



AGENDA REPORT


TO: Justin D. Johnson
City Administrator

FROM: Emily Weinstein
Director, Housing and
Community Development
Department

SUBJECT: Longfellow Corner Second (2nd)
Amendment to Disposition &
Development Agreement

DATE: June 17, 2024

City Administrator Approval


Justin Johnson (Jun 27, 2024 21:09 PDT)

Date: Jun 27, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt The Following:

An Ordinance Authorizing The City Administrator To Execute A Second Amendment To The Disposition And Development Agreement (Longfellow Corner Project) Between The City Of Oakland And Longfellow Corner, L.P., At 3801-3807 And 3823-3829 Martin Luther King Jr. Way, To Extend The Outside Construction Completion Date By Six Months To September 1, 2026; And Adopting California Environmental Quality Act Findings

EXECUTIVE SUMMARY

The City of Oakland (“City”) and Longfellow Corner, L.P., a subsidiary of the Resources for Community Development (“RCD-Developer”), entered into a Disposition and Development Agreement (“DDA”) to convey City owned property and develop a mixed-use affordable housing project known as “Longfellow Corner” (“the Project”). The DDA, dated July 31, 2023, was recorded in the official records of Alameda County, California on April 9, 2024, as instrument No. 2024046462. The agreement relates to contiguous real property owned by RCD commonly known as 3801-3807 Martin Luther King Jr. Way, and previously City-owned property commonly known as 3823-3829 Martin Luther King Jr. Way, Oakland, CA (“the Property”).

The DDA was amended by the First Administrative Amendment to revise the legal description of the merged property and recorded in the Official Records of Alameda County, California on May 17, 2024, as Instrument No. 2024062031. Including loans and long-term affordability restrictions from the City, the construction financing closed escrow in the spring of 2024 (May 2024) and construction activities are now underway.

As a condition to a construction loan up to Fifty-One Million Seventy-Four Thousand Six Hundred Forty-Nine Dollars (\$51,074,649), U.S. Bank National Association, a national banking association (“Construction Lender”), has required that the completion of construction date under the DDA correspond with the Construction Lender’s projected completion date of September 1,

CED Committee
July 9, 2024

2026. Pursuant to Section 3.1(c) of the DDA, only the City Council, in its sole and absolute discretion, may extend the Outside Completion Date identified in the Schedule of Performance as February 28, 2026.

With insufficient time to approach the Oakland City Council before the closing of escrow, staff is approaching City Council post-closing with a request to amend the DDA.

The Housing and Community Development Department (“HCDD”) staff recommend executing a Second Administrative Amendment to the DDA to extend the outside construction completion date from February 28, 2026, to September 1, 2026, to correspond with the projected date by the Construction Lender, to ensure all lender conditions are being met for the advancement of funds, and to support the meaningful development of Longfellow Corner. The project is now underway with construction and is targeted for completion by the spring of 2026 (April 2026).

The proposed project will provide seventy-seven (77) affordable housing units with just over 2,000 square feet of community commercial space, with Area Median Income (AMI) target incomes as noted below in **Table 1**, including thirty-four (34) Permanent Supportive Housing units (“PSH”) for homeless households.

Table 1: Longfellow Corner: Affordability Level of Housing Units

Affordability	Total Units	Percent of Total	Permanent Supportive Housing Units
20% AMI	30	39%	30
30% AMI	10	13%	4
50% AMI	36	47%	
Manager	1	1%	
Total	77	100%	34

BACKGROUND / LEGISLATIVE HISTORY

Dating back to 1990, many thresholds have been met to entitle RCD with the right to develop the Longfellow Corner project. The list is comprehensive, and mostly extraneous to the current issue of the six-month extension to the DDA deadline for completion of construction. Therefore, please see **Attachment A** for a robust summary of the background and legislative history.

The Oakland City Council approved [Ordinance No. 13721 C.M.S.](#), authorizing staff to enter into a DDA with RCD and its affiliate for the conveyance of city land and development of the project (January 17, 2023).

Per Oakland City Council [Resolution No. 89646 C.M.S.](#), Longfellow Corner was awarded an additional \$4,800,000 under the City New Construction NOFA (issued January 31, 2023), approved as of March 21, 2023. Thus, further increasing the project’s total City funding commitment to \$16,064,000, and with the 2017 site acquisition loan, a total loan commitment of \$19,239,000.

Effective July 31, 2023, the City and RCD entered into that certain Disposition and Development Agreement recorded in the Official Records of Alameda County, California (“Official Records”) on April 9, 2024, as Instrument No. 2024046462 (the “Original DDA”). Subject to the DDA, and on April 9, 2024, the City property was sold to RCD and its affiliate. On May 2, 2024, the land was subsequently merged with RCD’s neighboring property to create one parcel.

