

AGENDA REPORT

TO: Edward D. Reiskin **FROM:** Shola Olatoye

City Administrator Director, Housing &

Community Development

Department

SUBJECT: 1707 Wood Street Exclusive

Negotiation Agreement Extension

DATE: November 22, 2021

City Administrator Approval

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Date: Dec 7, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87795 C.M.S. To Authorize An Amendment To The Exclusive Negotiation Agreement (ENA) With MidPen Housing Corporation And Habitat For Humanity East Bay / Silicon Valley, Inc., For The Development Of Affordable Housing At The City-Owned Real Property Located At 1707 Wood Street, To Extend The Term By Eighteen Months, With Two Administrative Options To Extend The Term An Additional Six Months And Up To Eighteen Months.

EXECUTIVE SUMMARY

The City owns two contiguous parcels at 1707 Wood Street, between 18th and 20th Streets, totaling approximately 3.12 acres (City Council District 3). The City is currently in an Exclusive Negotiation Agreement (ENA) with MidPen Housing Corporation ("MidPen") and Habitat for Humanity East Bay / Silicon Valley, Inc. ("Habitat") for development of the site into affordable housing (the "Project").

After entering into the ENA on January 10, 2020 (pursuant to Resolution No. 87467, as amended by Resolution No. 87795 C.M.S.), progress on Project predevelopment has stalled due to the site not being secured and the ensuing encampment that has been sited at the property. The perimeter fence has been breached since approximately 2018, with ongoing breaches resulting in significant illegal dumping of hazardous and toxic materials; in addition, there are currently a number of unsheltered people camped on the site. Due to these site conditions and circumstances, MidPen and Habitat are unable to carry out necessary due diligence activities outlined in the ENA, including environmental testing. To mitigate environmental, health, and safety concerns on the site and facilitate due diligence activities, City staff from the Housing and Community Development Department ("Housing staff") have made plans to close the site, remove illegally dumped materials, and remediate surface soil contamination. In parallel, Housing staff have worked closely with the City's Encampment Management Team to provide offers of alternative shelter for the encamped residents, as well

as worked with Oakland Public Works staff to prepare for the installation of new perimeter fencing to secure against unauthorized entry and prevent further illegal dumping. However, these actions have been postponed multiple times due to the COVID-19 emergency orders and the limited availability of housing and/or alternative shelter, among other factors. Housing staff continues to work with the City's Encampment Management Team and Human Services Department to offer housing opportunities to the current unsheltered occupants, in order to close the site, remove and/or remediate the hazardous and toxic materials, and prepare the site for development of 170 urgently needed permanent affordable housing units.

MidPen and Habitat remain engaged with the City and are poised to execute necessary due diligence activities and proceed with negotiations, once the City is able to complete the above site preparation tasks.

The current ENA term as extended expires on January 10, 2022. Staff is seeking an extension of the ENA by 18 months through June 10, 2023, with the option on the part of the City for one six-month extension to be granted administratively, and one additional extension to be granted administratively not to exceed eighteen months if necessary due to additional delays in preparing the site.

BACKGROUND / LEGISLATIVE HISTORY

1707 Wood Street is composed of two undeveloped parcels totaling approximately 3.12 acres located at Wood Street between 18th and 20th Streets. The Redevelopment Agency of the City of Oakland authorized the purchase of the site on December 4, 2007, pursuant to Resolution No. 2007-0082 C.M.S., and the site was acquired by the Redevelopment Agency on March 27, 2008, for \$8,000,000. With the dissolution of redevelopment agencies throughout California on February 1, 2012, ownership of the site was transferred to the City. The resolution and agenda report for the site's purchase indicate that the site was acquired with the goal of providing affordable housing, and affordable homeownership opportunities in particular.

The City's purchase of the site was concluded shortly before the subprime housing crisis and Recession, which made financing and developing affordable homeownership opportunities all but impossible. The dissolution of the Redevelopment Agency in 2012 led to further funding shortfalls and delays in issuing a Request for Proposals (RFP) for the site.

By 2018, the housing and financial markets were such that affordable homeownership was once again a realistic possibility. The City issued an RFP on May 15, 2018, which was distributed widely to the affordable housing development community. Seven development organizations attended a pre-application conference on May 24, 2018. Two proposals were submitted, and an evaluation panel consisting of three City staff members and two community members conducted interviews and scored the proposals. Proposals that provided affordable homeownership units were awarded extra points, although developers were also encouraged to submit proposals for affordable rental projects. The highest scoring proposal was an innovative partnership between MidPen and Habitat that would combine affordable rental and homeownership components, providing housing opportunities for a broad income range.

