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**REDEVELOPMENT AGENCY OF  
THE CITY OF OAKLAND  
AGENDA REPORT**

TO: Office of the Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: January 10, 2006

RE: **A RESOLUTION AMENDING RESOLUTION NO. 2004-08 C.M.S., WHICH AUTHORIZED AN AFFORDABLE HOUSING DEVELOPMENT LOAN OF \$3,858,424 TO AFFORDABLE HOUSING ASSOCIATES, INC. FOR A PROJECT AT 4856-4868 CALAVERAS AVENUE, TO (1) RAISE THE AFFORDABILITY LEVEL FROM 100% AND ALLOW SALES TO HOUSEHOLDS WITH UP TO 110% OF AREA MEDIAN INCOME, (2) CHANGE THE BORROWER TO COMMUNITY ASSETS, INC., AND (3) AUTHORIZE THE ASSIGNMENT OF THE LOAN TO COMMUNITY ASSETS, INC.**

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**SUMMARY**

Calaveras Townhomes, recently renamed Redwood Hill, is a proposed 28-unit condominium project on Calaveras Avenue, near MacArthur Boulevard and the 580 freeway. Redevelopment Agency funds totaling \$3,858,424 were awarded in 2004 under the City's annual housing NOFA process to assist with project development and to reserve unit prices at below market rates.

Prior to the start of construction, the project became financially infeasible because of cost increases, which outpaced available funding sources and expected sales revenue. In addition, policy changes at the development corporation necessitate a change of developer. This report recommends an increase in the maximum buyer income level from 100% to 110% of area median income, which will address the cost problem by allowing higher sales prices. A change of developer, to Community Assets Inc., is also recommended.

**FISCAL IMPACT**

Approval of the proposed resolution amends non-financial terms of a 2004 resolution, so fiscal impact to the Agency will be unchanged.

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Community and Economic Development Committee  
January 10, 2006

## **BACKGROUND**

Redwood Hill (previously called Calaveras Townhomes) is a 28-unit condominium development proposed for a site on Calaveras Avenue, near where MacArthur Boulevard crosses beneath the 580 freeway. In 2001 and 2004, under the City's Site Acquisition and NOFA programs for affordable housing, the project was awarded assistance totaling \$3,858,500.

Redwood Hill was originally planned as a rental project by developer Affordable Housing Associates (AHA), but several community meetings showed a strong preference for an ownership development. The developer changed plans, intending to make the project a limited-equity cooperative (a form of shared ownership with some similarities to renting) both to minimize sales prices and to gain access to other subsidy sources. Units were to have had sales prices affordable to households with no more than 100% of the median area income (now \$82,200 per year for a family of four).

Unfortunately, plans for a cooperative did not work out, which contributed to the gap in finances, and caused delays during a time of rising construction and insurance costs. Also during this time, the developer's board of directors concluded that development of a traditional condominium project was not appropriate for the organization; however, not wanting to abandon the project, they assisted with the formation of a new independent developer, Community Assets, which will specialize in ownership projects.

## **KEY ISSUES AND IMPACTS**

In 2004 and early 2005, while the project was in predevelopment (i.e., while financing was being arranged, community reactions were being sought, designs were being completed, and form of ownership was being decided), development costs increased significantly. That increase was large enough that those costs, especially including construction materials and insurance, could no longer be covered by the originally-planned sales prices, even with the \$3,858,424 Agency subsidy. The original sales prices, in keeping with the Agency's financing commitment, were affordable to lower-income households at 80% and 100% of area median income.

In addition to the above issue, AHA has asked that its commitment from the Agency be assigned to a new organization for the development of this project.

## **PROPOSAL DESCRIPTION**

The development of affordable housing requires significant financial subsidy; this is even more true for ownership housing than for rental units. The developer of Redwood Hill has already made use of all available subsidies, and yet the affordable sales prices required by the Agency's 2004 commitment cannot be met. The options available to the Agency are to force a sale of the

project site, thereby losing all control over the development, to provide additional funds, or to make an exception to the level of required affordability.

