



CITY OF OAKLAND

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OFFICE OF THE CITY CLERK  
OAKLAND

2019 OCT 31 PM 1:00

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Maraskeshia Smith  
Assistant City Administrator

**SUBJECT:** 1707 Wood Street Predevelopment  
Funds

**DATE:** October 21, 2019

City Administrator Approval

Date:

10/31/19

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Enter Into Two Unsecured Predevelopment Loans Not To Exceed A Combined Total Amount Of \$650,000 From The Affordable Housing Trust Fund (Fund 1870); One Loan To MidPen Housing Corporation And One Loan To Habitat For Humanity East Bay/Silicon Valley, Inc. To Support The Development Of Affordable Housing At The City-Owned Property Located At 1707 Wood Street Between 18<sup>th</sup> and 20<sup>th</sup> Streets; And Making California Environmental Quality Act Findings For this Action.**

## EXECUTIVE SUMMARY

1707 Wood Street is a City-owned parcel consisting of approximately 3.12 acres of undeveloped land located at Wood Street between 18th and 20th Streets (the Property). A Request For Proposals (RFP) was issued on May 15, 2018 to develop the Property as affordable housing. The evaluation panel selected a joint venture between MidPen Housing Corporation and Habitat for Humanity East Bay/Silicon Valley (the Developers) for the development of affordable housing at the Property as the winning response. City Council has authorized the City to enter into an Exclusive Negotiating Agreement (ENA) with the Developers for the negotiation of a Disposition and Development Agreement (DDA) and/or a Lease Disposition and Development Agreement (LDDA).

Since the release of the RFP, the urgency of moving forward with development at the Property has only escalated. The Property has increasingly become a target for illegal dumping and other nuisance activities. Housing and Community Development (HCD) staff finds that the most effective way of advancing the development of this City-owned property under these circumstances is to issue predevelopment loans covering expenses that the Developers might incur during the ENA negotiating period. Due to the unusually large size and complexity of the project, the Developers have requested an aggregate loan amount that exceeds the City's standard predevelopment loan limits. The proposed aggregate loan amount of \$650,000 would cover approximately 65 percent of the anticipated predevelopment costs, with the Developers

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raising additional funds to cover the balance. The funds would be directed towards architectural and landscape design and various professional services (e.g. civil, geotechnical, environmental, and legal). The project is in accordance with the community's stated vision for the site, and would help further the housing priorities established in the various plans established by the City, such as the City of Oakland Housing Element and the 2015-2020 Consolidated Plan. There are sufficient resources in the Affordable Housing Trust Fund (City Fund 1870) to fund these predevelopment loans.

Staff is moving concurrently to secure contracts for cleanup and reinforced fencing of the Property.

### **BACKGROUND / LEGISLATIVE HISTORY**

The City of Oakland acquired the property as part of the Wood Street Development District in December 2007. The City held a number of community meetings shortly after the acquisition to help determine the preferred use of the Property. The community expressed a strong preference for affordable housing and, in particular, a preference for projects that included an affordable homeownership component. Shortly after the City purchased the Property, the housing market collapsed, triggering a long recession that made financing and developing affordable homeownership housing extraordinarily difficult. The dissolution of redevelopment and lack of staff capacity in the intervening years further delayed development at the Property.

In May 2018, an RFP was released. Two proposals were submitted, and the evaluation panel determined that the proposal submitted by MidPen Housing Corporation (MidPen) and Habitat for Humanity East Bay/Silicon Valley (Habitat) proposal was the most thorough, achievable, and responsive to the RFP.

The proposed development is a mixed-tenure proposal consisting of one hundred seventy (170) units divided into two components: eighty-five (85) affordable homeownership units and eighty-five (85) affordable rental units, including one manager's unit. The Project is intended to serve households at a wide range of incomes, from 20 percent of Area Median Income (AMI) to 120 percent of AMI. The rental portion includes at least six (6) units designated for formerly-homeless veterans and seven units designated for transition-age youth exiting the foster care system who are at risk of homelessness.

