

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2007 NOV 15 PM 3: 22

TO: Office of the Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: November 27, 2007

RE: A Report, Two Resolutions, and Recommendations Regarding Affordable Housing and the Wood Street Project: 1) A Resolution Authorizing The Purchase of a 3.12 Acre Parcel Located Between Wood Street and the Frontage Road and Between 18th Street and 20th Street From Holliday Development, Allocating \$8,050,000 For the Purchase, and Authorizing a Request For Proposals For Development of an Affordable Housing Project on the Site; 2) A Resolution Allocating Up To \$5,600,000 For 40 First-Time Homebuyer Down Payment Assistance Loans and Interest Rate Buy-Down Forgivable Loans For Purchase Of Units In The Wood Street Development District; And 3) A Recommendation To Adopt an Oakland Residency Preference For These Wood Street Affordable Units and First-Time Homebuyer Loans.

SUMMARY

This report provides affordable housing recommendations for the Wood Street Development District. Two previous reports were presented to the Community and Economic Development (CED) Committee on this topic. On June 26, 2007, a report was presented recommending implementation of Wood Street Condition of Approval 100.b. regarding affordable housing. Due to the high cost, the CED Committee requested that staff meet with the developers and community members and return with suggestions for more cost-effective ways to provide the affordable housing. On September 25, 2007, Community and Economic Development Agency (CEDA) staff returned with a report providing alternative recommendations (described in more detail later in this report). The CED Committee had a number of questions and concerns and asked that staff return with responses.

Since September, staff has continued to analyze options and meet with community representatives and with Holliday Development, and is recommending the following:

1. Purchase of Vesting Tentative Parcel Map (VTPM) 8555, Parcel 1, a 3.12 acre site located between Wood Street and the Frontage Road and between 18th Street and 20th Street, from Holliday Development for \$8,000,000. The site's appraised value is \$8,430,000. The Agency would subsequently issue a Request for Proposals (RFP) for a developer to build approximately 140 units of affordable homeownership or limited

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equity co-operative housing on the site. The estimated total subsidy required for the land purchase and development cost is \$30,500,000, or \$218,000 per unit. This report recommends that \$8,050,000 be allocated for the land purchase and closing costs at this time. Staff would return to Council after the RFP process is complete to select the developer and allocate additional funds for the development of the housing. This development (along with the 14th Street Apartments rental project) would satisfy the Redevelopment Agency's affordable housing production requirement for the Oakland Army Base Redevelopment Project Area, based on the estimated number of units to be built in the Wood Street District.

2. Allocate \$5,600,000 for 40 first-time homebuyer loans for median income purchasers of units in the new market rate Wood Street ownership developments. Loans of up to \$125,000 would be available from a revolving loan fund for households at or below 100% Area Median Income (AMI). In addition, for the first 40 buyers, forgivable loans of \$15,000 per household would be available to purchase an interest rate buy-down (to an estimated 4.99% rate) on their first mortgage. Mechanisms to discourage the quick re-sale or "flipping" of units to make a large profit could include pre-payment penalties or a higher interest rate in the first few years of ownership.
3. Implement an Oakland residency preference for both the first-time homebuyer loans and for the affordable homeownership units subsidized by the Agency at Wood Street.

Staff estimates that the Agency's total cost for these proposals will be \$36,000,000 or an average of \$200,000 per unit, resulting in 180 affordable homeownership opportunities. This includes an estimated 140 long-term affordable homeownership units and 40 homebuyer-based loans.

These alternatives would result in cost savings of almost \$6,000,000 compared to the cost of implementing Wood Street Condition 100.b., would provide 40 additional affordable homeownership opportunities, and would meet the Agency's remaining affordable housing production requirements for the Oakland Army Base Redevelopment Project Area. Two forms of homeownership opportunities would be provided: long-term limited equity affordable units, and buyer-side loans that provide equity-building potential.

FISCAL IMPACT

The 2006 Housing Bond generated \$55 million for affordable rental and homeownership development. Of this amount, \$20 million was set-aside in anticipation of affordable housing commitments for the Wood Street and Oak-to-Ninth projects. Staff proposes at this time to allocate a total of \$13,650,000, including \$8,050,000 to purchase a site for development of affordable housing (VTPM 8555, Parcel 1) and \$5,600,000 for homebuyer assistance loans, from the 2006 Subordinated Housing Set-Aside Revenue Bonds Fund (9584), Housing Development Organization (88929), 2006 Housing Bond Project (L290410).

The estimated total cost to provide the 40 homebuyer assistance loans and to subsidize development of the 140 affordable homeownership units is anticipated to be \$36,000,000 or an

average of \$200,000 per unit. Bond proceeds generated from future Low and Moderate Income Housing Set-Aside funds generated by the Wood Street District developments will subsidize the remaining cost for the development. Because the Oakland Army Base Redevelopment Area has not yet generated sufficient tax increment revenue to support issuance of bonds, funds from the 2006 Housing Bond will provide financing for the most immediate funding recommended in this report. These advances can be reimbursed from future bond proceeds generated by the Wood Street Development District.

BACKGROUND

Wood Street Conditions of Approval

The Wood Street Development District and its associated Conditions of Approval were approved by the City Council on May 17, 2005. Condition 100.b. addressed options the Agency may exercise to create affordable homeownership units within the district. Approximately 1,600 units are entitled in the Wood Street district, of which approximately 1,150 are planned to be developed as ownership units and 450 are planned as rental units (99 of which will be affordable rentals developed by BRIDGE Housing). Pursuant to Condition 100.b., at least 146 long-term affordable ownership units were proposed.