Making such an exception, and thus allowing higher prices, is the recommended alternative. This approach will ensure that at this site the project design negotiated with the neighborhood is the one that will get built. In addition, though the intended 100% AMI price cannot be met, the developer has committed to pricing at the 110% level, without requesting any additional Agency subsidy.

Prices at 110%AMI will still be significantly below prices in the surrounding market (in the mid-\$400,000 range, compared to \$600,000 and up for the area) and will allow moderate-income households (up to \$90,400 for a family of four) to purchase starter homes. Use of Agency funds will assist purchasers in two ways: First, each buyer will receive a portion of those funds as a large, low-interest second mortgage, with no payments due until resale or refinance. Second, structuring Agency funds in this way – with repayment – means that resales will be unrestricted: no limits on future price or on future buyer's level of income. Importantly, all of the Agency's \$3.8 million will be repaid, with interest, for use in future projects.

In addition to the above changes, AHA asks that the loan be transferred to a new and legally separate developer. This is due to AHA's choice to stay out of ownership development, both as a matter of mission and policy, and because of concern about associated risks (such as construction defect problems). Therefore, staff recommends assignment of the commitment to Community Assets, a new nonprofit developer of ownership housing, which AHA has been working with for the past year.

The board of Community Assets (CA), is made up of individuals with long experience in East Bay affordable housing development, both at nonprofits and in local government. AHA will strengthen CA by providing credit enhancements; for example, both the Agency and the construction lender will likely require a Completion and Repayment Guaranty, or a similar agreement, by which AHA promises to fulfill the obligations of CA if CA is unable to do so. Staff considers that arrangement sufficient to overcome any weakness of CA, and to ensure completion of the project.

### **SUSTAINABLE OPPORTUNITIES**

*Economic:* As a new construction project, the proposal will create a number of new jobs in that field. The developer is subject to the City and Agency Employment programs, and so is obligated to meet the 20% participation requirement for Oakland-based enterprises, as well as the goals of the Local Employment Program.

*Environmental:* Builders will follow the City's construction waste recycling program and related green building programs; landscaping and site plan are designed for low water use; the project includes high efficiency furnaces and water heaters, energy-efficient windows, and extra insulation; engineered lumber and trusses will reduce the amount of new lumber needed; and as with all development within an existing city, no rural or agricultural land is removed from service, and no new infrastructure is needed for water, sewer, or utilities.

*Social:* Twenty-eight households will enjoy the opportunity for homeownership at relatively low prices, especially for the Calaveras/Redwood Hill neighborhood. In addition, the current blighting effect of the highly-visible parcels will be removed from the neighborhood, and replaced by an attractive complex of owner-occupied homes.

#### **DISABILITY AND SENIOR CITIZEN ACCESS**

Redwood Hill will include two handicapped-accessible units, as well as one unit accessible for vision-impaired occupants and one for hearing-impaired occupants. In addition, all 16 ground-floor units are adaptable for accessibility.

#### **RECOMMENDATION AND RATIONALE**

Staff recommends the proposed resolution, amending the earlier resolution, to 1) raise the affordability level of Calaveras Townhomes (now Redwood Hill) to 110% of Area Median Income, and 2) change the borrower from Affordable Housing Associates to Community Assets, and 3) assign the loan commitment to Community Assets. This will provide for quickest development of the site, both with a project the neighborhood favors, and without any additional funds from the Agency.

#### **ALTERNATIVE RECOMMENDATIONS**

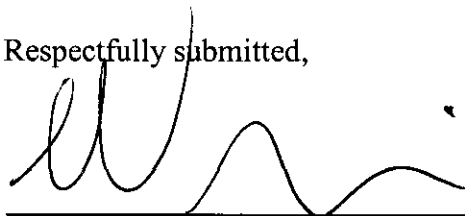
Two alternative approaches were considered by staff, but are not recommended. The least-effort approach would be to force a sale of the project site (by requiring repayment of the site acquisition loan); no new loan funds would be committed or disbursed. In this approach, the Agency would lose all control over development of the site; the developer's plan would be replaced either by the continuation of the blighted current situation, or by a larger and more dense project – probably planned without the neighborhood involvement required by the City/Agency process.