On December 11, 2018, City Council passed Resolution No. 87467 C.M.S., which authorized the City Administrator to enter into an ENA with the Developers for the negotiation of an LDDA. However, it was later determined that there may need to be separate agreements for each portion of the project, with an option for Habitat for Humanity to enter into a DDA for the homeownership portion of the project.

On July 9, 2019, City Council passed Resolution No. 87795 C.M.S., authorizing the City to enter into an ENA with the Developers for the negotiation of a Disposition and Development Agreement and/or a Lease Disposition and Development Agreement with each developer.

City staff and the Developers are currently finalizing the terms of the ENA, and anticipate its execution by mid-November.

## ANALYSIS AND POLICY ALTERNATIVES

As the owner of the Property, the City is responsible for maintenance, as well as ensuring that the Property is used to promote the public good. In recent years, the Property has become a target for illegal dumping, vandalism, and other nuisance activity. Large quantities of industrial dumping, including potentially toxic soil, have created a costly mess at the Property. In addition, over the past year a small but growing number of people have set up makeshift homes or parked mobile homes on the Property. These encampments, on a site currently unfit for habitation, are both unsafe and a clear reflection of the urgent need for affordable housing.

Staff are currently seeking proposals for soil removal, fencing, and ongoing maintenance of the Property, which will be paid for directly by the City. The soil removal alone is expected to cost nearly \$250,000 and will be undertaken in the coming months. More robust fencing to prevent further breaches in site security is likely to cost approximately \$40,000. To the extent necessary, staff will seek City Council approval for such actions. Once this cleanup work has been completed, it is imperative to move forward with development of the Property as quickly as possible to ensure that the City's investment of time and resources on cleanup serves the intended purpose of setting the stage for the development of the affordable housing and returning the Property to a safe and secure status.

Due to the need to address the deteriorating and unsafe conditions at the Property, City-funded predevelopment loans would be the most expeditious means of moving forward with the urgently needed development. While the estimated total predevelopment cost is \$1 million, the proposed combined predevelopment loan amount is \$650,000 as the Developers expect to raise upwards of \$350,000 in additional predevelopment funds from other sources.

Predevelopment funds from private lenders or nonprofit institutions typically have terms that are less favorable than the City's terms. The proposed City predevelopment loans will help save the project money and time that might have otherwise been spent on higher interest rates and time-consuming application processes.

### Policy Alternatives

Staff considered two alternative plans of action for moving forward with development at the Property:

1. ***Utilize the most recent Notice Of Funding Availability (NOFA) to fund the predevelopment costs.***

This option was rejected because the NOFA is not a suitable vehicle for predevelopment funding since NOFA funds are not available for release until a project has closed on construction financing. Moreover, the NOFA scoring process is oriented towards projects that have neared completion of predevelopment activities and have reached a number of benchmarks, including: (a) site control; (b) discretionary land use approvals; (c) a California Environmental Quality Act (CEQA) determination; and (d) outside funding commitments. The Project would have been unlikely to score competitively enough to be awarded NOFA funds, through no fault of the Developers.

2. ***Pause all predevelopment activities until the ENA and DDA/LDDA have been executed and site control transferred to the Developers.***

This option was rejected because doing so would delay the completion of the project by a year or more, which is extremely undesirable given the need for affordable housing, and the site security issues.

There are some marginal risks to be considered with the predevelopment loan approach, which staff find as reasonable in the effort to secure the Property and advance the affordable housing development as promptly as possible. These include that the City could have more difficulty exiting negotiations with the current Developers if predevelopment funds are advanced to the Developers, or, the Developers could decide not to move forward with development after drawing down the predevelopment loans. However, in Staff's opinion, after due analysis, these are acceptably small risks. The City and Developers have negotiated productively to this point. In addition, Habitat has a long-standing history of working in the City of Oakland; MidPen has significant funding commitments in other Oakland developments that it would not wish to jeopardize. Even with the predevelopment loans, the Developers are investing a significant amount of staff time to the project, and thus have a strong incentive to see the project through to its completion.

