



AGENDA REPORT

TO: Honorable Mayor & City Council **FROM:** Councilmember Kaplan (At-Large) & Councilmember Fife (District 3)

SUBJECT: Mandela Station Affordable Housing Development **DATE:** March 2, 2023

RECOMMENDATION

Councilmembers Kaplan And Fife Recommend That The City Council:

Adopt A Resolution To Allocate An Amount Not To Exceed Eighteen Million Dollars (\$18,000,000) Of The 2022 Affordable Housing And Infrastructure Bond (Measure U) Funds For The Mandela Station Affordable Development In West Oakland To Address Racial Inequities And Expeditiously Respond To The Housing Crisis

EXECUTIVE SUMMARY

This resolution would allocate up to \$18 million of the 2022 Affordable Housing and Infrastructure Bond Funds, otherwise known as Measure U funds, for the construction of the Mandela Station Affordable development in West Oakland. The Mandela Station Affordable development is a mixed-use, mixed-income transit-oriented development at the West Oakland BART station, which includes a proposed 240-unit affordable rental housing project with 60 dedicated units of homeless housing, and approximately 16,000 square feet of neighborhood retail space.

Passed by the voters last November, Measure U provides \$850 million in bond funding to invest in public infrastructure, preserve and build affordable housing, and improve the quality of life in all neighborhoods throughout Oakland. \$350 million of Measure U funds are dedicated to the acquisition, rehabilitation, or new construction of interim and permanent affordable and social housing.

As the City undertakes a more robust process to formulate and identify new projects able to be funded by Measure U, this Resolution takes immediate action to allocate a small fraction of the eligible funds to the Mandela Station Affordable Development, which will allow an existing project in our pipeline to be funded and built.

BACKGROUND / LEGISLATIVE HISTORY

Oakland is one of the most expensive housing markets in the country, just behind San Francisco, New York, and Boston. With rising rents outpacing the increase in incomes faster than any other place in the country, protecting Oakland residents from displacement and providing affordable housing opportunities is

necessary to preserve the quality of life for all City residents, and to protect the City's low-income families, seniors, and persons with disabilities.

In the 2022 Oakland Point-In-Time Count, 5,055 individuals were counted in the City as experiencing homelessness accounting for more than 50% of the homeless population in Alameda County, and of the 5,055 individuals, 3,337 were unsheltered with the remaining 1,718 individuals identified as living in a tent, car, RV, on the street, or in an abandoned building. Oakland has identified critically needed investments in anti-displacement, interim, temporary, and affordable housing as integral to protecting the quality of life for all Oaklanders and the City's long-term economic vitality. This is why the voters passed Measure U in 2022.

On November 8, 2022, Oakland voters passed Measure U, the 2022 Affordable Housing Infrastructure Bond, an \$850 million general obligation bond to invest in vital infrastructure projects to improve public safety, protect and provide affordable housing, and preserve the quality of life in all neighborhoods throughout Oakland. Measure U will fund the construction, acquisition, and rehabilitation of 2,200-2,400 affordable housing units over the next four to six years, getting Oakland closer to meeting the goal of 10,000 units of affordable housing by 2030.

As outlined in the measure, \$350 million of Measure U funding is reserved for affordable housing projects, including projects consistent with the acquisition, rehabilitation, or new construction of interim and permanent affordable and social housing. This funding will play an important role in closing the funding gap for affordable housing over the next three years, as the Oakland Housing and Community Development Department's (HCD) 2021-2022 New Construction Notice of Funding Availability (NOFA) received over \$93 million in funding requests but had only \$30.6 million to allocate, leaving a significant portion of the pipeline remaining unfunded.

REQUIRED LEGISLATIVE FOLLOW-UP

The City has yet to retain bond counsel for Measure U funds. Based on the eligibility requirements to receive Measure U funding, the Mandela Station Affordable Development meets the criteria to receive funding; however, the allocation in this resolution is being granted on the condition of bond counsel's review and affirmation of eligibility once the City retains them. This resolution will, therefore, require subsequent legislation approving the issuance and sale of Measure U bonds.

ANALYSIS AND POLICY ALTERNATIVES

The Mandela Station Affordable Development in West Oakland is a visionary mixed-use, mixed-income transit-oriented development. The proposed project will include 240 affordable units and approximately 16,000 square feet of neighborhood retail space at the heart of the most visible and accessible historic Black commercial corridor of the Bay Area. Adjacent to the affordable project will be two additional development projects as part of a larger master plan sponsored by the affiliated Mandela Station Partners, LLC. The two other projects will contain 300,000 square feet of office and life science space, 522 market-rate rental apartments, 37,000 square feet of retail space, and 1.7 acres of public plazas and paseos.

