loan underwriting, long due diligence and navigating the closing process.
- **Construction and Rehabilitation Expertise:** the HAF offers technical assistance and deep expertise to our partners, which is particularly helpful give the complicated rehabilitation scopes of work for these older buildings with considerable deferred maintenance. The HAF works with an experienced construction management team who reviews all rehabilitation budgets, scopes and due diligence reports, and monitors the projects during the construction term.
- **Faster Closings To Move at the Speed of the Market:** the HAF's fast-acting capital can compete in a market where new and existing affordable units are being lost to market rate development and speculation and public capital is unable to be deployed quickly enough to respond to opportunities. The City's fastest closing timeline for an ACAH acquisition is 90-120 days, and the majority of closings take much longer. The HAF is able to close loans in 45-90 days, which allows ACAH partners to effectively compete and remove buildings from the speculative market. The HAF will provide financing to partners for a period of 12-24 months, bridging to conventional and/or HCD permanent financing after construction is complete. Loan originations will be made in coordination with HCD staff to ensure that affordable housing is preserved, and investments conform with ACAH guidelines and programmatic goals.
- **Immediate Leverage:** The City's \$10 million investment leverages the HAFs 'existing balance sheet and strong relationships with funders, many of whom have specific interest in supporting affordable housing in Oakland. Through partnership with the HAF, the City's priority ACAH projects can gain access to nimble, efficient funding for preservation, acquisition and rehabilitation funding at the scale needed to keep pace

with the City's available preservation funding measures and ensure community-based organizations can compete effectively in the market. Since its launch in 2017 with \$10 million in seed capital from the City and County of San Francisco, the HAF has grown its lending capital to approximately \$300 million. Below-market rate, uniquely flexible investments and loans from philanthropy, individuals, and financial institutions comprise the bulk of the HAF's capitalization. This capitalization makes it possible for the HAF to lend effectively to community-based organizations supporting them in acquiring high-touch, smaller preservation properties, such as those anticipated to be funded through ACAH. An estimated \$20-\$40 million in revolving lending capital over the next five years will be needed to support bring lending needs for the ACAH Program, an amount that can be fully provided from the capital the HAF has available paired with proceeds from the City's loan. The scale of the HAF's lending resources means there is also room for growth to raise additional Oakland specific capital and the possibility of planning ahead to coordinate on other anticipated City affordable housing funding priorities.

- **Get Out Ahead of Anticipated Permanent Public Funding:** Working with the HAF allows for the City and its nonprofit partners to move at the speed of the market, securing preservation opportunities ahead of the time it would take for the City to issue future bond tranches. In addition, should additional resources for preservation beyond Measure U become available (e.g. the Bay Area Housing Finance Authority Regional Housing, State FIHPP, etc.), the infrastructure the City has set up with the HAF will facilitate fast and more cost-effective deployment of these funds in future years.
- **Future Leverage:** In a lower interest rate environment in future years and when ACAH projects have an opportunity to stabilize, there is potential for them to generate positive Net Operating Income (NOI) and be refinanced with private hard mortgages, which would repay a portion of the City's original loan. At that point, up to 20-30% of the City's subsidy could be unlocked and revolved back into the program for other acquisitions. In the interim, the HAF's capital is providing a much-needed initial stabilization strategy to preserve the project's affordability and address deferred capital needs.

Due to the passage of Measure U, at least 15% of Measure U dollars, or approximately \$50 million, is anticipated to be available for the ACAH Program, in alignment with the Strategic Action Plan (SAP). Given current market conditions, this is a prime opportunity for our preservation partners to acquire properties that are at risk of losing affordability due to interest from profit-motivated investors. City staff has received consistent feedback for years that the ACAH Program is missing impactful real estate opportunities since HCD does not have sufficient staff or processes in place to rapidly evaluate applications and close loans within the timeframe of the competitive real estate market.

