



CITY OF OAKLAND

AGENDA REPORT

TO: Elizabeth Lake
Acting City Administrator

FROM: Emily Weinstein
Director, Housing and
Community Development

SUBJECT: Sale of 319 Chester Street

DATE: June 1, 2026

City Administrator Approval


[Betsy Lake \(Jun 10, 2026 15:18:57 PDT\)](#)

Date: Jun 10, 2026

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Amending Ordinance No. 13104 C.M.S. Which Authorized The Sale Of A City-Owned Parcel At 319 Chester Street To The Alliance For West Oakland Development, Authorized Seller Financing For The Purchase Price, Authorized A Construction Loan, And Authorized A Disposition And Development Agreement With The Developer To Develop The Parcel With A Two-Family Home For-Sale, To:

- (1) Convert The Project Into An Affordable Rental Project, And**
- (2) Consolidate The City Purchase and Construction Loans Into A Long Term Affordable Rental Loan.**

EXECUTIVE SUMMARY

Staff recommends amending [Ordinance No. 13104 C.M.S.](#) to allow the 319 Chester Street development on City of Oakland (City) land to move forward as a development of a two-unit affordable rental project. The City previously provided seller financing in the amount of \$94,000 and a \$400,000 construction loan in 2011 to support development of a two-unit homeownership project by the Alliance for West Oakland Development (AWOD). However, due to cost overruns and organizational disruptions, including the passing of AWOD's founder, Bruce Cox; the project halted in 2012 before construction could begin. Following the project's suspension, AWOD lacked the capacity to advance development efforts for nearly a decade, resulting in prolonged delays. During this period, the organization did not have the internal expertise or a dedicated development team needed to move the project forward.

During the most recent ACAH program guidelines update, the capacity requirements for development partners was increased. As a result, AWOD was required to procure an experienced development consultant to guide the project. In response, AWOD engaged a qualified consultant to provide development expertise and strengthen the organization's capacity to meet ACAH program standards and advance the project towards construction. Since

CED Committee
June 23, 2026

then, the organization has reassembled a development team with the capacity to complete the project, supported by ongoing technical assistance from the HAF.

In recent conversations with the City, AWOD demonstrated that the originally approved affordable homeownership model is no longer financially feasible due to increased rehabilitation costs, limited subsidy availability, and the small scale of the project. Transitioning to an affordable rental model provides a financially viable path forward. The proposed actions will allow the project to begin construction and deliver long-awaited housing affordable to households earning 80% area median income (AMI) or below.

The proposed amended ordinance would authorize converting the homeownership project to an affordable rental development, restructuring the City's existing loans into long-term residual receipts loans consistent with standard affordable housing practice, and increasing the City's permanent loan by \$1,000,000 for a total loan amount of \$1,494,000.

To further mitigate long-term operating and compliance risk, AWOD has committed to securing strong property management capacity. This will likely be provided through a mission-aligned third-party property management company. If needed, AWOD can also rely on its own internal management team, following formal training and industry certifications. These measures will together ensure quality operations, regulatory compliance, and long-term asset stewardship for the duration of the affordability term.

BACKGROUND / LEGISLATIVE HISTORY

Oakland's ACAH Program and HAF Partnership

The Acquisition and Conversion to Affordable Housing (ACAH) program has been a key part of the City's affordable housing preservation and anti-displacement efforts. The program focuses on preventing displacement in neighborhoods experiencing gentrification by enabling timely acquisition of at-risk properties. Through ACAH, the City leverages public funds to stabilize communities and expand the supply of permanently affordable homes. Since 2011, the City expanded the ACAH program through allocations of Measure KK and Measure U bonds.

The City established a formal partnership with the HAF via [Resolution No. 90308 C.M.S.](#) Through this resolution, the Council authorized a \$10 million loan to HAF to create a flexible revolving fund that supports acquisition and rehabilitation financing in the form of short-term bridge loans for ACAH projects. HAF, a non-profit community development financial institution, leverages City funds with private and philanthropic capital to move more quickly than City processes typically allow and accelerates affordable housing preservation. The Resolution also authorized the City to commit up to \$30 million in Measure U permanent financing to repay HAF's short term bridge loans, enabling HAF's bridge loan fund to revolve and support additional projects.