June 26, 2007 Report

On June 26, 2007 staff presented a report to the CED Committee to implement Condition 100.b. of the Wood Street Conditions of Approval, whereby the Agency would exercise its option to purchase 36 units at market rate at Zephyr Gate and Pacific Cannery Lofts (PCL), two projects currently under construction, and then sell the units at affordable sales prices to households earning up to 100% of AMI. The total cost to the Agency to subsidize these 36 units was estimated at \$10,350,000, or \$287,500 per unit. The total subsidy for the 146 subsidized homeownership units set forth in Condition 100.b. in the Wood Street project was estimated at \$42 million (not including the \$8.4 million already provided to the 99-unit 14th Street Apartments project through the City's NOFA process).

The CED Committee was concerned about the high cost, and directed staff to return with additional options for creating more cost-effective affordable housing opportunities in the Wood Street District.

September 25, 2007 Report

Following the June 26th meeting, staff met with the Wood Street developers and with community representatives from the Train Station Coalition and returned to CED Committee on September 25, 2007 with alternative recommendations, including that the Agency:

1. Purchase a parcel in the Wood Street District (VTPM 8551, Parcel 2) for its fair market value up to \$5,000,000 and hold a developer RFP process to build approximately 60 units of affordable housing on the site.
2. Create 45 first time homebuyer loans of \$125,000 each for buyers of units at Wood Street with incomes at or below 100% of AMI.

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3. Negotiate with Holliday Development to build future phases at higher densities and setting aside those additional units as affordable ownership units, thus creating an additional 45 long-term affordable units.

The total cost for these recommendations was estimated to be approximately \$25 to \$30 million, resulting in 150 affordable housing opportunities, including 105 long-term affordable units and 45 homebuyer-based loans at an average cost of \$167,000 to \$200,000 per unit (depending on whether ownership or rental housing were developed).

The 105 proposed long-term affordable units would not cover the Agency's entire affordable housing obligation, and the first-time homebuyer loans would not count toward redevelopment law affordable housing production requirements because they do not provide long-term affordability. Staff therefore recommended counting affordable units throughout the City which are currently not counting toward any other redevelopment production requirement on a two-for-one basis to meet the obligations for the Oakland Army Base Redevelopment Area, as permitted by redevelopment law.

CED Committee requested staff return to Committee to address the following questions and concerns:

1. Determine the fair market value and actual cost to purchase the Parcel 2 site (based on an appraisal).
2. Provide more detailed cost estimates for development of affordable housing on Parcel 2.
3. Ensure that the first-time homebuyer loan program discourages quick turnover and "flipping" of units.
4. Enter into a binding agreement with Holliday Development for construction of the 45 proposed affordable units on future development phases.
5. Provide recommendations on a potential preference for Oakland residents.

Current Recommendations

Since presenting to Committee in September, staff have continued meeting with the developers and Train Station Coalition representatives and have received an appraisal for VTPM 8551, Parcel 2. New community concerns were subsequently raised regarding air quality and the purchase of Parcel 2 due to its close proximity to the freeway. In addition, Holliday Development has not been comfortable entering into a binding agreement on future developments at this time, due to the early planning stages for those sites and cost unknowns. Due to these concerns, another parcel, VTPM 8555, Parcel 1, was identified as a preferred site for development of affordable homeownership units. Only part of this parcel is adjacent to the freeway, and it is located directly across from Raimondi Park, a more desirable location for family housing. This also gives the Agency more control and certainty about the affordable housing that will eventually be provided.

Staff has received an appraisal for VTPM 8551, Parcel 2, and is anticipating receiving an appraisal for VTPM 8555, Parcel 1 by the time this report is heard by the CED Committee. As of the writing of this report, staff had received a verbal value for VTPM 8555, Parcel 1, based on the appraisal report in process. VTPM 8551, Parcel 2 is appraised at \$4,400,000. It is entitled for 60 units. BUILD initially offered the parcel for \$5,000,000, but is willing to sell it to the Agency for its appraised value. VTPM 8555, Parcel 1 is appraised at \$8,430,000. It is entitled for 170 units, but design renderings indicate that 140 family units could more realistically be built on the site. Holliday Development, the owner of the site, is willing to sell this parcel to the Agency for \$8,000,000, discounted \$430,000 below its appraised value. The land price for VTPM 8551, Parcel 2 is therefore \$73,333 per unit (assuming 60 units) compared to \$57,142 per unit for VTPM 8555, Parcel 1 (assuming 140 units). The current recommendations include 40 first-time homebuyer loans. More information on the current recommendations is provided in the *Project Description* section of this report.

Table 1 below summarizes the three proposals made for Wood Street and their relative costs and units provided.

