



Opening the  
Door to  
Opportunity



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Authority**

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# Portfolio Bundling Redevelopment Plan Increasing Density and Controlling Costs

Oakland Housing Authority  
MTW Conference  
May 2, 2018





# Oakland Housing Authority

## Mission:

*To assure the availability of quality housing for low-income persons and to promote the civic involvement and economic self-sufficiency of residents and to further the expansion of affordable housing within Oakland*



- Total operating budget of approximately \$971 million in Fiscal Year ending June 30, 2018



- OHA owns or provides rental assistance for nearly 16,000 households in Oakland, and Project Based Rental Assistance to over 41,000 households in Northern California

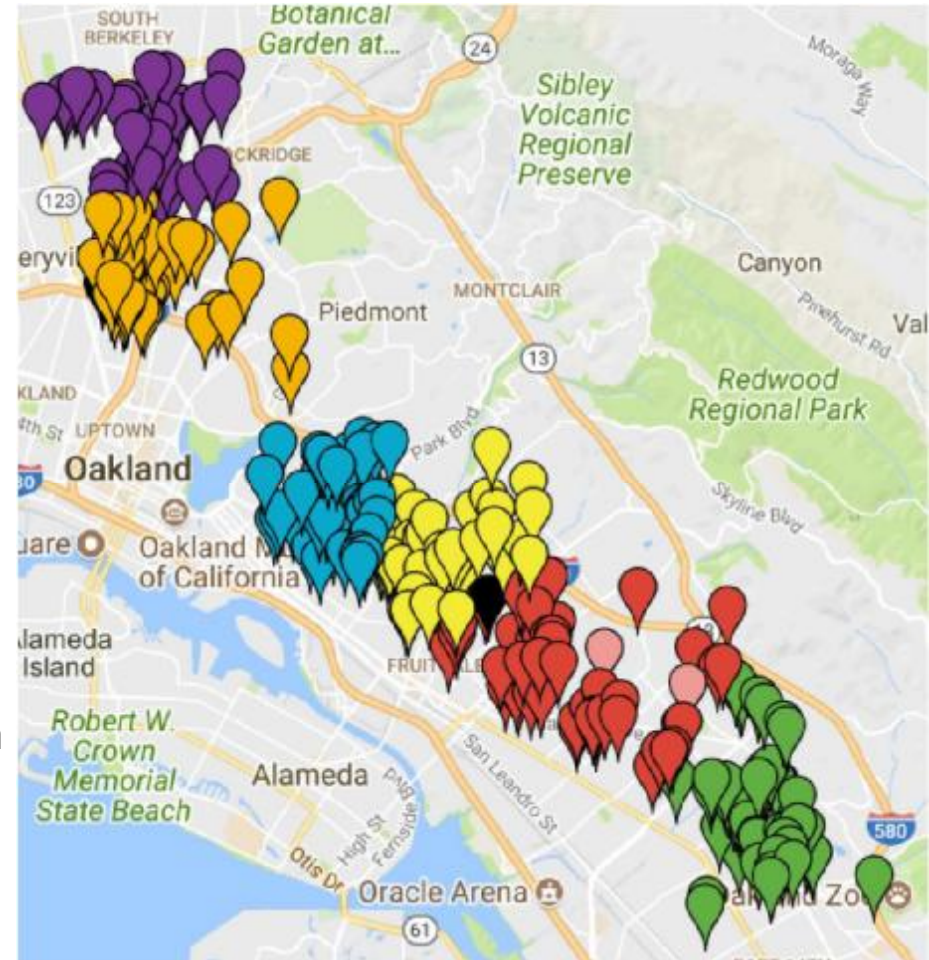


- Budgeted staff of over 370 in six major divisions including Leased Housing, Family & Community Partnerships, Property Operations, Leased Housing, Real Estate Development and Police Services

# Redevelopment Plan

## The OHAPI Project Based Section 8 Portfolio

- ü Oakland Affordable Housing Preservation Initiatives (OHAPI) is a 501(c)3 Affordable Housing Provider established by OHA in 2010 as part of a Section 18 Disposition
- ü 1,615 public housing units on 254 sites throughout the City of Oakland.
- ü Primarily smaller two- or three-story buildings
- ü The average unit size is 6 units per property
- ü There are several larger sites that can accommodate new development and increased density