The project is estimated to have a \$201 million total development cost. Thus far, the Mandela Station

development team has secured a \$29.5 million award from the California Affordable Housing and Sustainable Communities program (of which \$3.3 million is allocated to a City of Oakland DOT project), a \$5.4 million award from the State Department of Toxic and Substance Control (DTSC) Equitable Community Revitalization Grant for site remediation, a \$5.0 million award from the State Transit Oriented Development program, and a \$5.3 million award for a Transit and Intercity Rail Capital Program (TIRCP) grant. The project will also be financed with a permanent first mortgage and deferred developer fee. In October 2022, the developers executed a non-binding term sheet with the Oakland Housing Authority to execute agreements providing one or more loans of Move to Work (MTW) funds and 60 project-based Section 8 Vouchers.

Investing in the Mandela Station Affordable Development will help Oakland reach its Regional Housing Needs Allocation (RHNA) numbers by building a 240-unit affordable housing project that sets aside over one-third of the units for extremely low-income families (30% of AMI), as well as, help create quality local jobs, and reduce congestion by developing a housing project near the West Oakland BART station. The [Bay Area Black Housing Advisory Taskforce](#), a coalition of Black housing developers, Black housing advocates, and community-based organizations, identified the Mandela Station Affordable Development as a priority local investment that will serve Black communities that need immediate investment from local, regional, and federal sources.

The Bay Area Rapid Transit District (BART) is redeveloping many of its station parking lots into transit-oriented development (TOD) projects. TOD projects are higher-density, often mixed-use developments adjacent to transit, which locate housing and jobs near transit, potentially reducing the need for driving and increasing transit ridership. The affordable project will also kick off a series of development projects in the West Oakland BART TOD Area that will include workforce housing, market-rate housing, retail, and commercial activities that will generate jobs and provide needed services. These mixed-used, mixed-income projects address significant housing needs in the City and the West Oakland community.

Measure U Eligibility:

Section 3(C) of Measure U provides that prior to issuance of the Bonds, the City Council must identify how the projects and programs authorized for funding with Measure U bond proceeds:

1. Address improvements to the City's existing core capital assets
2. Maintain or decrease the City's existing operations and maintenance costs; and
3. Address social and geographic equity and provide greater benefit to underserved populations and geographic areas of greatest need

The Mandela Station masterplan will include extensive upgrades to core city assets such as streets, sidewalks, utilities, and traffic signals adjacent to the proposed project that are estimated to cost over \$20 million that include. Some of those upgrades include:

- Traffic signal modifications and upgrades at 7th Street and Mandela Parkway and 7th Street and Center Street intersections.
- Sidewalk extensions at the 5th and Mandela Parkway intersection and a newly raised mid-block crosswalk on Mandela Parkway.
- Relocation and construction of new bus and intercity coach stops and shelters.
- New dedicated bicycle tracks along both sides of 7th Street and Mandela Parkway adjacent

- to the project.
- New sanitary sewer main that serves the proposed developments planned in the West Oakland BART TOD Area
 - Undergrounding existing overhead power and communication lines which will include electrical service upgrades to the adjacent residential and commercial properties.
 - New City standard sidewalk along all four sides of the proposed master plan development.
 - New City standard street trees and trash receptacles
 - Installation of new City standard streetlights along Chester, 5th Street, and Mandela Parkway.
 - Repavement of a minimum of 50% of the streets that front the proposed masterplan development.
 - New public art installations

In regards to maintaining or decreasing the City's existing operations and maintenance costs, there are over \$20 million of proposed offsite improvements within the City's public right-of-way and many of these improvements will repair deferred maintenance items and/or extend the life of existing capital assets. For example, the existing sanitary sewer system in this area is currently undersized and will not support any sizable new development. The proposed project will replace portions of the existing system as well as extend to new areas at a projected cost of over \$5 million. This one item will save the City from issues that currently exist and decrease the City's operating and maintenance costs.

The proposed project is part of a master-planned site occupying two city blocks in West Oakland, a historically Black community that has been disproportionately impacted by redlining, economic disinvestment, physical division from higher-resourced areas due to the construction of multiple freeways and BART tracks, and intensification of freight activity at the Port of Oakland. The project area has been designated by the state as a Disadvantaged Community as well as a Low Resource Opportunity area, and High Segregation zone. The City's goal is to create a diverse high-density community that provides housing and job opportunities for existing and new residents and does so in a context that respects West Oakland's rich history.