Table 1: Wood Street Proposal Comparisons

	Total Units	Maximum Estimated Total Subsidy	Maximum Estimated Subsidy Per Unit	Units Meeting Redevelopment Production Req.
<i>6/26/2007 Committee Report</i>				
1) <u>Condition 100.b.</u> : Agency purchases market rate units and resells at affordable sales prices, subsidizing the difference in price.	146	\$41,975,000	\$287,500	146
Total/Average Per Unit	146	\$41,975,000	\$287,500	146
<i>9/27/07 Committee Report</i>				
1) <u>On-Site Homeownership Development</u> : Purchase VTPM 8551, Parcel 2 and hold an RFP process to build at least 60 affordable ownership units.	60	\$15,000,000	\$250,000	60
2) <u>Homebuyer Subsidies</u> : 45 first-time homebuyer loans of \$125K, plus \$15K rate buydown forgivable loan.	45	\$6,300,000	\$140,000	0
3) <u>Future Phases, Build Higher Density</u> : Negotiate with Holliday Development to build at higher density, with additional units to be affordable. Subsidize incremental cost for additional units.	45	\$4,500,000	Unknown at this time (estimate 100,000 per unit)	45
Total/Average Per Unit	150	\$25,800,000	\$172,000	105
<i>Current Committee Report (November 27, 2007)</i>				
1) <u>On-Site Homeownership Development</u> : Purchase VTPM 8555, Parcel 1 and hold an RFP process to build approximately 140 affordable ownership units.	140	\$30,400,000	\$217,143	140
2) <u>Homebuyer Subsidies</u> : 45 first-time homebuyer loans of \$125K, plus \$15K rate buydown forgivable loan.	40	\$5,600,000	\$140,000	0
Total/Average Per Unit	180	\$36,000,000	\$200,000	140

On-site affordable homeownership units would be developed under the limited equity and long term affordability guidelines of the City's current affordable homeownership development

program. The Agency subsidies described above may also be lower, depending on what other non-City/Agency subsidies are available at the time of development.

KEY ISSUES AND IMPACTS

Redevelopment Law Affordable Housing Production Requirements

State redevelopment law requires at least 15% of new housing units developed within a redevelopment project area over a ten-year period be affordable to very low-, low-, and moderate-income households. At least 40% of the affordable units (i.e., 6% of all new units) must be targeted to households with very-low incomes (at or below 50% of AMI). The remaining 60% of the affordable units (i.e., 9% of new units) may be affordable to households up to 120% of AMI. Ownership units must be kept affordable for at least 45 years, rental units for at least 55 years. Within the Oakland Army Base Redevelopment Area, the required units for very-low income households will be provided by the 99-unit 14th Street Apartments rental development. But the Agency must still ensure an additional estimated 141 moderate income affordable units will be provided.

Other than purchasing or subsidizing the development of these units within the project area, there are two alternative ways to meet the Agency's affordable housing production obligations under redevelopment law. First, the Agency may provide two affordable units outside the redevelopment project area for each housing unit that otherwise would have to be available inside the redevelopment area. Second, the Agency may aggregate affordable units produced in multiple project areas to meet the combined affordable housing requirements of the multiple project areas, if the Agency finds, based on substantial evidence after a public hearing, that the aggregation will not cause or exacerbate racial, ethnic, or economic segregation.

Affordable Homeownership Programs

There is a fundamental trade-off between the goal of providing homebuyers with the opportunity to accumulate equity and move up in the housing market, and the goal of ensuring continued affordability of owner occupied housing by restricting sales prices. The City's two primary homeownership programs each address one of these two objectives. This report's recommendations include both types of affordable homeownership opportunities.

The first-time homebuyer programs (such as the City's Mortgage Assistance Program, or MAP) provide ownership opportunities but do not permanently restrict the affordability of homes. Instead the homeowner can sell at market price, and the City loan is repaid (with simple interest). The buyer can then build equity as the unit appreciates. Buyers can often also access additional financing from the California Housing Finance Agency (CalHFA), which reduces the per unit subsidy required from the City/Agency.

The homeownership development program funds development of units with long-term affordability restrictions whereby the homes must be sold at affordable sales prices that are

considerably less than market value. The buyer's ability to build equity is limited by increases in AMI levels during their period of ownership. There are few other subsidies available for the development of long-term affordable ownership housing, making this more expensive for the City/Agency.

Because of the high development costs of ownership housing, the lack of other subsidies for ownership programs, and the high market prices of new market rate ownership housing at Wood Street, even if additional financing from other sources is available, it would be very difficult to target households below 80% of AMI. Thus, ownership units developed with Agency assistance and those bought with the down payment assistance loans described in this report will be targeted to households up to 100% of AMI.

California Environmental Quality Act (CEQA)

The Wood Street Development District project was determined to be in compliance with the California Environmental Quality Act (CEQA) with certification of the Environmental Impact Report (EIR) that was certified by the City Council on May 17, 2005. Development on the proposed development site, VTPM 8555, Parcel 1, was analyzed in that EIR.

PROJECT DESCRIPTION

This report assumes the Agency will not exercise the options set forth in Condition 100.b. due to the high cost to the City. Instead, staff is proposing to fund 140 permanently affordable housing units and 40 first-time homebuyer loans on-site, saving the Agency at least \$6,000,000 compared to Condition 100.b, providing an additional 40 affordable housing opportunities, and satisfying the Agency's remaining affordable housing obligation on-site. Providing a variety of affordable housing options will address the need for long-term affordability, as well as for equity and wealth building, and will satisfy redevelopment production obligations, at a lower cost than implementation of what was set forth in the Wood Street Conditions of Approval.