# Redevelopment Plan

## About OHAPI

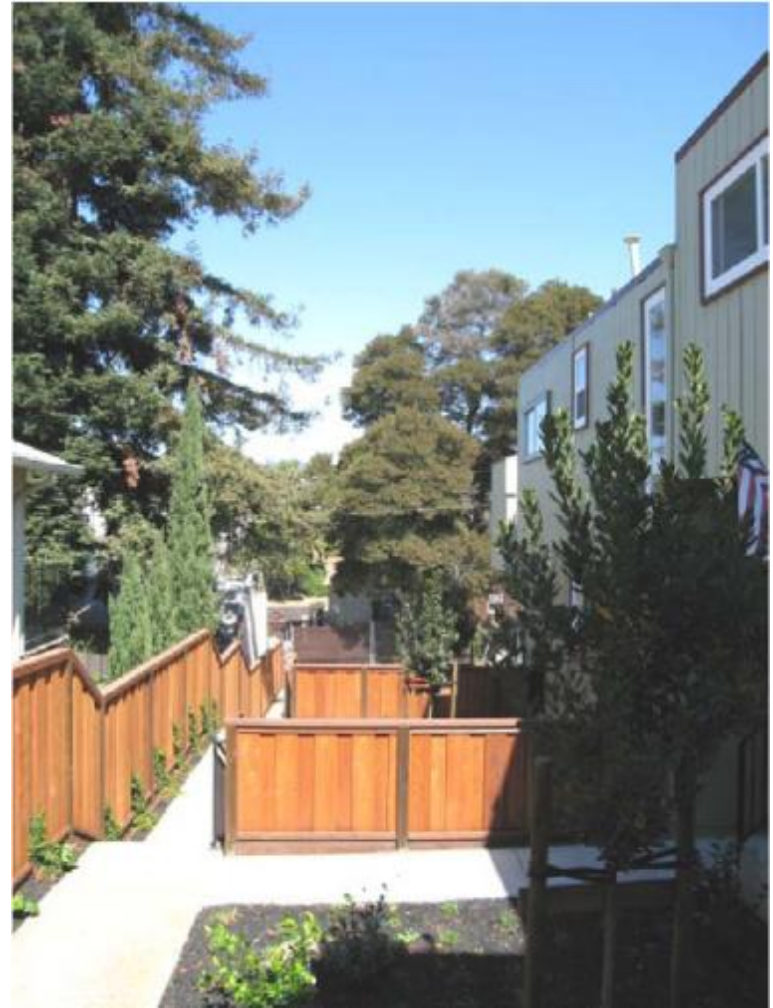
- ü Units were in deteriorated condition, and the first effort was to stabilize the portfolio and move units onto the Section 8 program
- ü Unit upgrades were performed and units have all passed HQS
- ü However the portfolio remains in need of deep capital improvements to many existing properties, and complete redevelopment of other properties



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BEFORE



AFTER





BEFORE





AFTER



BEFORE



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AFTER



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# Redevelopment Plan

## Development Context

Long one of the most expensive housing markets in the country, the recent economic boom has created extreme housing shortage and affordability issues.

As of 2017 in Alameda County:

- ü Median 2BR rent is \$2,593 and up 29% from 2000
- ü Affordable housing shortfall of 60,000 units
- ü Overall vacancy rate of 1%
- ü Severely rent-burdened households (rental costs >50% of income) at 70% for ELI, 35% for VLI
- ü Approximately 5,700 homeless individuals, half of whom are in Oakland

*Sources: California Housing Partnership Corporation, Everyone Home*



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# Redevelopment Plan

## Project Challenges

Housing crunch and boom economy has led to significant development challenges:

- ü Cost of development for multifamily housing typically in excess of \$700K/unit
  - ü Extremely high land costs, with little land available
  - ü Competition for labor among general contractors and A&E professionals has led to high direct costs
- ü Timeline for development hindered by NEPA, CEQA, and local land use approval process
- ü Local and State soft funds available, but scarce relative to need; 9% tax credits extremely scarce