Alternatively, HCD could continue to administer the ACAH Program in-house, and release a NOFA every 1-2 years, as it has operated since inception in 2017. As described above, HCD lacks sufficient staff to operate the ACAH Program on a rolling basis. As a result, our affordable housing development partners are missing real estate opportunities to acquire and convert existing multifamily buildings into long-term affordable housing. The HAF is better equipped to respond to market demands in real time and meet the needs and goals of the program. They

also have a greater level of financial expertise to evaluate projects and provide the technical assistance to our affordable housing developer partners. Lastly, the HAF will leverage its strong balance sheet sources from private banks and philanthropists, and the benefit of this additional capital is only available if we partner with the HAF.

FISCAL IMPACT

HCD will use Measure U Bond Funds in the amount of \$10 million for the initial unsecured recourse loan to the HAF as shown in **Table 3**. HCD will also use budgeted funds from Bond Measure U in the amount of \$30 million for take-out permanent financing, which will be needed approximately 18-30 months after the HAF administers the acquisition and rehabilitation bridge financing. City Council will consider HCD's FY 2045-25 Mid-Cycle Budget in June 2024, which includes proposed uses and budgeted amounts for Measure U. The \$40 million of Measure U funds discussed in this report are contingent on Council's approval of HCD's Mid-Cycle Budget. This funding recommendation is consistent with the Equity Capital Investment Framework in the SAP, which projects that approximately 15% of HCD's capital funds will be spent on ACAH preservation projects.

Table 3: Funding Codes for Loan to the HAF

Name of Fund	Fund	Org	Account	Project
Measure U Bond Funds	TBD	89929	\$10,000,000	TBD
Measure U Bond Funds	TBD	89929	\$30,000,000	TBD

PUBLIC OUTREACH / INTEREST

HCD staff has consulted with ACAH partners, including The Unity Council, Oakland Community Land Trust, Northern California Land Trust, and Bay Area Community Land Trust. Staff also consulted with the City of San Francisco's Mayor's Office of Housing and Community Development to learn about their experience with the HAF and the Small Sites Program. Enterprise Community Foundation, in partnership with HCD and the HAF, convened a gathering of ACAH preservation partners in May 2024 to discuss proposed changes to the ACAH program and introduce the HAF. In addition, the HAF staff has met one-on-one with The Unity Council, Oakland Community Land Trust, Northern California Community Land Trust, Richmond Neighborhood Housing Services, East Bay Asian Local Development Corporation, and East Bay Housing Organizations to gather additional feedback.

Additionally, leading up to the creation of the HCD's 2023-2027 Strategic Action Plan, HCD Director and staff met with many community stakeholders. A clear outcome of those discussions centered around the need for more resources for housing preservation overall. The SAP guides the capital spending plan and priorities for HCD.

Furthermore, over the years, the ACAH program was guided by consultation and feedback from various affordable housing partners, specifically those advancing and advocating for anti-displacement efforts in rapidly gentrifying neighborhoods in Oakland. Staff held multiple feedback and listening sessions with ACAH sponsors prior to the release of ACAH NOFAs.

COORDINATION

This report and resolution have been reviewed by the Office of the City Attorney and by the Budget Bureau.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

ACAH Results

As discussed above, the ACAH Program commenced in 2017 and a total of \$53,050,000 has been awarded to 19 projects to fund the acquisition and conversion of 312 unsubsidized affordable housing units into long-term restricted affordable units. The ACAH Program has been primarily funded by Measure KK Affordable Housing Bond funds (Fund 5331 and Fund 5333) through NOFAs in 2017, 2019, 2020 and 2022. In addition to Measure KK, small amounts of funds have been provided from Jobs Housing Impact Fee, Boomerang and Low Moderate Income Asset Funds. Approximately 88 percent of households in ACAH properties identify as Black, Latino, Asian and Native Alaskan/American or Hawaiian.