In the unlikely event that the Developers chose not to move forward with development at the Property or if the ENA negotiations do not conclude successfully, the predevelopment loans would still be due at the conclusion of their respective terms. In this scenario, the City will be repaid and any work commissioned through the predevelopment would remain property of the City for adaptation by a subsequent developer.

### **FISCAL IMPACT**

The \$650,000 proposed for these loans would be allocated from the Affordable Housing Trust Fund (City Fund 1870, Org 89929, Project 1000386), which has sufficient funds available. The City would charge three percent (3%) interest. The loans would be due in twenty-four months, with an optional six-month extension for each. Forgiveness of the loans would be at the City's sole discretion.

### **PUBLIC OUTREACH / INTEREST**

Various forms of public outreach regarding the Property were conducted at the time of Property acquisition and the release of the RFP. As the Property has continued to deteriorate, neighbors have loudly voiced their concerns to the City. Numerous residents have submitted photos, emails, and phone calls to the City Administrator's Office, HCD, and the Oakland Police Department regarding ongoing nuisance activities at the Property. Several high-level City staff have attended the Prescott Neighborhood Crime Prevention Council (NCPC) in recent months to listen and respond to resident complaints regarding the Property. The community has clearly expressed that it is strongly in favor of developing affordable housing at the Property as quickly as possible.

### **COORDINATION**

Staff produced this report in coordination with the City Attorney's Office and the Budget Bureau. HCD has also worked closely with the Department of Public Works to prepare to clean up and

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effectively maintain the Property. All of the above agencies were consulted in order to formulate a plan for expeditiously moving forward with development at the Property.

## **SUSTAINABLE OPPORTUNITIES**

### ***Economic:***

- Predevelopment loan funds will generate demand for professional services in Oakland.
- Providing individuals and families with affordable housing helps provide financial stability for low- and very low-income households which could free up income to spend on other goods and services in Oakland.
- Providing viable housing creates activity on vacant or underutilized parcels which can stimulate demand for goods and services in Oakland.

### ***Environmental:***

- By facilitating development of the Property, the predevelopment loans will help reduce or eliminate illegal dumping of hazardous materials onsite, thus reducing environmental hazards to the surrounding community.
- By developing in already built-up areas, dense infill projects reduce development pressure on the natural environment.
- Dense multifamily housing construction in the Bay Area's urban core enables residents to reduce dependency on automobiles and thereby reduce carbon emissions.
- The proposed project was selected in part due to its commitment to building with environmentally friendly materials, as reflected in its score on Alameda County's GreenPoint Rating system.

### ***Social Equity:***

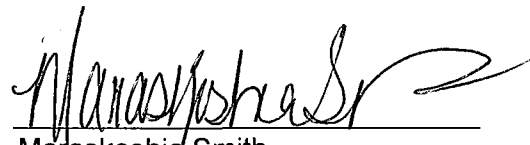
- Project selection criteria includes prioritization of projects with high-quality public education scores, which enables greater educational opportunity for low-income households.
- Affordable housing is a means of ensuring that extremely low-income, low-income and moderate-income households can participate as resident stakeholders in the civic and social life of Oakland.
- Affordable housing increases access to housing for persons with disabilities and persons with special needs.
- The developments will also provide social services such as financial counseling, computer centers and youth-oriented activities.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or His Or Her Designee To Enter Into Two Unsecured Predevelopment Loans Not To Exceed A Combined Total Amount Of \$650,000 From The Affordable Housing Trust Fund (Fund 1870); One Loan To MidPen Housing Corporation And One Loan To Habitat For Humanity East Bay/Silicon Valley, Inc. To Support The Development Of Affordable Housing At The City-Owned Property Located At 1707 Wood Street Between 18<sup>th</sup> and 20<sup>th</sup> Streets; And Making California Environmental Quality Act Findings For This Action.