Purchase of VTPM 8555, Parcel 1 – 140 units

Staff is proposing development of a stand-alone affordable housing project on what is known as VTPM 8555, Parcel 1 in the Wood Street Development District. This is a 3.12 acre site located between Wood Street and the Frontage Road and between 18th Street and 20th Street across from Raimondi Park (see Attachment A). Holliday Development currently owns this parcel and has offered to sell it to the Agency for \$8,000,000. The appraised value is \$8,430,000. It is currently entitled for up to 170 units. However, based on massing studies and community desires for a larger portion of 3-bedroom units, a total of 140 units is more feasible for the site. Development of 140 units on-site would fulfill the Redevelopment Agency's remaining affordable housing obligation for the Oakland Army Base Redevelopment Area based on the estimated number of total units to be developed at Wood Street.

The Agency would subsequently issue a developer RFP to build affordable housing on the site. The total development cost based on a 140 unit affordable homeownership development is

estimated at \$60,700,000, requiring an approximate subsidy of \$30,500,000 (50% of the total development cost), or \$218,000 per unit (including the land cost, funds for which would be allocated at this time). If there is interest in developing part or all of the site as affordable rental housing, the subsidy required would be significantly lower. City/Agency subsidies for rental projects funded through the City's NOFA process currently average about \$100,000 per unit.

Staff is also looking at the option of developing part of the site as a limited equity co-operative, a potential hybrid between rental and ownership housing which may enable targeting to lower incomes. However, the cost to develop a limited equity co-op is not clearly defined at this time, and this option would only be pursued if the cost were equivalent to or less than the affordable homeownership development costs estimated above. The RFP would present the limited equity co-op model as an option, enabling the Agency to compare the subsidy required for an affordable ownership versus a limited equity co-op project.

First-time Homebuyer Down Payment Assistance – 40 loans

Staff is proposing 40 first-time homebuyer down payment assistance loans be used for purchase of market rate units in the Wood Street District. In order for moderate income households (up to 100% of AMI) to afford the units, second mortgage loans of up to \$125,000 are proposed, with 30-year terms or due upon sale or refinancing. The Agency would also offer an interest rate buy-down on the first mortgage estimated to cost an additional \$15,000 per unit.

Anti-Flipping Mechanisms

At the September CED Committee, concern was raised that buyers using down payment assistance might quickly re-sell and "flip" units to make a large profit using City assistance. Possible mechanisms to discourage this include:

- 1) Prepayment Penalty: Buyers would be charged a flat fee, in addition to the 3% deferred interest, if they repay their loan in the first three years. The penalty could be reduced each year they stay in the unit. For example, a penalty of \$6,000 in the first year could be reduced by \$2,000 each year, with no prepayment penalty applied after the third year. Table 2 below shows how a seller's equity would be impacted under a prepayment penalty scenario where their property was appreciating 3% each year.

Table 2: Prepayment Penalty Impact on Equity

	With Down Payment Assistance and Prepayment Penalty			
	Sell in Year 1	Sell in Year 2	Sell in Year 3	Sell in Year 4
Purchase Price	\$450,000	\$450,000	\$450,000	\$450,000
Assuming 3% annual appreciation	\$13,500	\$27,405	\$41,727	\$56,479
Less 3% deferred interest on Agency Loan	\$3,750	\$7,500	\$11,250	\$15,000
Less prepayment penalty (\$6,000 reduced by \$2,000 per year)	\$6,000	\$4,000	\$2,000	\$0
Less 6% sales cost	\$31,300	\$31,300	\$31,300	\$31,300
Net earning/(loss)	(\$27,550)	(\$15,395)	(\$2,823)	\$10,179

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- 2) Graduated Interest Rate: Simple deferred interest of 5% would accrue in the first three years, after which the rate would drop to 3%. If the household stays in the unit longer than three years, the initially accrued interest at the 5% rate would be recalculated back to the 3% rate. Table 3 shows how the buyer's equity would be impacted over the initial three years at a 5% simple interest rate, assuming a 3% per year appreciation rate.

Table 3: Three Year 5% Interest Rate Impact on Equity

	With Down Payment Assistance and 5% Accrued Interest			
	Sell in Year 1	Sell in Year 2	Sell in Year 3	Sell in Year 4
Purchase Price	\$450,000	\$450,000	\$450,000	\$450,000
Assuming 3% annual appreciation	\$13,500	\$27,405	\$41,727	\$56,479
Less 5% deferred interest on Agency Loan (first 3 years)	\$6,250	\$12,500	\$18,750	\$15,000
Less 6% sales cost	\$31,300	\$31,300	\$31,300	\$31,300
Net earning/(loss)	(\$24,050)	(\$16,395)	(\$8,323)	\$10,179

Both options significantly limit the equity a borrower can realize if they sell in the first three years. Both options also carry some risk that, in a depreciating or flat market, if the household had to sell during the three years due to circumstances such as marriage, divorce, birth of a child, or illness, they could owe more in interest than they have earned in equity. Of these two options, staff prefers the prepayment penalty option (Table 2), due to its simplicity and clarity for both the buyer and City staff, and the ability to decrease the penalty each year over three years.

The Agency could choose to keep the existing structure of the MAP, with 3% simple accrued interest. The current MAP program is a market based program where buyers take the same risks as other non-assisted buyers, so in a quickly appreciating market, buyers using the program could make a significant profit from the sale of their unit (less the accrued interest and principal owed), as well as risk losing money if the unit depreciates. In the current market where prices are appreciating more slowly, or are flat or even declining in some neighborhoods, the risk of "flipping" is less significant. Table 4 shows how the buyer's equity would be impacted over the initial three years at a 3% simple interest rate, assuming a 3% per year appreciation rate.