HAF Performance

The mission of the HAF is to invest in the preservation and expansion of quality affordable housing and community facilities. The HAF accelerates the production and preservation of affordable housing for economically disadvantaged households, individuals, and communities by lending to, investing in, and directly acquiring real estate assets.

The HAF successfully achieved its launch goals within the City of San Francisco, reaching and exceeding the original target of \$100 million invested and 1,500 permanent affordable homes in San Francisco in its first five years. In response to demand from other communities, and after extensive stakeholder conversations, the HAF's Board voted in 2022 to greenlight expansion to regional lending, serving the greater SF Bay Area. Outside of SF, the HAF has provided loans to affordable housing projects in Marin and Santa Clara Counties.

Proposed HAF Evaluation:

The HAF and HCD staff will work closely together between June and December 2024 to set up and begin to administer funds to the ACAH program, including bi-weekly meetings. The HAF staff will provide quarterly and annual reports, and monthly pipeline and portfolio updates to HCD staff. Required reporting includes:

- Within 60 days from close of each quarter, the HAF will provide a quarterly investor/lender report with detail on its loan and investment portfolio and financial performance.
- Within 120 days from close of the HAF's fiscal year, the HAF will provide an annual investor/lender report providing detail on its loan and investment portfolio, financial performance and progress with respect to achievement of its mission and purpose. In addition, the HAF will provide audited financial statements.
- Twelve months after the first HAF loan closing, the HAF and HCD staff will evaluate the success and effectiveness of the revised ACAH Program and determine priorities for the following twelve months.

SUSTAINABLE OPPORTUNITIES

Economic: HCD's 2023-2027 SAP offers goals and guiding principles that reflect Oakland's values and aim to maximize the impact of both Measure U and other local dollars, including the commitment to pursue partnerships that reduce development cost and time. The creation of affordable housing and preventing displacement positively impact the economics of a community by ensuring that residents with lower incomes can attain stability and security, improved quality of life, and increased income. Improving HCD's capacity to carry out the ACAH program will result in improved outcomes for the residents these programs are designed to serve and will combat displacement pressures in critical Oakland neighborhoods.

Environmental: The lack of affordable housing options in Oakland worsens air pollution, as community members are forced to drive long distances to their jobs. Considerable evidence shows that households living near employment-dense areas and transit corridors have lower carbon footprints than those living in less dense areas further from transit. Affordable housing located near transit is particularly impactful, as low-income households are more likely not to own cars if they have access to quality transportation options. Improving HCD's capacity to acquire and preserve existing affordable properties, particularly near transit corridors, will advance these environmental goals. Additionally, since many ACAH projects include rehabilitation activities, the program ensures that housing units are habitable, up-to-code, and safe for its residents and the surrounding communities.

Race and Equity: Through the adoption of **City Ordinance No. 13119 C.M.S.** and its implementing regulations at **OMC 2.29.170.1.**, the City of Oakland committed to intentionally integrate the principle of "fair and just" in all its operations to achieve equitable opportunities for its communities. Providing affordable housing through the ACAH program to those most impacted by racial disparities will help advance the City's mandate. As ACAH program data shows, 24% of residents identify as Black, and at least 84% of residents identify as people of color. Coupled with the fact that all residents earn 80% AMI or below, the ACAH program directly impacts and stabilizes housing for critical populations, including many families, in Oakland and allows them to remain housed. Additionally, the ACAH program awards additional points in its scoring criteria for projects/properties that:

- 1) have tenants at high risk of displacement;
- 2) are exempt from rent control;
- 3) are in substandard condition;
- 4) have at least fifty-one percent (51%) of current tenants of vulnerable populations;
- 5) have at least fifty-one percent (51%) of current tenants of an extremely low-income;
- 6) have at least fifty-one percent (51%) of current tenants supportive of and actively participating with the applicant in the effort to purchase the property;
- 7) have an applicant considered as an "emerging developer"; and/or
- 8) are located within the Urban Displacement Project's Estimated Displacement Risk Model "extreme" or "high" displacement categories.