This transformational transit-oriented, mixed-use sustainable project will be culturally and economically appropriate for current and future West Oakland residents, particularly for low-income households of color. Funding the project will assist with the development of 240 affordable units, one-third of which will target extremely low-income households, including homeless, emancipated youth, and disabled individuals. This is the largest proposed affordable project in the Bay Area and will provide housing to hundreds of families in the West Oakland community, including 60 homeless tenants.

As a more robust process is being undertaken to formulate and identify new projects able to be funded by Measure U, this Resolution takes immediate action to allocate a small fraction of the eligible funds, which will allow an existing project in our pipeline to be funded and built. Mandela Station Partners plans to apply for California Debt Limit Allocation Committee (CDLAC) and Tax Credit Allocation Committee (TCAC) tax credits. Committing Measure U funds prior to the CDLAC/TCAC deadline in May 2023 will provide a competitive local match in their application. In addition, allocating a small portion of funds upfront will help remedy substantial racial inequities in how funding is awarded in other existing programs and grants.

Oakland is one of the few jurisdictions with a State-approved Housing Element and has received a coveted State pro-housing designation. This is due to our continued efforts to support projects on public lands, private lands, and faith-based properties that are ready to move forward and substantially expand the affordable housing supply, including projects that further transit-oriented development in priority-development areas. The Mandela Station Affordable Development builds on this work to increase our affordable housing supply and reduce displacement in West Oakland.

FISCAL IMPACT

This resolution would allocate \$18 million of Measure U funds to the Mandela Station Affordable Development, approximately 5% of available Measure U funds for affordable housing acquisition, rehabilitation, or new construction.

PUBLIC OUTREACH / INTEREST

Mandela Station Partners has been conducting engagement efforts to inform neighbors and the community about this project. In addition, Councilmembers have been discussing the project with housing stakeholders.

COORDINATION

Councilmembers Kaplan and Fife have worked and continue to communicate with the City Attorneys, Housing and Community Development Department, and the Finance Department on this legislation.

SUSTAINABLE OPPORTUNITIES

Economic: In addition to the 240-unit affordable housing development, the Mandela Station project includes a redesigned BART entry plaza and retail space under the BART tracks, a 300,000 square foot, with-story mid-rise building with potential uses in biotech or the life sciences industry, and a market-rate residential building with 520 units.

Each of the components would have retail space on the ground floor. There would be a total of 53,000 square feet of ground floor retail space across the four components. The Mandela Station Affordable Development will also kick off a series of development projects in the West Oakland BART TOD Area that will include workforce housing, market-rate housing, retail, and commercial activities that will generate jobs and provide needed services.

Environmental: The Bay Area Rapid Transit District (BART) is redeveloping many of its station parking lots into transit-oriented development (TOD) projects. TOD projects are higher-density, often mixed-use developments adjacent to transit, which locate housing and jobs near transit, potentially reducing the need for driving and increasing transit ridership. Building housing near public transit is vital in the City's effort to reduce vehicle miles traveled by passenger cars.

Race & Equity: The proposed project is part of a master-planned site occupying two city blocks in West Oakland, a historically Black community that has been disproportionately impacted by redlining, economic disinvestment, physical division from higher-resourced areas due to the construction of multiple freeways and BART tracks, and intensification of freight activity at the Port of Oakland. The project area has been designated by the state as a Disadvantaged Community as well as a Low Resource Opportunity area, and High Segregation zone. The City's goal is to create a diverse high-density community that provides housing and job opportunities for existing and new residents and does so in a context that respects West Oakland's rich history.

This transformational project will be culturally and economically appropriate for current and future West Oakland residents, particularly for low-income households of color. Funding the project will assist with the development of 240 affordable units, one-third of which will target extremely low-income households, including homeless, emancipated youth, and disabled individuals. This is the largest proposed affordable project in the Bay Area and will provide housing to hundreds of families in the West Oakland community, including 60 homeless tenants.

ACTION REQUESTED OF THE CITY COUNCIL

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For questions regarding this report, please contact Christine Miyashiro, Policy Director, at Cmiyashiro@oaklandca.gov.

Respectfully submitted,



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At-Large District



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Attachments (1): Exhibit A