Table 4: Three Year 3% Interest Rate Impact on Equity

	With Down Payment Assistance and 3% Accrued Interest			
	Sell in Year 1	Sell in Year 2	Sell in Year 3	Sell in Year 4
Purchase Price	\$450,000	\$450,000	\$450,000	\$450,000
Assuming 3% annual appreciation	\$13,500	\$27,405	\$41,727	\$56,479
Less 3% simple interest on Agency Loan	\$3,750	\$7,500	\$11,250	\$15,000
Less 6% sales cost	\$31,300	\$31,300	\$31,300	\$31,300
Net earning/(loss)	(\$21,550)	(\$11,395)	(\$823)	\$10,179

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Staff recommends adopting the existing MAP structure for this first-time homebuyer assistance, as the 3% deferred interest already provides a disincentive to flipping units. The MAP program has not experienced a problem with buyers flipping units, even when the market was appreciating substantially. It would also decrease confusion for both staff and homebuyers if the Wood Street homebuyer assistance loans were structured similarly to the existing MAP loans.

In addition, staff is proposing that the optional interest-rate buydown financing be set up as a forgivable loan, whereby the loan can only be forgiven if the buyer stays in the home for at least five years. The \$15,000 loan is estimated to buy the household more than \$30,000 of interest savings over five years. If a buyer does not plan to stay in the unit for five years, they can choose not to take this portion of the Agency's financing.

Oakland Residency Preference

The Train Station Partnership has proposed in their letter dated September 25, 2007 that the City “develop a residency preference for West Oakland and/or Oakland residents or workers” for the affordable housing proposed for the Wood Street development project. The CED Committee requested a recommendation on whether or not a preference for Oakland residents (but not for West Oakland residents) for the above housing units would be acceptable. The City Attorney's office issued a confidential opinion to the City Council regarding the legal issues raised by an Oakland residency preference.

Staff is recommending that an Oakland residency preference be implemented for the homebuyer assistance and for the subsidized homeownership units eventually developed on-site at Wood Street. There would be no durational requirement for residency, and the residency preference would be applied only if and to the extent that other funding sources for the project permit the preference. A residency preference would remedy potential gentrification impacts of redevelopment activities in the area. The redevelopment of the Wood Street District is anticipated to raise property values, with the possible result of “pricing out” and displacing existing Oakland residents. A residency preference for Agency subsidized affordable homeownership opportunities at Wood Street would assist households avoid potential displacement, providing an opportunity for existing residents to afford the housing provided and to stay in Oakland and benefit from the impacts of the redevelopment in the Wood Street District. If Council directs staff to pursue a residency preference for all City or Agency subsidized affordable housing developments and first-time homebuyer loan programs, staff could return with a recommendation on a citywide residency preference as part of the next NOFA funding recommendations to Council.

SUSTAINABLE OPPORTUNITIES

Economic: The project will expand affordable housing options in Oakland and therefore encourage households to live and work in Oakland. Providing affordable housing options frees up household income to be spent on other goods and services, therefore supporting the local economy.

Environmental: The Wood Street development will provide housing on an underutilized site near to numerous AC transit lines and within a short distance of West Oakland BART. By developing land in already built-up areas, it will reduce pressure to build on undeveloped land. Providing affordable housing opportunities in Oakland will prevent households from choosing to purchase homes outside of the Bay Area and commute long distances for work.

Social Equity: The project will provide a mixed-income community. The stability and pride of homeownership will be available for households who might not otherwise have the opportunity to purchase a home. Housing at an affordable cost will enable households to spend their money on other essentials and to save for their life goals.

DISABILITY AND SENIOR CITIZEN ACCESS

The State's Title 24 and the Americans with Disabilities Act require consideration of persons with disabilities in the design and construction of housing. While the City's homeownership programs are open to seniors, in practice few first-time homebuyers are seniors.

RECOMMENDATION AND RATIONALE

A total authorization of \$13,650,000 in funding is recommended at this time for the following actions:

1. Staff recommends the Agency purchase VTPM 8555, Parcel 1 located between Wood Street and the Frontage Road and between 18th Street and 20th Street from Holliday Development for \$8,000,000, plus \$50,000 in closing costs, and that the Agency then issue an RFP for development of approximately 140 units of affordable housing on the site. Staff will return to the Agency when the developer RFP is complete to select a developer and request additional subsidy to develop those units.
2. Staff recommends that the Agency allocate up to \$5,600,000 for first-time homebuyer down payment assistance loans of up to \$125,000 and for forgivable loans to the buyers of up to \$15,000 for interest rate buy-downs for purchase of 40 newly built units within the Wood Street Development District by households at or below 100% of AMI.

Staff is further recommending that both of the above programs include a preference for Oakland residents, as long as it is a non-durational residency requirement and does not conflict with the requirements of other project financing.

ALTERNATIVE RECOMMENDATIONS

The Agency could decide to implement Condition 100.b. according to the previous recommendation by staff presented in the June 26, 2007 report to the CED Committee, whereby the Agency would purchase 36 units at the Pacific Cannery Lofts and Zephyr Gate developments and resell these units at affordable sales prices to eligible homebuyers with incomes at or below

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100% of AMI. The cost to subsidize the difference between the market prices and the affordable sales prices for this initial 36 units would be \$10,350,000 (\$287,500 per unit). Staff does not recommend this option due to the high per unit cost.