Additional details of the scoring criteria and the required documentation/factors can be found in Exhibit A of the 2023 ACAH NOFA Scoring Criteria.⁷ The inclusion of these key criteria help

⁷ [Exhibit A - ACAH NOFA Scoring Criteria](#) – Community Land Trusts/Limited Equity Housing Cooperatives Subprogram, 2023

ensure that the project selected will have the highest possible impact in combating displacement in Oakland's most vulnerable neighborhoods.

CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

The City is the Lead Agency for ACAH projects for purposes of environmental review under the California Environmental Quality Act of 1970 ("CEQA"). The requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City will be satisfied for projects funded by the loan to HAF, since ACAH projects are exempt from CEQA pursuant to Sections 15301 (minor alterations to existing facilities), Sections 15302 (replacement or reconstruction of existing structures), Section 15332 (infill development projects) and Section 15183 (projects consistent with a community plan, general plan, or zoning).

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt a Resolution Authorizing The City Administrator:

(1) AUTHORIZING A \$10 MILLION UNSECURED LOAN TO THE HOUSING ACCELERATOR FUND TO FINANCE AFFORDABLE HOUSING ACQUISITION AND REHABILITATION, AND APPROPRIATING MEASURE U BOND FUNDS FOR THIS PURPOSE;

(2) AUTHORIZING AND APPROPRIATING \$30 MILLION IN MEASURE U BOND FUNDS FOR TAKE-OUT PERMANENT FINANCING OF THESE ACQUISITION AND REHABILITATION LOANS, INCLUDING PENDING ACQUISITION AND CONVERSION TO AFFORDABLE HOUSING PROGRAMS; AND

(3) MAKING RELATED CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS

For questions regarding this report, please contact Meghan Horl, Housing Preservation Services Manager, at mhorl@oaklandca.gov or 510-847-6392.

Respectfully submitted,

Emily Weinstein

Emily Weinstein (May 29, 2024 18:25 PDT)

EMILY WEINSTEIN

Director, Housing and Community Development
Department

Reviewed by:

Ali Gaylord, Deputy Director
Chris Norman, Chief of Staff

Prepared by:
Meghan Hori, Housing Preservation Services
Manager

Candace Latigue, ELDE/Housing Development
Coordinator IV

Attachments (2):

- A. Housing Accelerator Fund Background
- B. ACAH Projects from 2017 - Present

Attachment A
Housing Accelerator Fund Background

Attachment A: Background Information on the Housing Accelerator Fund

The Housing Accelerator Fund (HAF) is a qualified existing non-profit CDFI that raises capital, leverages funds, reduces capital costs, provides loan underwriting, accelerates and improves the availability of financing for public and private-party affordable housing acquisitions and rehabs. HAF was the solution in addressing San Francisco's affordable housing shortage, specifically providing anti-displacement bridge loans for the SF Small Sites Preservation Program. Outside of San Francisco, HAF also closed Bay Area regional loans in Marin and Santa Clara counties supporting nearly 200 units of affordable housing.

Mission

The San Francisco Housing Accelerator Fund's (HAF) mission is to invest in the preservation and expansion of quality affordable housing and community facilities. The HAF accelerates the production and preservation of affordable housing for California's economically disadvantaged households, individuals, and communities by lending to, investing in, and directly acquiring real estate assets.

Regional Expansion

The HAF successfully achieved its launch goals within the City of San Francisco, reaching and exceeding the original target of \$100 million invested and 1,500 permanent affordable homes in San Francisco in its first five years. In response to demand from other communities, and after extensive stakeholder conversations, HAF's Board voted in 2022 to greenlight expansion to regional lending, serving the greater SF Bay Area.