In December 2025, the ACAH Notice of Funding Availability (NOFA) opened to receive rolling applications. The City subsequently awarded \$8.3 million to two (2) projects, which closed on

acquisition financing in early 2026. Another \$11 million in loan commitments are currently under consideration with awards expected in late summer.

319 Chester Street

In 2011, the City Council adopted **Ordinance No. 13104 C.M.S.**, which authorized the sale of the City-owned parcel at 319 Chester Street to AWOD for the appraised fair market value of \$94,000, provided seller financing for the purchase price, approved a \$400,000 construction loan, and authorized a Disposition and Development Agreement (DDA) for construction and sale of a two-unit homeownership project. The Council also approved related zoning actions to facilitate residential development at the site.

The 2011 City Council action was intended to remove blight on a vacant lot and support AWOD's local construction skills training program. Initial work proceeded but the project later stalled due to rising construction costs, insufficient project capital, and organizational transitions within AWOD following the passing of its founder, Bruce Cox, who had served as the primary driver of the program's training and development activities. As a result, the site has remained undeveloped under AWOD's ownership for more than a decade. AWOD was unable to resume development of the site due to a lack of organizational capacity.

In early 2026, AWOD returned with a revised project concept which includes converting the development to an affordable rental property. This revised proposal would also include new partners, including HAF as a lending partner and as an experienced development consultant. Completing the project now requires updated financing terms and increased funding to address the 80% increase in California construction costs between 2011 and 2026. The additional \$1,000,000 in financing is necessary to complete the rental project including installation of drywall, flooring replacement, kitchen cabinet and countertop installation, bathroom fixture and tile installation, and exterior painting.

ANALYSIS AND POLICY ALTERNATIVES

The recommended amendments will allow the City and AWOD to complete a long-delayed property sale and development project that remained dormant for more than a decade. Converting the development to an affordable rental project aligns with the City's current housing goals and provides a feasible path forward given AWOD's organizational structure, available resources, and the site's location. Converting previous City financing into long-term residual receipts loans is consistent with the City's standard approach for affordable rental housing and ensures repayment obligations are aligned with project cash flow.

The proposed project financing consists of three City loans. First, the City provided a \$94,000 loan to enable the purchase of a City-owned parcel. Second, the City issued a \$400,000 construction loan to support development of the project. Both loans originated in 2014 and carry a zero-percent interest rate. These loans are due upon the sale of the developed units or within 18 months of the start of construction, whichever comes first. This resolution revises the original terms of these two loans as they will be added to a third loan, the new \$1,000,000 loan, and

thus not repaid per the original terms. The new total loan of \$1,494,000 will be repaid on a residual receipt basis on a 55-year term; 3% interest shall accrue.

High Construction Costs and Lack of Staff Expertise to Apply for Mortgage Subsidies Make Homeownership Option Less Feasible: Homeownership option is less feasible than rental for this project primarily due to two factors (1) the cost per unit is disproportionately high because the two-unit project size offers no economies of scale, and (2) the lack of staff expertise to apply for mortgage subsidies to qualify low-income buyers earning 80% AMI or below make homeownership option less feasible at this time. These constraints make it financially impractical to deliver long-term affordability under a homeownership model. Transitioning to an affordable rental model provides a more viable path forward and supports the project moving into construction.

Rental Project Readiness and Urgency: Concurrently, the developer is ready to proceed with the project as rental housing. They have secured a general contractor, completed a full development budget, engaged an experienced development consultant, and are ready to pull building permits.

New ACAH Partnership with HAF Adds Expertise to Development Team: AWOD's new project team includes the HAF, which will provide financial technical assistance, a development consultant who will function as a project manager, and a construction monitor consultant and experienced general contractor to ensure the project's successful completion. This combination of partners strengthens AWOD's capacity to deliver the project. Restarting the property disposition process would require a new project team to step forward, and it would likely prove difficult for an alternative developer to assemble a comparatively strong team.

Staff analyzed two potential courses of action which we do not recommend as summarized in **Table 1** below:

Table 1

Alternative #1	Proceed with Homeownership Project
Pros	Original development plan
Cons	(1) Increased costs for insurance due to potential lawsuits on 10-year construction defects liability. (2) Resale risk: inability to find homeowners who qualify at 80% AMI and below and able to get a new mortgage loan to pay off existing mortgage loan plus closing costs given unpredictable interest rate outlook.
Reason for not recommending	High liability and insurance costs, combined with uncertainty in finding qualified 80% AMI homebuyers able to secure financing.