The Agency could decide to purchase VTPM 8551, Parcel 2 (as proposed at the September 25th CED Committee meeting) for the appraised value of \$4,400,000 and issue a developer RFP to build at least 60 affordable units on that site. This site is not preferred by the community due to its location near the freeway. This option is not supported by staff because of the air quality concerns from the community, because the site is only zoned for 60 units and would therefore not allow the entire redevelopment production obligation to be fulfilled on site, and due to the higher per unit cost of the land.

The Agency could direct staff to continue negotiating with Holliday Development to build higher density in future phases with units dedicated as affordable. But due to current uncertainty about development plans for that site, there is some possibility that this plan will not be financially feasible, and the developer will not make a firm commitment at this time due to uncertainties. Staff does not recommend this option due to the uncertainties surrounding its feasibility and the inability to enter into a binding agreement with the developer at this time.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends approval of the following Redevelopment Agency Resolutions:

1. A Resolution authorizing the purchase of a 3.12 acre parcel located between Wood Street and the Frontage Road and between 18th Street and 20th Street from Holliday Development, allocating up to \$8,050,000 for its purchase, and authorizing a Request for Proposals for development of an affordable housing project on the site.
2. A Resolution allocating up to \$5,600,000 for 40 first-time homebuyer down payment assistance loans and interest rate buy-down forgivable loans for purchase of units within the Wood Street Development District.

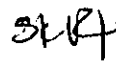
Staff further recommends that the Agency adopt an Oakland residency preference policy for the above proposed affordable housing development and first-time homebuyer loans. This residency preference is included as a term in the above two resolutions.

Respectfully submitted,



CLAUDIA CAPPIO

Development Director, Community and
Economic Development Agency

Reviewed by: 
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Deputy Director
Housing and Community Development

Prepared by:
Diana Downton
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Housing and Community Development

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:

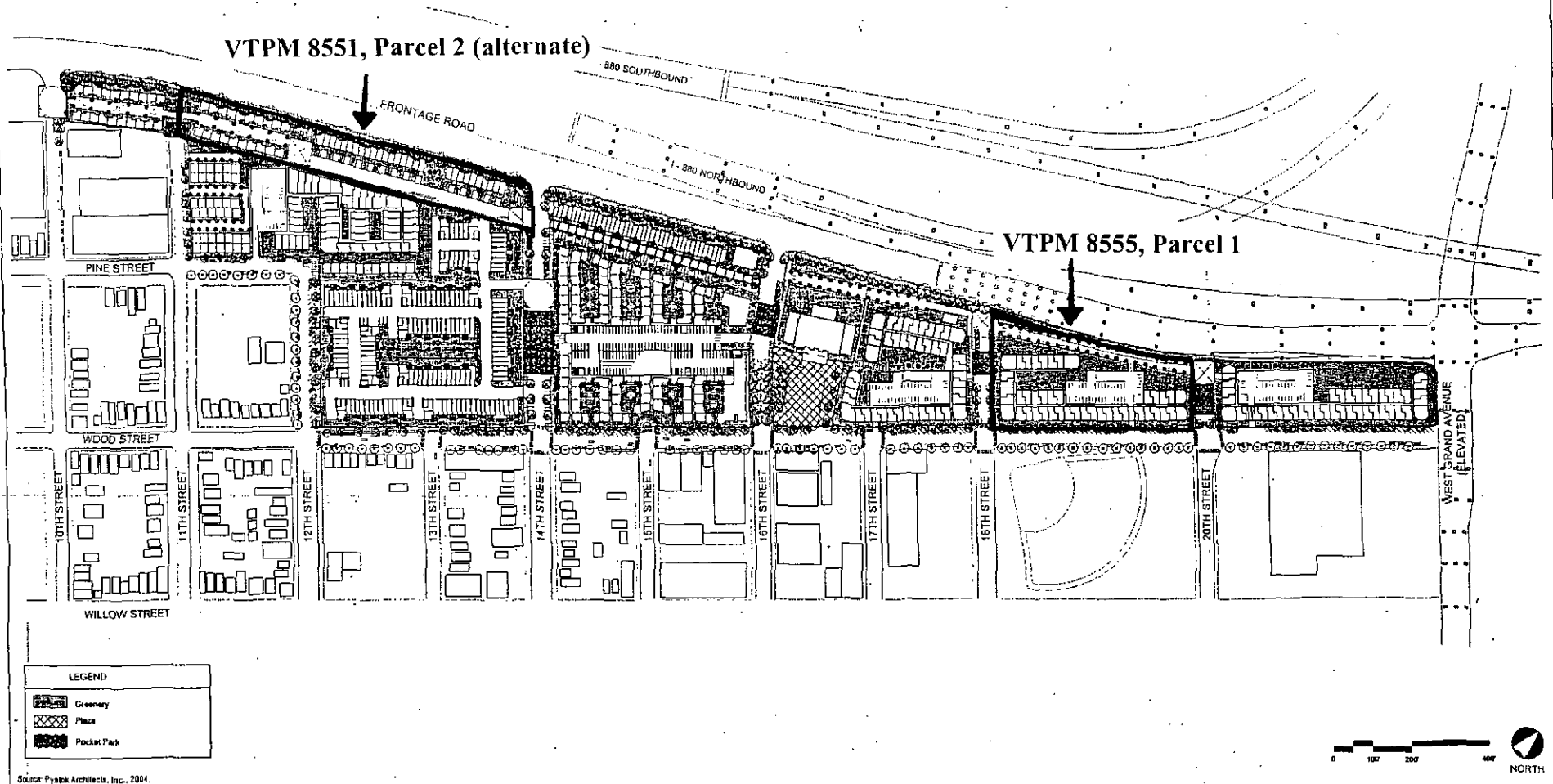


AGENCY ADMINISTRATOR

Attachment A: Wood Street District Map

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ATTACHMENT A: WOOD STREET DISTRICT MAP



Source: Pyatok Architects, Inc., 2004.