Expanding regionally will allow the HAF to scale its lending and catalyze impact more broadly. After careful research of the markets and opportunities, the Fund piloted multiple regional loans this past year, focusing on projects and communities where the HAF's capital will create the greatest difference in the lives of those who need it the most. A \$17 million dollar loan – with the HAF as lead lender (\$10 million) and Housing Trust Silicon Valley contributing the remaining \$7 million – to Mid-Peninsula Housing marked the HAF's first regional project, supporting the acquisition of the 80-unit affordable housing property, Sherwood Oaks, in Fairfax (Marin County). The acquisition of this former market rate property prevents the potential displacement of current residents and ensures permanent affordability for low-to-middle income residents in Marin County. Since then, HAF has closed a second regional loan to Mercy Housing California and Abode Communities for the development of a 110-unit educator housing community in Palo Alto (Santa Clara County). HAF is excited to continue expanding our reach to support our partners and neighbors across the region.

Financial Strength

Since 2017, the HAF has invested \$450 million to create 2500+ affordable housing units. The HAF's outstanding loan portfolio grew ~5 times from \$30 million in FY18 to \$143 million in FY23 and loan commitments increased from \$34 million in FY18 to \$199 million in FY23. \$70 million in loan commitments and outstanding portfolio as of FY23 is associated with two large loans to create PSH as part of the CA Homekey Program.

The efficacy of the HAF's financing and technical assistance is reflected in a strongly performing portfolio even as the HAF assumes higher risks than other lenders. Since inception HAF has experienced no loan losses.

Attachment A: Background on the Housing Accelerator Fund

To date, the HAF has secured \$365 million in capital for lending: \$278 million of debt capital from private sources; an equity-like investment from the City of SF of \$20 million at 0% for 20 years; and \$88 million in grants for lending capital, including a \$50 million grant in 2018 that resulted in the establishment of a wholly owned subsidiary, "HHF." \$161 million of the HAF's debt capital came from secured, revolving credit facilities: a \$100 million facility with JPMorgan (formerly First Republic Bank) and a \$61 million facility with Citibank. \$117 million of capital raised to date comes from balance sheet debt, from banks, foundations, and other private institutions.

These capital raises and resulting lending have produced significant year-over-year increases in total assets and net assets. Since FY21, the HAF's total assets increased from \$150 million to \$244 million in FY23 (total assets are net of intercompany transfers). In this period, net assets increased from \$68 million to \$99 million to produce a net asset ratio of 41%, improving the HAF's equity cushion even as debt capital increased from \$83 million to \$144.8 million.

There have been no material changes to HAF's financial health that are not reflected in the most recent audited financial statements for FY23. Further, there have been no material weaknesses, deficiencies, findings or questioned costs identified.

Lending Procedures

To guide all phases of loan underwriting and processing, the HAF staff created detailed Underwriting Guidelines and a Loan Manual, both of which reference industry best practices and HAF staff's extensive lending experience.

The HAF Board of Directors and Credit Committee (a subset of the Board), as well as the HAF's multiple investors, retain approval rights for amendments to the documents. Key underwriting considerations include overall feasibility, specific project risks and proposed mitigants, the loan repayment source, and, as previously described, the strength and capacity of the developer. Following loan underwriting, HAF staff submit a full credit memorandum (as approved by the Chief Investment Officer and Chief Executive Officer) to the HAF's Credit Committee for approval. Loans over \$10 million require full Board approval.

Financial Planning and Operations

The HAF places high priority on internal controls as part of day-to-day fiscal activities. The HAF's organizational structure, methods of assigning authority and responsibility, approach to management, personnel policies and practices, and external relations have been developed so as to provide strong operational and fiscal controls. The HAF's procedures incorporate the necessary internal controls to safeguard the Company's assets. Other policies and procedures that guide the HAF and ensure responsible & transparent operations include the Fund's Conflict of Interest Policy & Procedures & its annual independent audit.