On November 8, 2023, the Developer secured 100% of its funding commitments, with a final commitment from the California Tax Credit Allocation Committee for state and federal affordable housing tax credits.

All construction lender financing closed escrow on May 16, 2024, a City of Oakland Notice to Proceed with construction activity was issued by staff on May 17, 2024, and construction activities are now underway. The project is targeted for completion by the spring of 2026.

ANALYSIS AND POLICY ALTERNATIVES

With the escrow closed on construction financing, a DDA recorded against title, and a City Notice to Proceed with construction activity issued (May 2024), the Property is now an activated construction site. To ensure the site remains active, timely construction payments are necessary throughout the course of construction to prevent significant delay, or at worst, a project stoppage.

Total development funding for the Longfellow Corner project is over \$85 million. With the City committing over \$19 million, the Construction Lender has committed to a \$51 million dollar construction loan. Please see **Table 2**. Local funds are often used before conventional private financing. Thus, as a condition of Construction Lender funds, RCD must receive City Council approval to revise the construction completion date in the DDA from February 28, 2026, to September 1, 2026.

The actual target for completing construction is April 2026. The Construction Lender cannot fund indefinitely knowing there is a sooner completion deadline in the DDA (February 28, 2026), RCD may not be able to meet. Since this change requires City Council approval, an exception was made to allow the project to continue moving forward. A covenant has been added to the bank’s loan agreement requiring RCD to request and obtain an extension of the completion date to a date no earlier than September 1, 2026. No later than September 30, 2024, it shall be an additional condition to all U.S. Bank financial advances that RCD has received written evidence the completion date has been extended.

Table 2: Longfellow Corner: Permanent Financing

Permanent Sources of Funds	Total
CA HCD – No Place Like Home	\$6,553,935
CA HCD – Affordable Housing Sustainable Communities	\$11,129,373
CA HCD – Infill Infrastructure Grant	\$5,830,000
City of Oakland	\$19,239,000
Dept of Toxic Substances Control Grant	\$422,763
General Partner Capital Contribution (State Tax Credits)	\$18,905,062
Limited Partner Investor Equity	\$22,997,700
Total Sources	\$85,077,833
Construction Loan (US Bank)	\$51,074,649
Total with Construction Loan	\$136,152,482

*Not including construction loan interest

Approving the recommended action – a six month extension to completion timelines under the DDA -- will promote **holistic community safety** of the neighborhood by supporting the activation of vacate infill parcels with construction activity, while supporting the momentum of creating more affordable housing to generate the City’s **housing, economic, and cultural security**, and our actions to responsibly clean and protect the formerly owned City Property would reflect a **responsive, trustworthy government**.

Since the project is already under construction, staff fully recommends the relatively minor extension to project completion timing.

FISCAL IMPACT

There is no fiscal impact on the City for amending the outside completion date of the DDA. RCD, at its sole cost, is subject to all regulatory approvals for the housing project and will not have any claim against the City for reimbursement other than for funds approved by the Oakland City Council. RCD has and will continue to bear all costs associated with or complying with all permit and processing fees related to the project as well as any necessary regulatory approvals granted to RCD. As required, RCD has provided evidence of sufficient financial resources to undertake and fulfill its obligations under the DDA.

PUBLIC OUTREACH / INTEREST

As noted in prior reports, RCD and the City have been in contact with community members throughout the planning process to develop the property as affordable housing, including Councilmember Dan Kalb’s office, the neighboring MLK Café owner, the Neighborhood Crime Prevention Council (NCPC) Beat 6X and the Longfellow Community Association. More recently, in early 2024, RCD has communicated with the Longfellow Community Association, providing

notification of an expected spring season construction start, and provided multiple updates to surrounding property owners on the start of construction activity.

COORDINATION

This staff report and ordinance dealing with the DDA extension have been reviewed by the Office of the City Attorney and by the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Longfellow Corner will turn a vacant underutilized property into a vibrant affordable housing mixed-use development. The project will provide much needed affordable housing for the City of Oakland and will act as a catalyst to further transform the area and provide a positive stimulus to the neighborhood. The development will be located two blocks from the MacArthur Bay Area Rapid Transit (BART) station and will provide residents with excellent access to BART and Alameda-Contra Costa (AC) Transit as well. With a high volume of development underway or approved in this neighborhood, it will be important to ensure low-income residents benefit from the value of incoming investment.

Environmental: As an urban infill site, RCD will remediate/mitigate prior contamination in the beginning phases of construction activity. DTSC has served as the oversight agency for the environmental investigation and will oversee RCD's approved RAW for remediation/ mitigation, which included a public participation component. The proposed actions in this report will prevent the further deterioration of the site's environmental impacts on residents near the property, creating a path for improved neighborhood conditions and making the area more attractive to prospective residents, tenants, and businesses of the Oakland community.