The City Council adopted Resolution No. 87467 C.M.S. on December 11, 2018, authorizing the City Administrator to enter into an ENA with the developers for the negotiation of a Lease

Disposition and Development Agreement. After several months of discussions, City staff returned to the City Council to seek approval to expand the scope of possible outcomes of the ENA. The Council adopted Resolution No. 87795 C.M.S. on July 9, 2019, which authorized negotiations allowing for (i) the possibility of more than one disposition agreement (one for the rental component and one for the homeownership component), and (ii) the possibility of a Disposition and Development Agreement (DDA) instead of a Lease Disposition and Development Agreement (LDDA). Staff have not yet engaged in serious negotiations with MidPen and Habitat regarding these possible outcomes, due to the inability to secure the site, perform environmental tests, and determine development feasibility.

To determine feasibility of development, conduct environmental analysis, and perform other due diligence activities, MidPen and Habitat requested predevelopment loans from the City. On November 19, 2019, the City Council adopted Resolution No. 87930 C.M.S., authorizing two unsecured predevelopment loans not to exceed a combined total of \$650,000. The budget for these loans is included in the loan agreement and includes such items as architectural/landscape design, geotechnical/soils engineering, civil engineering and surveying, and environmental engineering costs. The loan documents have been executed, but the funds have not yet been disbursed or drawn down because the site has not been made available for predevelopment activity.

Exhibit D to the ENA includes a series of performance benchmarks to be accomplished by the City and MidPen and Habitat during the ENA term. These benchmarks are attached to this report as *Attachment A*. The benchmarks are sequential in order, and the City has been unable to complete steps 1A and 1B (complete Phase I and Phase II environmental assessments, and enable MidPen and Habitat to enter the Property to perform environmental inspections and other necessary predevelopment work). The environmental assessment is a critical first step to determining development feasibility; MidPen and Habitat have the option to terminate the ENA after reviewing the results of the investigation and testing. Since steps 1A and 1B have not been completed, MidPen and Habitat have been unable to commence work on the remaining performance benchmarks, including ordering schematic designs, securing land use approvals, and negotiating a term sheet for the DDAs/LDDAs.

Site Security

At approximately the same time that the RFP process was underway in 2018, the site's fence was breached and unauthorized activities began taking place on the site, including small encampments and illegal dumping activity as discussed above. These activities continue to directly impede progress in the preparation of the site for affordable housing development.

Beginning in mid-2018, concerned citizens started notifying the City that semi-trailer trucks were regularly entering the site and dumping large mounds of soil of unknown origin. Staff began regularly visiting the site to document the dumping, and a security camera was installed. On August 1, 2018, a staff member visiting the site witnessed and documented a truck driver in the act of dumping soil. This led to a criminal conviction in the case of *The City of Oakland, a municipal corporation v. Super Highway Transportation LLC, a limited liability corporation; Omar Sharieff Hassan, an individual; and Does 1-25.* Due to the death of Mr. Hassan in 2020, no damages or financial penalties were recovered as a result of the conviction.

The site has also become a magnet for unauthorized dumping of other household and industrial debris. The dumped materials have included industrial batteries and other hazardous materials. There is presently a voluminous amount of dumped material on the site.

Since 2018, unsheltered people have camped on the site intermittently. The size of these encampments has varied from one or two people to an estimated twenty to thirty people currently. The encampments present extreme fire and life safety hazards for the individuals residing on-site, as well as for the surrounding neighborhood. Electrical cords have been observed running along the ground from utility outlets to makeshift wood homes. In addition, the illegally dumped soil and the below-grade soil have not been remediated and are known or suspected to contain toxic substances. The lack of security at the site lends itself to acts of arson or violence. On February 23, 2021, a City staff member visiting the site was threatened with assault by an unsheltered resident wielding a large piece of lumber.