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# Redevelopment Plan

## Proposed Project Goals

Utilize existing portfolio and MTW resources to produce new housing units, including permanent supportive housing for homeless individuals, in shortest possible time

- ü Produce 300 additional units of supportive housing and 500 total affordable units within five years (or so)
- ü Minimize use of local/state soft funds and OHA resources as gap financing
- ü Minimize use of additional PBVs or HCVs to protect resources for other developments
- ü Partner with City, County, and private sector stakeholders to provide appropriate services for target population



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# Redevelopment Plan

## MTW Activities Used

- ü Allow for allocation of PBV subsidy to developments owned directly or indirectly by OHA without a competitive process
- ü Utilize single-fund flexibility to leverage funds to preserve and create affordable housing in Oakland
- ü Eliminate the cap on the total number of units the Authority can project-base and the number of units that can be project-based in a single development



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## MTW Activities Used

- ü Modify the occupancy standards in the PBV program to be consistent with other funding programs (e.g. LIHTC)
- ü Modify PBV program rules to allow HAP contracts to be executed for non-contiguous buildings
- ü Establish Local Housing Assistance Program to provide shallow subsidy and further housing security for formerly homeless households



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# Redevelopment Plan

## Proposed Strategy

Leverage assets in existing portfolio to support development of additional units, adding in supportive housing at manageable scale

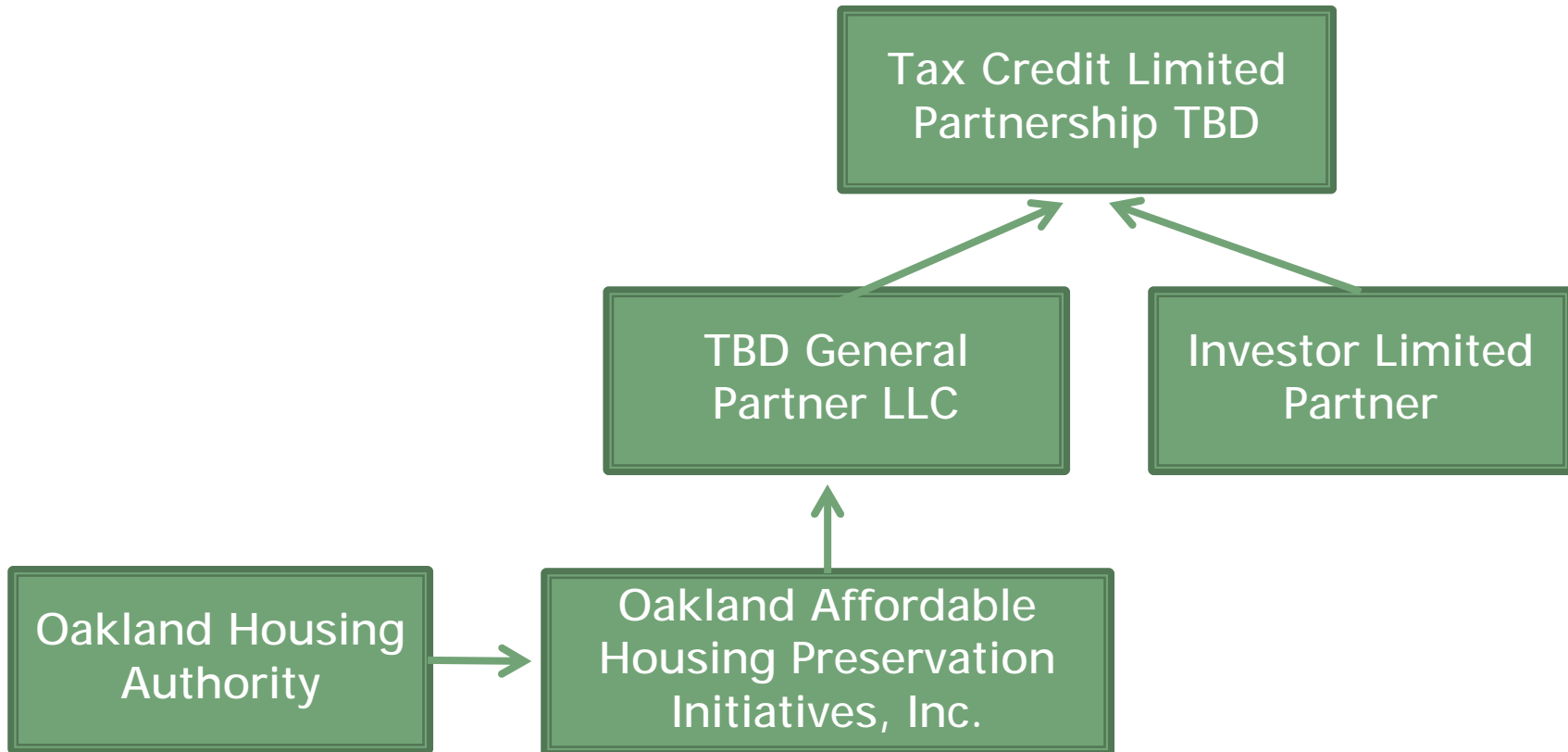
- ü Combine multiple smaller sites to execute larger LIHTC transactions
- ü Identify sites with potential for high density housing as candidates for teardown and redevelopment
- ü Augment teardowns with light rehab of smaller sites to generate acquisition basis and leverage additional debt
- ü Utilize “shallow subsidy” on some units to provide housing security for tenants while limiting contract rents (i.e. 50% AMI LIHTC rents) to preserve PBV resources



