



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, Housing and
Community Development

SUBJECT: United Together Manor Loan
Modification and Extension

DATE: May 17, 2021

City Administrator Approval

Date Jun 3, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Oakland Redevelopment Agency Resolutions No. 89-87 C.M.S., And Resolution No. 93.29 C.M.S., To Authorize The City Administrator To Modify The Loans To United Together, Inc., For The United Together Manor Project By: (1) Extending The Maturity Date From January 2025 To January 2054; And (2) Reducing The Interest Rate From Six Percent Per Annum To Three Percent Per Annum, And Adopting Appropriate California Environmental Quality Act (CEQA) Findings.

EXECUTIVE SUMMARY

Staff recommends that the City Council adopt a resolution to authorize the amendment and extension of the existing affordable housing loan to United Together Manor, an eighteen (18) unit very low-income project located at 9410 MacArthur Boulevard (Council District 7) to ensure its long-term affordability and financial viability.

BACKGROUND/LEGISLATIVE HISTORY

United Together Manor, an 18-unit affordable housing project was acquired in 1989 by United Together Inc, an organization formed by The Baptist Pastors and Ministers of Oakland. United Together Inc. was established for the sole purpose of acquiring and renovating the Suncrest Motel to provide transitional housing for very low-income households.

On September 26, 1989, the former Oakland Redevelopment Agency adopted Resolution No. 89-87 C.M.S. to approve a loan in the amount of \$738,660 to United Together for the partial funding of the acquisition and rehabilitation of the property.

In January 1990, United Together obtained a \$450,000 construction note from Herzer Financial Services. The interest rate on the construction note was 11.75 percent per annum.

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June 15, 2021

On October 16, 1990, the Oakland Redevelopment Agency adopted Resolution No. 90-93 C.M.S. to authorize a construction loan in the amount of \$122,000 to United Together for necessary code compliance related construction at the project.

On May 18, 1993, the Oakland Redevelopment Agency adopted Resolution No. 93-29 C.M.S. authorizing a new loan for the project to purchase the Herzer Financial Services loan and assist with the completion of the rehabilitation of the property.

United Together also received a loan from Union Bank in the amount of \$150,000 which was paid in full in December 2019. United Together received a residual receipts loan for \$58,000 from Alameda County that was due in September 2016, however they received an extension and plan to pay it off prior to 2025.

On January 26, 1995, United Together entered into an Amended and Restated Loan Agreement with the Oakland Redevelopment Agency in the amount of \$1,506,500 to consolidate all previous loans from the Oakland Redevelopment Agency with an interest rate of six percent (6%) per annum and a term ending January 26, 2025.

ANALYSIS AND POLICY ALTERNATIVES

Twenty-six years after United Together acquired the property and as the maturity date of the loan is approaching, it is in the best interest of the very low-income residents to ensure the long-term affordability and financial viability of the property through the modification of the project's loan with the City of Oakland. Over the years, United Together has conducted routine and deferred maintenance such as roof replacement, window repairs, security camera and monitoring upgrades, installation of new fire alarm system and retaining wall. The project has also been funded with Shelter Plus Care (S+C) rental subsidies since 1995. S+C is a program administered by the U.S. Department of Housing and Urban Development (HUD) that provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS), and related diseases.

United Together Manor currently houses fourteen (14) households subsidized by S+C, one (1) unit subsidized by the Housing Choice Voucher (Section 8) program, two (2) units rented to households earning below 50 percent of the area median income, and one (1) resident manager.

Modifying the existing loan terms by reducing the interest rate and extending the term will stabilize the building operations by ensuring that the property does not need to seek out a conventional and higher priced loan to repay the City loan and at the same time extends the term of affordability. This modification will advance the City Council's goal of supporting social and economic equity for all Oakland residents.

FISCAL IMPACT

The fiscal impact to the City of the loan modification of United Together Manor is minimal. In 1995, the City executed an Amended and Restated Loan Agreement with United Together Inc, in the amount of \$1,506,500. Extending the loan term by twenty-nine (29) years and reducing the interest rate from six percent (6%) to three percent (3%) per annum would create \$352,982 in interest savings that will assist United Together in stabilizing the property and continuing to provide supportive housing to very low-income residents.

The developer is not seeking additional rehabilitation funds from the City with this request.

PUBLIC OUTREACH / INTEREST

United Together Inc. has owned of the property since 1989 and has excellent relationships with its neighbors.

COORDINATION

City Housing and Community Development staff, in addition to the City Attorney's Office and Budget Bureau have collaborated to prepare this report and legislation.

PAST PERFORMANCE, EVALUATION and FOLLOW-UP

Prior to the COVID-19 pandemic, City staff regularly visited the United Together Manor to monitor the property and will resume in-person visits when it is safe for staff and residents. Staff assessed the physical quality of the units and common areas and performed a financial analysis to ensure the long-term financial health of the property. City monitoring will continue through the length of the 59-year term of the Regulatory Agreement.

SUSTAINABLE OPPORTUNITIES

Economic: Extending the loan term and amending the interest rate of the current loan will improve the financial strength of United Together Manor as well as increase the likelihood of residual receipts loan payments to the City in the future. Providing families and individuals with affordable housing helps provide financial stability for low- and very low-income households which could free some household income to be spent on other goods and services.

Environmental: United Together is committed to reducing environmental impacts in regular maintenance and repairs such as replacement of incandescent lighting with LED fixtures, and installation of low-flow devices in kitchens and bathrooms. Modifying the loan will allow this work to continue.

Race and Equity: United Together is a minority-owned business. The Project is located in Council District 7 and currently houses 16 African American and Latinx households

(approximately 89 percent of total households). Modifying the loan will stabilize the Project so that United Together can continue to serve the most vulnerable populations.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The recommended actions are exempt from CEQA under the following, provisions of the CEQA Guidelines, each as a separate and independent basis: Section 15378 (regulatory actions), Section 15061 (b)(3) (no significant environmental impact), and Section 15183 (actions consistent with the general plan and zoning).

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution amending Oakland Redevelopment Agency Resolutions No. 89-87 C.M.S., and Resolution No. 93.29 C.M.S., to authorize the City Administrator to modify the loans to United Together, Inc., for the United Together Manor project by: (1) extending the maturity date from January 2025 to January 2054; and (2) reducing the interest rate from six percent per annum to three percent per annum, and adopting appropriate California Environmental Quality Act (CEQA) findings.

For questions regarding this report, please contact Vanessa Kennedy at 510.238.6177 or Christia Mulvey at 510.238.3623.

Respectfully submitted,



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