The closure of the site has been postponed multiple times for various reasons, including the COVID-19 Shelter-In-Place Orders. Staff have prepared for the sequence of steps that will occur once the site closure is completed. A Public Works on-call contractor has provided quotes to fence the site along the front and rear perimeter, and the most recent fence installation quote, received in July 2021, totaled approximately \$151,000. In addition, staff in the Environmental Services Division of the Public Works Department have prepared a bid to solicit on-call contractors for cleanup of the illegally dumped soil mounds. The cost of this soil removal work is estimated at \$265,000. Staff have also engaged in conversations with an on-call security company to provide ongoing security at the site.

The ongoing unauthorized activities at the site prevent any further progress in the negotiations with MidPen and Habitat regarding the sale or lease of the land. The ENA contains a series of performance benchmarks, the first of which is completion of the environmental inspection period. Environmental inspection includes activities such as a Phase II Environmental Site Assessment and additional soils analysis. This inspection and analysis is required for MidPen and Habitat to assess the scope of required remediation, which in turn would determine the feasibility of development at the site. The City has been unable to provide safe right of entry to MidPen and Habitat to carry out this work, for the reasons outlined above. In addition, these site assessments can only occur on a static, controlled site; subsequent dumping or disturbances would invalidate the analysis.

ANALYSIS AND POLICY ALTERNATIVES

Staff recommends authorizing the ENA extension, with administrative options on the part of the City for additional extensions as described. The ENA originally provided for a term of eighteen months, with two administrative three-month extensions. Because the site conditions have prevented any progress in negotiating the sale or lease of the site, this amendment to the ENA would essentially reset the clock on negotiations.

The proposed resolution, which extends the ENA term by 18 months with a six-month extension, includes an additional clause allowing for one additional 18-month administrative extension if necessary due to the site not being secured. At the time of this report, it is not known when the site may be secured and made available to MidPen and Habitat to carry out predevelopment activities. The delays to date have been entirely caused by the City's inability to

secure the site and provide safe access to the developers. It is therefore reasonable and appropriate for the City to extend the ENA to allow time for negotiations to proceed in good faith.

Since entering into the ENA, MidPen and Habitat have continued to engage as partners with the City. They have met monthly with City staff and regularly attended meetings of the Prescott Neighborhood Council. They have emphasized that their proposal is preliminary, and that they will solicit input from Councilmembers, community groups, and the public as they move into the design stage for the project.

If the ENA extension is granted and due diligence activities are able to proceed, the City and MidPen and Habitat can negotiate one or more DDAs / LDDAs. Council's approval would be required for the City to enter into any DDAs/LDDAs, and would also be required if MidPen and Habitat seek additional local funds through a City Notice of Funding Availability (NOFA) process.

Granting an extension of the ENA to allow time for necessary due diligence in connection with affordable housing development furthers the City's goal of providing **housing**, **economic**, **and cultural security** to Oakland residents. High housing costs and homelessness are consistently ranked at or near the top of public concerns about Oakland. The proposed project consists entirely of affordable housing for a range of households from at or below 20 percent of area median income to at or below 120 percent of area median income, and would include units for individuals experiencing homelessness or at risk of homelessness.

Policy Alternatives

The following alternatives are not recommended by staff:

Proceed with standard extension. The City Council could choose to proceed with a standard eighteen-month extension, with one administrative six-month extension beyond that, but require further Council approval for any additional extensions beyond that. During this period, Housing and Community Development Department (HCDD) staff and MidPen and Habitat would seek to complete their respective due diligence as described in **Attachment A**, with the goal of determining whether moving to LDDA/DDA negotiations is feasible. If there are significant delays in securing the site, this may mean that staff must return to the City Council to authorize additional extensions.

Deny the extension. If the City Council were to reject this proposed resolution, the ENA will expire without DDAs/LDDAs in place. If that occurs, a determination process under the California Surplus Land Act would be required before the City can proceed with any disposition. The City would be prohibited from negotiating with any party until the determination process has been completed and Council has either (a) declared the site exempt, or (b) made a declaration of surplus land and provided a Notice of Availability to eligible entities. MidPen and Habitat would not be able to devote their organizational resources to predevelopment work during this time, and the predevelopment loans authorized by Council would not be drawn down upon. This is not recommended as a course of action, as it would significantly delay development of the site, slowing the delivery of critical affordable housing units.