Race & Equity: Longfellow Corner will have a positive impact on the surrounding community by providing affordable family housing in a neighborhood that has experienced severe displacement. With an influx of market rate housing and upscale retail, market pressures in North Oakland have resulted in sharply rising land values and rents. Adding to the stock of much needed affordable housing in this neighborhood will allow an opportunity for displaced families to maintain their social networks and benefit from up and coming nearby developments.

In a neighborhood historically African-American and experiencing high displacement pressures, the 77-unit development will be met with local hiring obligations and preferences for Oakland residents. The development must meet the requirements of the City's Local Employment Program for the hiring of Oakland residents and the use of apprentices on publicly-supported projects, as well as local business participation requirements in accordance with the City's Local/Small Local Business Enterprise (L/SLBE) Program. Residents for housing units will be subject to Oakland preferences where the owner/developer must give preference in the selection of tenant households, with preferences given to displaced, neighborhood residents, Oakland residents, and workers in accordance with the Oakland Municipal Code (Chapter 15.63, Article I).

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Upon review of the City of Oakland Planning Bureau and as of September 11, 2019, the Longfellow Corner Project received a categorical exemption under CEQA as an infill development (CEQA Guidelines Section 15332) and a project consistent with a community plan, general plan or zoning (CEQA Guidelines Section 15183(f)).

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt The Following:

An Ordinance Authorizing The City Administrator To Execute A Second Amendment To The Disposition And Development Agreement (Longfellow Corner Project) Between The City Of Oakland And Longfellow Corner, L.P., At 3801-3807 And 3823-3829 Martin Luther King Jr. Way, To Extend The Outside Construction Completion Date By Six Months To September 1, 2026; And Adopting California Environmental Quality Act Findings.

Jestin D. Johnson, City Administrator

Subject: Longfellow Corner Disposition and Development Agreement – Second Amendment

Date: June 17, 2024

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For questions regarding this report, please contact Everett Cleveland Jr., Housing Development Coordinator, at 510-238-6543, or Christia Katz Mulvey, Housing Development Services Manager, at 510-238-3623.

Respectfully submitted,

Emily Weinstein

Emily Weinstein (Jun 24, 2024 13:54 PDT)

Emily Weinstein, Director
Housing & Community Development
Department

Reviewed by:
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Prepared by:
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Attachment:

- A. Comprehensive Background / Legislative History

BACKGROUND / LEGISLATIVE HISTORY

In 1990, the City of Oakland purchased 3823 Martin Luther King Jr. Way using Community Development Block Grant funding to initiate neighborhood revitalization through affordable housing development, and pursued development proposals for the site, including lending funds to a housing development organization to purchase an adjacent site located at 3829 Martin Luther King Jr. Way.

Because the developer was unable to pursue development plans, in January 2017, the City acquired ownership of the 3829 Martin Luther King Jr. Way parcel via foreclosure on a former Redevelopment Agency developer loan to the prior owner, which was in default. The Redevelopment Agency loan was transferred to the City as an affordable housing asset post-Redevelopment dissolution.

On July 19, 2016, the Oakland City Council adopted [Resolution No. 86335 C.M.S.](#), placing the Measure KK Infrastructure and Housing Bond on the November 2016 ballot. On November 29, 2016, the Oakland City Council approved [Ordinance No. 13403 C.M.S.](#), enacting the City of Oakland Affordable Housing and Infrastructure Bond Law, which identified the purchase of vacant underutilized property for newly constructed long-term affordable housing opportunities for extremely-low to low-income residents of the City of Oakland, as an eligible use for the City's affordable housing bond funds.

On June 19, 2017, the Oakland City Council approved [Resolution No. 86774 C.M.S.](#), which was subsequently amended by Oakland City Council [Resolution No. 86814 C.M.S.](#), adopted on June 29, 2017, authorizing the issuance of the first tranche of Measure KK housing bond funds in an amount not to exceed \$55 million. The authorization included funds for acquiring vacant and underutilized land to developers who propose to serve extremely-low to low-income households.

On February 9, 2018, RCD acquired the contiguous land at 3801-3807 Martin Luther King Jr. Way, with the use of Measure KK Site Acquisition Funds (\$3,175,000). The purchase extended from a vision to combine the parcels with the neighboring City Property to develop a long-term affordable housing project.

On May 11, 2018, HCD staff released a Request for Proposals ("RFP"): A Notice of Development Opportunity, seeking qualified respondents to plan, design, & construct, market, sell, and/or operate an affordable housing project at 3823-3829 Martin Luther King Jr. Way. In response to the RFP, RCD presented the strongest proposal for development, illustrating an efficient use of all four parcels to build the most affordable units while eliminating blight.