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# Redevelopment Plan

## Proposed Organizational Structure



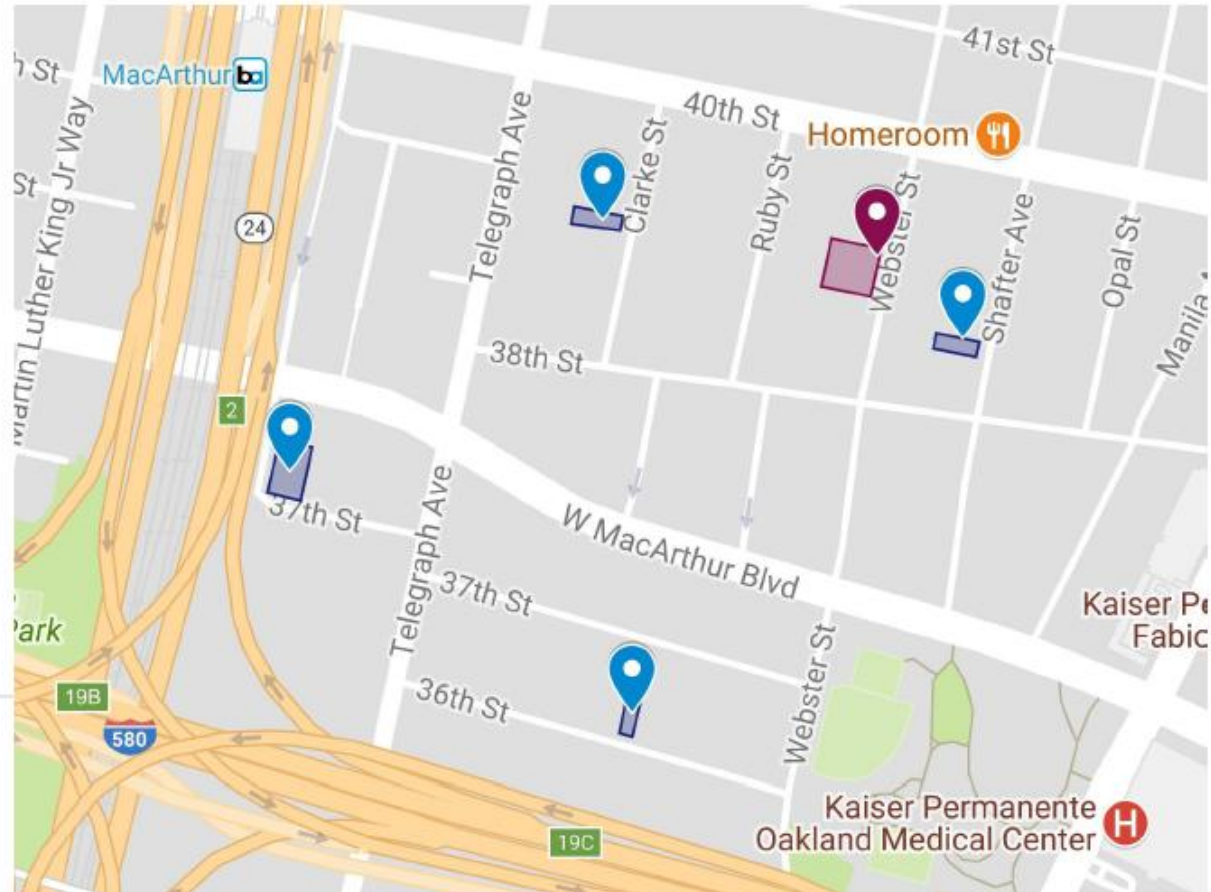
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# Redevelopment Plan