For questions regarding this report, please contact Brian Warwick, Housing Development Coordinator at (510) 238-6984.

Respectfully submitted,



Maraskeshia Smith  
Assistant City Administrator

Reviewed by:  
Christia Katz Mulvey, Acting Manager  
Housing Development Services

Prepared by:  
Brian Warwick, Housing Development  
Coordinator III  
Housing Development Services

Attachment (1):  
A: Predevelopment Budget

**Attachment A**

**1707 Wood Street  
Joint Predevelopment Loan Budget**

<b>Description</b>	<b>Total</b>
Legal Costs - Site Control / Predevelopment	\$20,000
City / Planning Fees	\$40,000
Architectural / Landscape Design	\$300,000
Engineering - Civil / Survey	\$180,000
Engineering - Geotechnical / Soils	\$25,000
Environmental Review & Contingency	\$10,000
Engineering - NEPA / CEQA Consultants	\$30,000
Engineering - Traffic Consultant	\$20,000
Engineering - Joint Trnch Consultant	<u>\$25,000</u>
<b>Grand Total</b>	<b><u><u>\$650,000</u></u></b>

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Approved as to Form and Legality

  
City Attorney's Office

## OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C.M.S.

**RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HIS OR HER DESIGNEE TO ENTER INTO TWO UNSECURED PREDEVELOPMENT LOANS NOT TO EXCEED A COMBINED TOTAL AMOUNT OF \$650,000 FROM THE AFFORDABLE HOUSING TRUST FUND (FUND 1870); ONE LOAN TO MIDPEN HOUSING CORPORATION AND ONE LOAN TO HABITAT FOR HUMANITY EAST BAY/SILICON VALLEY, INC. TO SUPPORT THE DEVELOPMENT OF AFFORDABLE HOUSING AT THE CITY-OWNED PROPERTY LOCATED AT 1707 WOOD STREET BETWEEN 18<sup>TH</sup> AND 20<sup>TH</sup> STREETS; AND MAKING CALIFORNIA ENVIRONMENTAL QUALITY ACT FINDINGS FOR THIS ACTION**

**WHEREAS**, the City of Oakland ("City") owns approximately 3.12 acres of property located at 1707 Wood Street between 18th and 20th Streets (the "Property"); and

**WHEREAS**, on May 15, 2018, the City issued a Request for Proposals ("RFP") seeking development proposals for affordable housing development for the Property, with RFP responses due on July 23, 2018; and

**WHEREAS**, an evaluation panel composed of City staff and community residents reviewed the RFP responses and selected as the winning submission a joint proposal from MidPen Housing Corporation ("MidPen") and Habitat for Humanity East Bay/Silicon Valley, Inc. ("Habitat") for the development of affordable housing at the Property consisting of eighty-five (85) affordable homeownership units and eighty-five (85) affordable rental units, including one unrestricted manager's unit, projected to serve a range of households earning between 20 percent (20%) and one hundred twenty percent (120%) of Area Median Income (the "Project"); and

**WHEREAS**, on December 11, 2018, the Oakland City Council passed Resolution No. 87467 C.M.S. authorizing the City Administrator or her designee to enter into an Exclusive Negotiating Agreement ("ENA") with MidPen and Habitat (together, the "Developers") for the purpose of executing a Lease Disposition and Development Agreement ("LDDA"); and



**WHEREAS**, in the course of negotiations regarding the terms of the ENA, the terms of the aforementioned resolution was found to excessively constrain the scope of negotiations, and so on July 9, 2019, the Oakland City Council passed Resolution No. 87795 C.M.S. revising the previous authorization to allow for the negotiation of more than one disposition agreement, and to allow for the negotiation of a possible Disposition and Development Agreement (“DDA”) rather than an LDDA for the homeownership portion of the project; and

**WHEREAS**, the Developers desire to enter into disposition agreements with the City for the development of the Property; and