 FIGURE 2-3
 Illustrative Concept Plan

10817-00


Wood Street Project Draft EIR

This map is illustrative and does not provide accurate parcel boundaries.

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APPROVED AS TO FORM AND LEGALITY:


Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING THE PURCHASE OF A 3.12 ACRE PARCEL LOCATED BETWEEN WOOD STREET AND THE FRONTAGE ROAD AND BETWEEN 18TH STREET AND 20TH STREET FROM HOLLIDAY DEVELOPMENT, ALLOCATING UP TO \$8,050,000 FOR ITS PURCHASE, AND AUTHORIZING A REQUEST FOR PROPOSALS FOR DEVELOPMENT OF AN AFFORDABLE HOUSING PROJECT ON THE SITE

WHEREAS, redevelopment law requires that at least 15% of newly constructed units in the Oakland Army Base Redevelopment Project Area over each 10-year period be affordable to moderate, low, and very low-income households for a minimum of 45 years for ownership units and 55 years for rental units; and

WHEREAS, the Agency is estimated to need to provide approximately 141 affordable units to fulfill the redevelopment law affordable housing production requirement for the Wood Street Development District in the Oakland Army Base Redevelopment Area; and

WHEREAS, Holliday Development owns a vacant parcel of land located between Wood Street and the Frontage Road and between 18th Street and 20th Street, known as Vesting Tentative Parcel Map 8555, Parcel 1 (the "Site"); and

WHEREAS, the Site is entitled for up to 170 units; and

WHEREAS, Holliday Development has offered to sell the Site to the Redevelopment Agency for \$8,000,000; and

WHEREAS, closing costs of up to \$50,000 are estimated for the purchase;
and

WHEREAS, the City of Oakland's Consolidated Plan for Housing and Community Development indicates that there is a need for affordable housing, and has identified this activity as a priority; and

WHEREAS, the City of Oakland, as the Lead Agency for purposes of environmental review under the California Environmental Quality Act of 1970 ("CEQA"), has prepared an Environmental Impact Report for the Wood Street Project (the "EIR"), which covers the Site, analyzing the significant environmental effects and mitigation measures in accordance with the California Environmental Quality Act, Public Resources Code § 21000, et seq.; and

WHEREAS, the City Council in accordance with CEQA Guidelines § 15090 certified on May 17, 2005 that the Final EIR has been completed in compliance with CEQA and the Guidelines for Implementation of the California Environmental Quality Act (14 CCR sections 15000, et seq.); and

WHEREAS, the Agency, as a "Responsible Agency" under CEQA has independently reviewed and considered the environmental effects of the Site as shown in the EIR and other information in the record; and

WHEREAS, 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 of Oakland have been satisfied; and

WHEREAS, the purchase of the Site will improve the supply of low and moderate income housing available in the City of Oakland, is an eligible use of the Agency's Low and Moderate Income Housing Fund under California Health and Safety Code Sections 33334.2 and 33334.3, and will benefit the redevelopment project areas in the City of Oakland by providing affordable housing opportunities within the community that will enhance the economic viability and redevelopment potential of the project areas; and

WHEREAS, funds are available from the Agency's 2006 Subordinated Housing Set-Aside Revenue Bond Fund to purchase the Site; and

WHEREAS, giving a preference to Oakland residents to purchase units developed on the Site is necessary and justified because such a preference would remedy potential gentrification impacts of redevelopment activities in the area, would assist households in the area avoid potential displacement, and would provide an opportunity for existing residents to afford the housing provided and to stay in Oakland and benefit from the impacts of the redevelopment in the Wood Street District; now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby authorizes the Agency to purchase the Site for \$8,000,000; and be it

FURTHER RESOLVED: That the Redevelopment Agency hereby allocates up to \$50,000 to pay closing costs related to the purchase; and be it

FURTHER RESOLVED: That the purchase of the Site shall be contingent on and subject to such other appropriate terms and conditions as the Agency Administrator or his or her designee may establish; and be it

FURTHER RESOLVED: That Oakland residents shall be given preference to purchase units developed on the Site, provided that the residency preference shall be nondurational and shall be applied only if and to the extent that other funding sources for the project permit such a preference; and be it

FURTHER RESOLVED: That up to \$8,050,000 is hereby allocated from the 2006 Subordinated Housing Set-Aside Revenue Bond Fund (9584), Housing Development Organization (88929), 2006 Housing Bond project (L290410), Coliseum Program (SC12), to purchase the Site; and be it

FURTHER RESOLVED: That the 2006 Subordinated Housing Set-Aside Revenue Bond Funds used to fund this project shall be reimbursed by tax increment funds generated by the Oakland Army Base Redevelopment Project Area and required to be deposited into the Low and Moderate Income Housing Fund when such funds have been generated by that Project Area; and be it