## Sample Project

### Project List

- 📍 3901 Webster St – 14 units
- 🏠 3901 Webster
- 📍 554 37th St – 9 units
- 🏠 554 37th
- 📍 454 36th St – 4 units
- 🏠 454 36th
- 📍 3839 Clarke St – 5 units
- 🏠 3839 Clarke
- 📍 3855 Shafter Ave – 4 units
- 🏠 3855 Shafter



# Redevelopment Plan

## Program Details

|                            |    |
|----------------------------|----|
| Existing Units             | 36 |
| Added Units                | 22 |
| Resulting Total Units      | 58 |
|                            |    |
| New Construction Units     | 36 |
| Rehabbed Units             | 22 |
| Permanent Supportive Units | 12 |
|                            |    |
| Added PBVs (25% Increase)  | 9  |
| Added LHAP Vouchers        | 12 |



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# Redevelopment Plan

## Financing Details

| SOURCES           |                     | USES            |                     |
|-------------------|---------------------|-----------------|---------------------|
| First Mortgage    | \$8,965,000         | Acquisition*    | \$13,635,000        |
| MTW Gap Loan      | \$4,350,000         | Hard Costs      | \$18,400,000        |
| Seller Carryback  | \$13,210,000        | Soft Costs      | \$7,105,000         |
| Deferred Dev. Fee | \$4,155,000         | Developer Fee** | \$5,155,000         |
| LIHTC Equity      | \$14,215,000        | Reserves        | \$600,000           |
| <b>TOTAL</b>      | <b>\$44,895,000</b> | <b>TOTAL</b>    | <b>\$44,895,000</b> |

*\*Includes appraised value of properties recontributed via seller loan*

*\*\*Net developer fee of \$1,000,000*



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# Redevelopment Plan

## Benefits of Including Rehabbed Buildings

|   |               |
|---|---------------|
| Added LIHTC Equity From Acquisition Value | \$4,460,000   |
| Added LIHTC Equity From Rehab Work        | \$1,125,000   |
| Additional Perm Debt                      | \$5,845,000   |
| (less) Additional Project Costs           | <\$4,130,000> |
| Total Net Benefit                         | \$7,300,000   |



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# Redevelopment Plan

## Comparison of Scenarios

|                               | With Rehabs | Without Rehabs |
|-------------------------------|-------------|----------------|
| Total Gap Financing Needed    | \$4,350,000 | \$11,650,000   |
| Total Gap Less Rehab Costs    | \$2,350,000 | \$11,650,000   |
| Gap Per Added Unit            | \$151,000   | \$482,000      |
| Gap Per New Construction Unit | \$92,000    | \$295,000      |



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# Redevelopment Plan

## Comparison of Scenarios – Net Cash Position

|                          | With Rehabs                | Without Rehabs              |
|--------------------------|----------------------------|-----------------------------|
| Gap Loan Amount          | <\$4,350,000>              | <\$11,650,000>              |
| (less) Rehab Funded      | \$2,000,000                | \$0                         |
| (less) Net Developer Fee | \$1,000,000                | \$1,000,000                 |
| <b>NET CASH POSITION</b> | <b>&lt;\$1,350,000&gt;</b> | <b>&lt;\$10,650,000&gt;</b> |



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# OAHPI Portfolio Bundling Plan

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Thanks!