**WHEREAS**, the Developers are California non-profit public benefit corporations with many years of experience constructing and managing similar projects; and

**WHEREAS**, in recent years the Property has become host to significant and growing amounts of illegal industrial dumping, household waste, and trespassing, and currently poses a risk to public health and safety; and

**WHEREAS**, City staff is concurrently conducting cleanup operations at the Property and seeking Oakland City Council approval for such activities where necessary; and

**WHEREAS**, it is in the City’s interest to expedite affordable housing development at the Property in order to both prevent additional damage to the Property and help meet the need for housing, as reflected in the trespassing and encampments at the Property; and

**WHEREAS**, predevelopment loans will expedite such development activities, and Developers have requested such loans; and

**WHEREAS**, the development process for the affordable housing described in the ENA is in its early stages and, thus, the Project was ineligible for the City’s recent Notice of Funding Availability; and

**WHEREAS**, sufficient funding is available to the City from the Affordable Housing Trust Fund (City Fund 1870, Org 89929, Project 1000386) to provide the requested predevelopment loans; and

**WHEREAS**, the Developers have demonstrated through their contribution of staff time, retention of third-party consultants, and expenditures associated with the Project a commitment to move the Project towards completion; and

**WHEREAS**, the City currently owns the Property, and it is therefore not possible to secure the predevelopment loan at this time through the traditional means of a deed of trust; and

**WHEREAS**, for financial and legal purposes, the Developers desire separate loans for their respective portions of the Project; and

**WHEREAS**, the Environmental Impact Report ("EIR") for the Wood Street Project prepared under the California Environmental Quality Act ("CEQA") and certified by the City Council in 2005 provides a project-level analysis of the Wood Street development project and supports all levels of approval necessary to implement the Wood Street project, including affordable housing development; and

**WHEREAS**, pursuant to CEQA Guidelines Section 15162, this action is exempt because it would not result in any significant impact that has not already been analyzed in the EIR, and there will be no significant environmental impacts caused by this action that have not already been analyzed in the EIR; now, therefore, be it

**RESOLVED**: That the Oakland City Council hereby authorizes two unsecured predevelopment loans not to exceed a combined total amount of \$650,000, one loan to Habitat and one loan to MidPen, or to an affiliated entity or entities approved by the City Administrator or his or her designee, to support predevelopment work associated with the development of the Project at the Property; and be it

**FURTHER RESOLVED**: That the funding for these loans shall be allocated from the Affordable Housing Trust Fund (City Fund 1870, Org 89929, Project 1000386); and be it

**FURTHER RESOLVED**: That the loans shall be contingent on the availability of sufficient funds in the Affordable Housing Trust Fund; and be it

**FURTHER RESOLVED**: That the respective terms of the predevelopment loans shall be for a maximum of twenty-four (24) months (with a six-month extension available at the City Administrator's discretion), with a three percent (3%) interest rate, with the balances due at the end of the respective terms or on such other repayment terms and schedule as the City Administrator or his or her designee determines are in the best interests of the City and the Project; and be it

**FURTHER RESOLVED**: That the City Administrator is hereby authorized to negotiate and execute loan documents for the respective predevelopment loans and take whatever other action that is necessary with respect to the loans consistent with this Resolution and its basic purposes, including amendments to the loan documents; and be it

**FURTHER RESOLVED**: That the City finds and determines, after independent review and consideration, that the authorization to enter into the predevelopment loans with MidPen and Habitat would not result in any significant impact that has not already been analyzed in the EIR, and there will be no significant environmental impacts caused by the funding transactions that have not already been analyzed in the EIR.

**FURTHER RESOLVED:** That the City Administrator or his or her designee shall cause to be filed with the County of Alameda a Notice of Exemption pursuant to CEQA Guidelines Section 15162.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES – FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND  
PRESIDENT KAPLAN

NOES –

ABSENT –

ABSTENTION –

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