FURTHER RESOLVED: That the Agency Administrator is authorized to issue a Request for Proposals (the "RFP") seeking a developer to acquire the Site from the Agency and develop it as affordable housing; and be it

FURTHER RESOLVED: That all legal 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 finds and determines on the basis of substantial evidence in the record that the EIR fully analyzes the potential environmental effects of this action and incorporates mitigation measures to substantially lessen or avoid any potentially significant impacts in accordance with CEQA; and that none of the circumstances necessitating preparation of additional CEQA review as specified in CEQA and the CEQA Guidelines, including without limitation Public Resources Code Section 21166 and CEQA Guidelines Section 15162, are present in that (1) there are no substantial changes proposed in the Site or the circumstances under which the projects are undertaken that would require major revisions of the EIR due to the involvement of new environmental effects or a substantial increase in the severity of previously identified significant effects, and (2) there is no "new information of substantial importance" as described in CEQA Guidelines Section 15162(a)(3); and be it

FURTHER RESOLVED: That the Agency hereby appoints the Agency Administrator and his or her designee as agent of the Agency to conduct negotiations, execute documents, issue an RFP, and take any other action with respect to the purchase of the Site consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2007

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

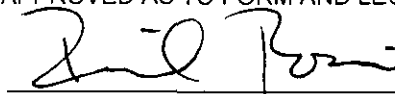
ABSTENTION-

ATTEST: _____
LaTonda Simmons
Secretary of the Redevelopment Agency
of the City of Oakland, California

OFFICE OF THE CITY CLERK
OF OAKLAND

2007 NOV 15 PM 3:22

APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

A RESOLUTION ALLOCATING UP TO \$5,600,000 FOR 40 FIRST-TIME HOMEBUYER DOWN PAYMENT ASSISTANCE LOANS AND INTEREST RATE BUY- DOWN FORGIVABLE LOANS FOR PURCHASE OF UNITS WITHIN THE WOOD STREET DEVELOPMENT DISTRICT

WHEREAS, a total of 289 market rate ownership units are under construction at the Zephyr Gate and Pacific Cannery Lofts developments in the Wood Street Development District; and

WHEREAS, the Agency would like to create affordable homeownership opportunities within the new market rate developments in the Wood Street Development District; and

WHEREAS, down payment assistance will assist first-time homebuyers at or below 100% of Area Median Income to purchase the market rate homes in the Zephyr Gate and Pacific Cannery Lofts developments; and

WHEREAS, the City of Oakland's Consolidated Plan for Housing and Community Development indicates that there is a need for affordable homeownership, and has identified this activity as a priority; and

WHEREAS, the down payment assistance loans will improve the supply of low and moderate income housing available in the City of Oakland, is an eligible use of the Agency's Low and Moderate Income Housing Fund under California Health and Safety Code Sections 33334.2 and 33334.3, and will benefit the redevelopment project areas in the City of Oakland by providing affordable housing opportunities within the community that will enhance the economic viability and redevelopment potential of the project areas; and

WHEREAS, funds are available from the Agency's 2006 Subordinated Housing Set-Aside Revenue Bond Fund for the down payment assistance loans and interest rate buy-down forgivable loans; and

WHEREAS, giving a preference to Oakland residents to participate in the loan program and purchase homes in the Wood Street Development District is necessary and justified because such a preference would remedy potential gentrification impacts of redevelopment activities in the area, would assist households in the area avoid potential displacement, and would provide an opportunity for existing residents to afford the housing provided and to stay in Oakland and benefit from the impacts of the redevelopment in the Wood Street District; now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby authorizes the allocation of up to \$5,600,000 for first-time homebuyer down payment assistance loans and interest rate buy-down loans for 40 households at or below 100% of Area Median Income to purchase market rate units in the Wood Street Development District; and be it

FURTHER RESOLVED: That each down payment assistance loan will be for up to \$125,000 with deferred payments at an interest rate to be determined by the Agency Administrator and will be due after 30 years or at sale or refinancing, whichever comes first; and be it

FURTHER RESOLVED: That the Agency will also provide forgivable loans of up to \$15,000 to purchase interest rate buy-downs on first mortgages for buyers utilizing the down payment assistance; and be it

FURTHER RESOLVED: That Oakland residents shall be given a preference for these loans, provided that the residency preference shall be nondurational and shall be applied only if and to the extent that other funding sources permit such a preference; and be it

FURTHER RESOLVED: That up to \$5,600,000 is hereby allocated from the 2006 Subordinated Housing Set-Aside Revenue Bond Fund (9584), Housing Development Organization (88929), 2006 Housing Bond project (L290410), Coliseum Program (SC12), for down payment assistance loans and interest rate buy-down forgivable loans for purchase of units in the Wood Street Development District; and be it

FURTHER RESOLVED: That the 2006 Subordinated Housing Set-Aside Revenue Bond Funds used to fund this project shall be reimbursed by tax increment funds generated by the Oakland Army Base Redevelopment Project Area and required to be deposited into the Low and Moderate Income Housing Fund when such funds have been generated by that Project Area; and be it

FURTHER RESOLVED: That all legal 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 and his or her designee as agent of the Agency to conduct negotiations, execute documents, and take any other action with respect to the down payment and interest rate buy-down forgivable loans consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2007

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,
California