On December 11, 2018, the Oakland City Council approved [Resolution No. 87483 C.M.S.](#), a resolution setting forth Oakland's public lands policy framework which prioritizes the use of City property to address its housing and shelter inequities and allow for zero-cost and discounted conveyances for projects that provide a benefit to the public including housing primarily for low-income and low-asset residents. The City Property at 3823-3829 Martin Luther King Jr. Way was among the City's public lands portfolio designated for below market rate housing.

In addition, on December 11, 2018, the Oakland City Council approved [Resolution No. 87468 C.M.S.](#), authorizing the City of Oakland to enter an Exclusive Negotiating Agreement ("ENA") with RCD or its affiliate. The ENA became effective July 30, 2019, and set the framework for a period of environmental review and exclusive negotiations for potentially entering into a Lease

Attachment A

Disposition and Development Agreement (“LDDA”) or a Disposition and Development Agreement (“DDA”). The ENA was then extended to December 12, 2022, pursuant to City Council [Resolution No. 88435 C.M.S.](#), adopted December 15, 2020.

On August 9, 2019, City HCD staff released a Notice of Funding Availability (“NOFA”) for fiscal year 2019-2020. The NOFA was provided for the new construction of affordable rental, homeownership, and PSH projects. It was intended to partially fill the gap between development costs and financing from other public and private sources. It also sought the creation of new affordable rental and ownership units, projects targeting people experiencing homelessness, those in need of PSH, and projects closer to the start of construction with the aid of additional funds from the City.

On September 11, 2019, the City of Oakland’s Planning Bureau approved land use zoning entitlements, including the necessary clearance under the California Environmental Quality Act (“CEQA”) for the 77-unit project.

Pursuant to Oakland City Council [Resolution No. 87994 C.M.S.](#), approved on January 21, 2020, RCD received a \$4,264,000 NOFA funding award in response to their NOFA submittal for extremely-low to low-income housing across 3801-3807 and 3823-3829 Martin Luther King Jr. Way.

On July 12, 2021, the City executed a Standard Voluntary Agreement with the State of California Environmental Protection Agency – Department of Toxic Substances Control (“DTSC”), regarding the characterization of site contamination on City owned property at 3823-3829 Martin Luther King Jr. Way. The agreement allowed the City and RCD to implement site characterization investigations, to investigate and evaluate a potential release of a hazardous substance, and to initiate discussions around a clean-up determination on the property under the purview of DTSC. The investigations found ground water and lead impacted soil contamination.

RCD has successfully worked with the State Department of Toxic Substances Control (“DTSC”) to develop a Removal Action Workplan (“RAW”) to address remediation/mitigation of the site’s prior existing contamination. The RAW was approved by DTSC as of July 6, 2022.

Per Oakland City Council [Resolution No. 89241 C.M.S.](#), the Project was awarded an additional \$7,000,000 under the City New Construction NOFA (issued November 16, 2021), approved as of June 7, 2022. Thus, elevating the project’s total City funding commitment to \$11,264,000, and with the 2017 site acquisition loan, a total loan commitment of \$14,439,000.

On September 20, 2022, the Oakland City Council approved [Resolution No. 89392 C.M.S.](#), a resolution providing a no fee license agreement between the City and RCD, or affiliated entities, for the temporary license of the City Property for predevelopment activities.

Also on September 20, 2022, the Oakland City Council approved [Resolution No. 89393 C.M.S.](#), a resolution authorizing an unsecured predevelopment loan in the amount not to exceed \$2,000,000 to RCD, or affiliated entities, to support predevelopment work, including site maintenance and security associated with development of the Longfellow Corner project. Based on the environmental testing results and the severity of any environmental issues, the Oakland City Council approved [Ordinance No. 13721 C.M.S.](#), authorizing staff to enter into a

Attachment A

DDA with RCD and its affiliate for the conveyance of city land and development of the project (January 17, 2023).

Per Oakland City Council [Resolution No. 89646 C.M.S.](#), Longfellow Corner was awarded an additional \$4,800,000 under the City New Construction NOFA (issued January 31, 2023), approved as of March 21, 2023. Thus, further increasing the project's total City funding commitment to \$16,064,000, and with the 2017 site acquisition loan, a total loan commitment of \$19,239,000.

Effective July 31, 2023, the City and RCD entered into that certain Disposition and Development Agreement recorded in the Official Records of Alameda County, California ("Official Records") on April 9, 2024, as Instrument No. 2024046462 (the "Original DDA"). Subject to the DDA, and on April 9, 2024, the City property was sold to RCD and its affiliate. On May 2, 2024, the land was subsequently merged with RCD's neighboring property to create one parcel.

On November 8, 2023, the Developer secured 100% of its funding commitments, with a final commitment from the California Tax Credit Allocation Committee for state and federal affordable housing tax credits.

All construction lender financing closed escrow on May 16, 2024, a City of Oakland Notice to Proceed with construction activity was issued by staff on May 17, 2024, and construction activities are now underway. The project is targeted for completion by the spring of 2026.