The HAF prepares an annual budget that is reviewed and approved by the Board of Directors with Budget vs. Actual updates provided at each Board meeting. The HAF also provides quarterly lending and financial statement reports to investors. Impact reporting is completed and disseminated on an annual basis. The HAF engages an independent auditor to conduct an annual financial statement audit. Since inception HAF has received unqualified audit opinions. HAF engages Arther J. Gallagher & Co. to provide a full suite of insurance brokerage services. The HAF selected Gallagher based on their deep expertise and experience in providing risk management services in the affordable housing industry.

Attachment B
ACAH Projects from 2017 - Present

Attachment B

Acquisition and Conversion to Affordable Housing (ACAH) Project Awards, 2017-Present

<i>CLT/COOP?</i>	<i>Year of NOFA</i>	<i>Project Name</i>	<i>Project Sponsor</i>	<i>Address</i>	<i># of Units</i>	<i># of Affordable Units</i>	<i>City Funds</i>	<i>City Funds Per Unit</i>	<i>Council District</i>
	2017	Highland Palms	EBALDC	1810 E. 25th Street	23	22	\$3,000,000	\$130,435	2
	2017	10th Avenue Eastlake	EBALDC	2515 10th Avenue	35	34	\$5,000,000	\$142,857	2
CLT/COOP	2017	812 East 24th Street	OakCLT	812 East 24th Street	7	7	\$974,150	\$139,164	2
CLT/COOP	2019	OakCLT Scattered Site (107th/Wentworth/87th)	Oakland Community Land Trust (OakCLT)	2242 107th Ave, 5330 Wentworth Ave, 1709 87th Ave	3	3	\$849,616	\$283,205	5
	2019	10320 MacArthur Blvd Project	Richmond Neighborhood Housing Services	10320 MacArthur Blvd	17	17	\$2,500,000	\$147,059	7
CLT/COOP	2019	Harvest House	OakCLT	5940 Hayes Street	1	1	\$150,000	\$150,000	6
CLT/COOP	2019	6470 MacArthur Blvd	OakCLT	6470 MacArthur	2	2	\$390,606	\$195,303	6
CLT/COOP	2019	Newton House	BACLT	285 Newton Street	2	2	\$300,000	\$150,000	2
CLT/COOP	2020	1534 29th Avenue	OakCLT	1534 29th Avenue	14	14	\$2,100,000	\$150,000	5
CLT/COOP	2020	789 61st Street Coop	NCLT	789 61st Street Coop	4	4	\$1,200,000	\$300,000	1
CLT/COOP	2020	1658 34th Avenue	OakCLT	1658 34th Ave	4	4	\$1,200,000	\$300,000	5
	2020	East Bay Capital Portfolio II Fund IV, LP	EBALDC	430 Vernon St, 3465 Richmond B	40	39	\$1,700,000	\$43,590	1
CLT/COOP	2019 & 2020	Scattered Site (Hillside/Ritchie/76th)	OakCLT	8020 Hillside Street; 2684 Ritchie Street, 2735 76th Avenue	3	3	\$900,000	\$300,000	6
CLT/COOP	2019 & 2022	12th Avenue Cooperative	Bay Area CLT (BACLT)	1432 12th Ave	7	7	\$2,609,831	\$372,833	2
CLT/COOP	2019 & 2022	6106-6108 Hilton St CLY Anti-Displacement Project	Northern California Land Trust (NCLT)	6106-6108 Hilton Street	16	16	\$4,800,000	\$300,000	6
CLT/COOP	2019 & 2022	Shadetree	BACLT/SHADE	48 5th Ave	25	20	\$4,700,000	\$235,000	2
	2019 & 2022	2000 36th Avenue	The Unity Council	2000 36th Ave	55	54	\$7,500,000	\$136,364	5
	2019 & 2022	524-530 8th Street	Housing Consortium of East Bay	524-530 8th Street	39	39	\$7,500,000	\$192,308	3
	2019 & 2022	36th Ave Apartments	The Unity Council	1921 and 2022 36th Ave	25	24	\$7,500,000	\$300,000	5
					322	312	\$54,874,203		