In conjunction with allowing the ENA to expire, some members of the public have proposed that the City end negotiations with MidPen and Habitat and negotiate directly with encamped

residents for the disposition of the site to them instead. As discussed above, this would be prohibited until the required procedures under the Surplus Land Act have been carried out. In addition, it would invalidate the previous public, community-driven process of proposal selection. The RFP entailed a competitive scoring process, with clear criteria for affordability levels, development experience and capacity, and ability to leverage state and federal funds to deliver the best project possible for hundreds of potential residents across a broad income spectrum. Staff does not recommend overturning this competitive process.

FISCAL IMPACT

There is no fiscal impact to the City for the authorization of an ENA extension, save for the staff time associated with extending the agreement.

PUBLIC OUTREACH / INTEREST

The public has had the opportunity to provide comments at City Council meetings in connection with previous Council actions, including the purchase of the site (12/4/2007), authorization of the ENA (12/11/2018), revised authorization of the ENA (7/9/2019), and authorization of the predevelopment loans (11/19/2019). The public will have the opportunity to provide further comment if resolutions are brought to the City Council for a DDA/LDDA, and if additional funds are sought by MidPen and Habitat.

On May 20, 2021, the City participated in a virtual meeting with community residents to discuss homeless initiatives on Wood Street. Neighborhood residents expressed strong support for MidPen and Habitat's proposed development. Two encamped residents in attendance expressed opposition to the development of affordable housing on the site.

On July 15, 2021, the Office of Councilmember Fife facilitated a meeting between homeless residents, advocates, and City staff, held at the site. Encamped residents expressed various concerns about the proposed development, objections to traditional housing models, and desire to continue residing at the site under a self-governance model.

Encamped residents and a small group of advocates have contacted the City and Habitat to inquire about the ENA and advocate against the proposed development. Staff have provided copies of the ENA, authorizing resolutions, and project submittals upon request.

The Prescott Neighborhood Council and neighborhood residents have written letters to the City and provided public comment to express support for the proposed development. On July 2, 2021, the Chair of the Prescott Neighborhood Council, Marcus Johnson, emailed the City Administrator and staff to express the organization's support for the proposed affordable housing development.

Both Habitat and MidPen have regularly joined the Prescott Neighborhood Council monthly meetings. At a regular Prescott Neighborhood Council meeting in February 2019, MidPen and Habitat presented their proposal, to positive feedback from the group. Members have consistently expressed verbal support for the affordable housing development.

COORDINATION

This report and resolution have been reviewed by the Office of the City Attorney and by the Budget Bureau. HCDD staff have also regularly met with the City Administrator's Office and apprised of the need for an extension of the ENA term. HCDD staff have coordinated the necessary steps for site closure, fencing, and removal of surface dumping with Public Works staff. HCDD staff have also regularly attended Encampment Management Team meetings, an interdepartmental working group consisting of staff from the City Administrator's Office, Public Works, Police Department, Fire Department, Human Services Department, and others.

SUSTAINABLE OPPORTUNITIES

Economic: If developed, the project will generate construction, professional services, and ongoing property management jobs in Oakland. Affordable housing will provide financial stability to residents and free-up income to be used on other goods and services. By delivering affordable housing and supportive services to low-income and formerly homeless residents, the project may help reduce demand for costly City services such as police, fire, and emergency response.

Environmental: If developed, the project would directly remediate environmental hazards at the site. Additionally, the construction of infill housing would reduce development pressure on outlying greenspace. The site is located near public transit and employment hubs, which would enable residents to reduce vehicle miles traveled. MidPen and Habitat's proposal was selected in part due to its GreenPoint score for meeting environmentally friendly building guidelines.

Race & Equity: No race and equity analysis was performed. The Race and Equity indications are as follows: if developed, the Project will help directly ameliorate the regional housing shortage that is disproportionately harming Oakland's low-income communities of color, particularly its Black residents, and will also help to reduce the economic and physical displacement of longtime residents The project will enable residents to access local employment opportunities in downtown Oakland and San Francisco, and social services and amenities will be provided to residents onsite. Moreover, by including a mix of homeownership and rental units, special needs units and non-special needs units, and units available to households with incomes from at or below 20 percent of Area Median Income to at or below 120 percent of Area Median Income, the project will house and support a diverse group of residents with varying social and economic backgrounds and needs.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 87795 C.M.S. To Authorize An Amendment To The Exclusive Negotiation Agreement (ENA) With MidPen Housing Corporation And Habitat For Humanity East Bay / Silicon Valley, Inc., For The Development Of Affordable Housing At The City-Owned Real Property Located At 1707 Wood Street, To Extend The Term By Eighteen Months, With Two Administrative Options To Extend The Term An Additional Six Months And Up To Eighteen Months.