A second alternative would be for the Agency to provide additional funds through the Affordable Housing NOFA, assuming the developer could successfully apply for those. Staff considered this possibility, but does not recommend it on the basis that the subsidy is already substantial, and indeed is approaching the program limit of 40% of total development cost.

**ACTION REQUESTED OF THE REDEVELOPMENT AGENCY**

Staff recommends that the Redevelopment Agency adopt the proposed resolution that increases the maximum buyer income level from 100% to 110% of area median income, and approves the change in the borrower from Affordable Housing Associates to Community Assets, and assigns the loan commitment to Community Assets.

Respectfully submitted,



**DANIEL VANDERPRIEM DIRECTOR**

Director of Redevelopment, Economic  
Development and Housing

Reviewed by:

Sean Rogan, Director of Housing and  
Community Development

Prepared by:

Jeffrey D. Angell,  
Housing Development Coordinator  
Housing & Community Development Division

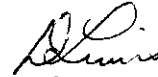
APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:



**OFFICE OF THE AGENCY ADMINISTRATOR**

Item: \_\_\_\_\_  
Community and Economic Development Committee  
January 10, 2006

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Agency Counsel

## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**A RESOLUTION AMENDING RESOLUTION NO. 2004-08 C.M.S., WHICH AUTHORIZED AN AFFORDABLE HOUSING DEVELOPMENT LOAN OF \$3,858,424 TO AFFORDABLE HOUSING ASSOCIATES, INC. FOR A PROJECT AT 4856-4868 CALAVERAS AVENUE, TO (1) RAISE THE AFFORDABILITY LEVEL FROM 100% AND ALLOW SALES TO HOUSEHOLDS WITH UP TO 110% OF AREA MEDIAN INCOME, (2) CHANGE THE BORROWER TO COMMUNITY ASSETS, INC., AND (3) AUTHORIZE THE ASSIGNMENT OF THE LOAN TO COMMUNITY ASSETS, INC.**

**WHEREAS**, on August 8, 2003, the Redevelopment Agency and the City of Oakland jointly issued a Notice of Funding Availability soliciting applications for funding for affordable housing developments; and

**WHEREAS**, on February 17, 2004 with Resolution 2004-08 C.M.S. the Redevelopment Agency authorized an affordable housing development loan of \$3,858,424 to Affordable Housing Associates (the "Developer") for the development of Calaveras Townhomes (the "Project"); and

**WHEREAS**, the Developer proposed to sell Project units at prices affordable to households earning no more than 100% of area median income; and

**WHEREAS**, the Developer has made substantial progress toward starting development of the Project, but is unable to proceed due to increased construction costs and Board policies regarding ownership housing; and

**WHEREAS**, the Developer desires to transfer the development, including the land on which the Project will be built, and assign the loan to Community Assets, Inc.; and

**WHEREAS**, the Agency desires that the Project proceed as planned, with a new development entity that is qualified and capable of completing the Project; and

**WHEREAS**, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

**RESOLVED:** That the Agency hereby amends Resolution No. 2004-08 C.M.S. to allow all Project units to be sold at prices affordable to households earning no more than 110% of area median income; and be it further

**RESOLVED:** That the Agency hereby authorizes the assignment of the \$3,858,424 loan to Developer, authorized by Resolution No. 2004-08 C.M.S., to Community Assets, Inc., a California nonprofit housing development corporation; and be it further

**RESOLVED:** That the Agency Administrator is directed to substantiate the financial, management, and development capabilities of Community Assets, Inc., prior to executing any agreements with them; and be it further

**RESOLVED:** That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action by the Agency is exempt from CEQA pursuant to sections 15280 (lower-income housing projects) and 15332 (infill development projects) of the CEQA Guidelines, and the Agency Administrator shall cause a Notice of Exemption to be filed with the County of Alameda; and be it further

**RESOLVED:** That the Agency hereby authorizes the Agency Administrator to conduct negotiations, execute amendments and other documents, and take any other action with respect to this amendment and assignment consistent with this Resolution and its basic purpose; and be it further

**RESOLVED:** That all documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution, and copies will be placed on file with the Agency Secretary; and be it further

**RESOLVED:** That the Agency hereby appoints the Agency Administrator or her designee as agent of the Agency.

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