Alternative #2	Terminate the DDA and Reclaim the Property
Pros	Allows the City to reset and consider new development options
Cons	(1) Increased costs (2) Require significant additional staff and legal resources, and further delay redevelopment.

Reason for not recommending	This approach would forgo the opportunity to advance an affordable rental project supported by strong development partners and would result in an indefinite delay in redeveloping the site while the City seeks to identify a new project team.
------------------------------------	--

RELATED PLANNING EFFORTS

[HCD 2023-2027 Capital Investment Strategic Action Plan](#)

This report communicates how the department directly implements the priorities outlined in Oakland HCD's 2023-2027 Strategic Action Plan for capital investment. The SAP identifies the development of permanent supportive housing and other homeless exits as a top priority for capital dollars, followed by other affordable housing development and preservation activities. The development of 619 Chester St as an ACAH project expands the supply of affordable rental housing and advances the anti-displacement objectives of the HCD Strategic Action Plan.

[Oakland's General Plan](#)

Oakland HCD's permanent housing development work directly advances the goals set forth in the General Plan's [2023-2031 Housing Element](#). The Housing Element sets forth the City's housing priorities and goals—as well as its vision for both short- and long-term development—to create a fair and just city. The actions proposed by this Housing Element cover a wide range of housing issues but are largely focused on addressing two major issues: the City's shortfall of housing production and affirmatively undoing past patterns of exclusivity. Per the Regional Housing Needs Allocation (RHNA), Oakland has been tasked with developing 26,251 new units of housing by 2031 of which 10,261 must be affordable to residents earning up to 80% AMI. Oakland HCD's development activity focuses exclusively on affordable housing production.

FISCAL IMPACT

The proposed action will increase the existing City construction loan for the 319 Chester Street project by \$1,000,000, for a total development loan amount of \$1,494,000.

The additional \$1,000,000 will be funded from Measure U (Fund 5343) resources allocated to the ACAH program. Sufficient ACAH Measure U funds are available for this purpose in Measure U project (1007806) and will be transferred to Alliance WO Dev project (1000389) as these funds were set aside by [Resolution No. 90308](#).

The increased loan amount is a one-time expenditure. Any future impacts related to loan monitoring and compliance will be absorbed within existing staff resources. The long-term loan will be structured as a residual receipts loan, consistent with standard City affordable housing financing practices.

PUBLIC OUTREACH / INTEREST

Public outreach was not conducted beyond the standard noticing of this item.

COORDINATION

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

RACE AND EQUITY

Resolution No. 90308 C.M.S. finds that ACAH investments funded by Measure U “address social and geographic equity and provide greater benefit to underserved populations and geographic areas of greatest need” by expanding long-term affordable housing throughout Oakland.

The ACAH program aligns with these goals by preventing displacement, improving housing quality in older buildings, and preserving affordability in neighborhoods experiencing rapid market pressures.

A Draft Racial Equity Impact Analysis (REIA) for the ACAH program is currently in progress. Early findings identify long-standing racial disparities experienced by Black, Latinx, and other communities of color in Oakland in housing stability, rent burden, displacement, and housing quality impacting.

Since the REIA has not yet been completed, staff will continue to analyze racial equity impacts throughout implementation. Going forward, staff will track key indicators such as displacement risk, project geography, affordability levels, and participation of community-based and mission-driven developers.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt An Ordinance Amending Ordinance No. 13104 C.M.S. Which Authorized The Sale Of A City-Owned Parcel At 319 Chester Street To The Alliance For West Oakland Development, Authorized Seller Financing For The Purchase Price, Authorized A Construction Loan, And Authorized A Disposition And Development Agreement With The Developer To Develop The Parcel With A Two-Family Home For-Sale, To:

- (1) Convert The Project Into An Affordable Rental Project, And
- (2) Consolidate The City Purchase and Construction Loans Into A Long Term Affordable Rental Loan.

For questions regarding this report, please contact Trisha R. Gonzalez, Housing Development Coordinator II, at tgonzalez@oaklandca.gov.

Respectfully submitted,



[Emily Weinstein \(Jun 8, 2026 11:32:03 PDT\)](#)

Emily Weinstein
Director, Housing & Community Development

Reviewed by:

Fay Darmawi, Deputy Director

Chris Norman, Chief of Staff

Prepared by:

Trisha R. Gonzalez, Housing and Community
Development