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

Respectfully submitted,

SHOLA OLATOYE

Shola Olatoye

Director, Housing and Community Development Department

Reviewed by: Christia Katz Mulvey Manager, Housing Development Services

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

Attachment (1): A: ENA Performance Benchmarks

Attachment A

ENA Performance Benchmarks

Performance Benchmarks (Rental Component)

[All capitalized terms shall have the meaning given to them in the ENA]

[NOTE: These Performance Benchmarks represent the best understanding of the Parties as to the desired timeframes for performance, but will be revised pursuant to the terms of Section 4 of the ENA.]

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<u>Task</u>	Target Date
Environmental inspection period	
a. City completes and provides Developers with Phase I and Phase II investigation and testing reports	a. Within 90 days of the Effective Date
b. Developer enters into Right of Entry with City	b. Within 180 days of Effective Date
c. Close of environmental inspection period	c. Within 180 days of receiving investigation and testing results as dictated in the Phase I and Phase II reports referenced in 1(a)
d. Developer may terminate after close of environmental inspection period	d. Within 18 calendar months from the Effective Date
2. Title Review	
a. Developer review Preliminary Title Report and give notice of objections to Exceptions	a. Within 60 days of the Effective Date
b. City to notify if cure/eliminate	b. Within 180 days of 2(a)
c. If City declines to cure/eliminate, Developer may terminate	c. Within 18 calendar months from the Effective Date
3. Reserved.	
4. Developer to provide to City project description and schematic design documents including phasing plan and site design, if relevant	Within 180 days after the City clears and secures the Property and makes it available for Developer access

5. CEQA	
a. Developer to submit to City proposed CEQA scope	a. Within 180 days after the City clears and secures the Property and makes it available for Developer access
b. City to review and comment on CEQA scope	b. Within 60 days after satisfaction of 5(a)
c. Developer to consider City comments and submit revised CEQA scope	c. Within 60 days after receipt of 5(b) comments
d. City to initiate CEQA initial study analysis, and/or retain consultants for CEQA documentation, if necessary	d. Within 30 days after satisfaction of 5(c)
6. Outreach Plan	
a. Developer to submit to City proposed community outreach plan integrating both anticipated planning approval process and outreach with community stakeholders regarding community benefits	a. Within 60 days after the City clears and secures the Property and makes it available for Developer access
b. City to review and comment on community outreach plan	b. Within 30 days after satisfaction of 6(a)
c. Developer to consider City comments and submit revised outreach plan	c. Within 30 days after receipt of 6(b) comments
d. Developer to initiate implementation of outreach plan, including informational presentations of proposed Project to community groups and stakeholders	d. Within 30 days after satisfaction of 6(c)
7. Term Sheet	
a. Developer and City staff to negotiate and reach consensus on Term Sheet, including terms of a community benefits agreement	a. Within 180 days after the City clears and secures the Property and makes it available for Developer access
b. City staff to obtain informal Council direction on Term Sheet, if needed	b. Within 60 days after satisfaction of 7(a)
c. Negotiate to finalize Term Sheet	c. Within 60 days after satisfaction of 7(b)

 8. Developer to provide City Staff: a. Preliminary proforma, including sources and uses and equity and financing sources; b. Construction estimate; c. Construction schedule; and Financial plan, including net worth of developer entity 	Within 90 days after satisfaction of 4 (Developer provides City schematic design documents)
9. Lease Disposition and Development Agreement (LDDA)	
	a. Commencing within 10 days after satisfaction of 7(c)
b. Parties to reach consensus on near final LDDA	b. No later than 18 months after Effective Date, subject to any extensions
10. Developer to procure all requisite City Land Use Approvals, including satisfaction of CEQA	No later than 18 months after Effective Date, subject to any extensions
11. Council consideration and action regarding Transaction Documents	No later than 18 months after Effective Date, subject to any extensions.

Performance Benchmarks (Homeownership Component)

[All capitalized terms shall have the meaning given to them in the ENA]

[NOTE: These Performance Benchmarks represent the best understanding of the Parties as to the desired timeframes for performance, but will be revised pursuant to the terms of Section 6 of the ENA.]

<u>Task</u>	<u>Target Date</u>
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