



ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

Sandra Rivera
Agency Director

Agenda Item _____ February 6, 2024

January 23, 2024

224 West Winton Ave
Room 110
Hayward, California
94544-1215

Honorable Board of Supervisors
Administration Building
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Oakland, California 94612

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Dear Board Members:

SUBJECT: APPROVE GROUND LEASE AND PROCUREMENT CONTRACT NO. 26250 WITH 8350 EDES LLC FOR THE OAKDAYS HOMEKEY AFFORDABLE PERMANENT SUPPORTIVE HOUSING PROJECT IN OAKLAND

www.acgov.org/cda

RECOMMENDATIONS:

- A. Approve the execution of the Ground Lease with 8350 Edes LLC for OakDays located at 8350 Edes Avenue, Oakland for a term of twenty years, with an annual rental amount of \$1, and transfer of ownership of the existing building improvements, subject to Edes' (1) rehabilitation of said existing building improvements to affordable permanent supportive housing; (2) maintenance and repair of building improvements to U.S. Housing and Urban Development Housing Quality Standards, (3) provision of supporting housing services to tenants funded by the County, (4) exclusive subletting of units to County Coordinated Entry referral tenants, and (5) utilization of best efforts to identify external sources of funding for operations, with any shortfalls paid for by the County ("Ground Lease");
- B. Approve Procurement Contract No. 26250 with 8350 Edes LLC (Principal: Steve Good; Location: San Francisco), a nonprofit, to develop and rehabilitate OakDays into an affordable permanent supportive housing project located in the City of Oakland, for the retroactive term of 10/31/23 – 12/31/26, with Measure A1 Bond affordable rental housing development loan funds and Metropolitan Transportation Commission funds in the amount of \$16,500,000;
- C. Delegate authority to the Community Development Agency Director, or her designee, to execute Procurement Contract No. 26250 with 8350 Edes LLC., subject to review and approval as to form by County Counsel, and submit a copy of the executed contract to the Clerk of the Board for filing;
- D. Authorize the Community Development Agency Director, or her designee, to authorize payments under Procurement Contract No. 26250 in accordance with adopted policies to 8350 Edes LLC's escrow account in order to wire funds into escrow for loan closings and allow for the execution of escrow instructions and loan documents to aid in completing construction finance closing for the approved rental housing project.

- E. Delegate authority to the Community Development Agency Director, or her designee, to complete negotiations and execute the final Ground Lease with 8350 Edes LLC for OakDays and memorialize the transaction, after review and approval by County Counsel.

DISCUSSION/SUMMARY:

On November 17, 2020 (Item No. 15.1), your Board authorized the purchase of real property at 8350 Edes Avenue in Oakland, a former hotel known as the Days Hotel, with \$3 million of Measure A1 Acquisition funds and \$15.1 million of State of California Homekey Program funds. The cost of acquisition for this site was \$129,000 per unit. Now called OakDays, the property has 140 rooms and was converted to a non-congregate shelter when the County of Alameda (the County) purchased it in 2020. Five Keys Schools and Programs (Five Keys) has been operating the building and providing services for occupants since the County purchased it.

Administered by the State Department of Housing and Community Development (State HCD), the Homekey Program provides government entities funding to purchase and rehabilitate housing locations including hotels, motels, vacant apartment buildings, and other buildings; and convert them into interim or permanent long-term housing for homeless individuals or families. Under the Homekey Program, local entities partner with the State to offer housing to serve people experiencing homelessness or are also at risk of serious illness from COVID-19.

Under the Homekey Program agreement between the State of California and the County of Alameda (the County), the use of the building must be converted from interim housing to permanent housing. Once the building is converted, it will be restricted by the County for 55 years as permanent housing for households experiencing homelessness and whose incomes are at or below 30% of Area Median Income (AMI). The building needs to be renovated to address deferred maintenance and to include shared kitchens in order for it to operate as permanent housing.

Currently, OakDays is operated by Five Keys as a non-congregate shelter for un-housed people, many of whom qualify as medically frail. There is 24/7 nursing available along with other medical support. The medical services are offered by Cardea Health, a non-profit organization. In addition to operations, Five Keys provides supportive services, care coordination, housing navigation, transportation, site security, and meals.

Operations are currently funded using American Rescue Plan Act (ARPA) funds set aside by your Board for homelessness housing and services. The Office of Homeless Care and Coordination (OHCC) and Five Keys applied to the U.S. Department of Housing and Urban Development (HUD) for permanent subsidies for operating costs and were notified on January 29, 2024, that this project was awarded Continuum of Care funding. OHCC will also apply to other funders in the coming months for subsidy programs available for permanent supportive housing to support the project once rehabilitation is complete.

The total development budget (for construction and soft costs) is currently \$17.6 million; encompassing \$14.3 million in total construction costs and \$3.3 million in soft costs (partially

funded by the predevelopment loan). This budget includes a 20% soft cost contingency, a 20% hard cost contingency, and a 10% developer fee. The total construction budget amounts to approximately \$125,000 per unit. Combined with the acquisition cost of \$18.1 million, the project's total cost will be \$35.7 million, or \$255,000 per unit.

On August 9, 2022 (Item No. 64), your Board authorized Procurement Contract No. 24376 for \$1.12 million of predevelopment funding, which included \$120,000 for Five Keys to conduct a study to determine if the conversion to permanent housing and long-term operation was feasible. Five Keys completed the feasibility analysis, and based on the results, agreed to enter into the 20-year lease and operate the building for Homekey-eligible residents with ongoing financial support for housing operations and services for the formerly unhoused population. In addition to the predevelopment funding, the Procurement Contract under consideration by your Board will provide \$16.5 million amount to rehabilitate the building to convert it to permanent housing. Funds for rehabilitation include Measure A1 in the amount of \$14.5 million and Metropolitan Transportation Commission (MTC) in the amount of \$2 million. The MTC funds were allocated to the County for affordable housing projects from voter-approved bonds, and approval of MTC funding for this project is a separate action before your Board today. At the August 9, 2022 meeting (Item No. 64), your Board also approved the Community Development Agency (CDA) Director and the General Services Agency (GSA) Director to negotiate the terms of a Ground Lease and Development, Disposition, and Loan Agreement with Five Keys.

The Ground Lease has been negotiated between Five Keys, County Counsel, and County staff from CDA, GSA, and Health Care Services Agency (HCSA). Once executed, Five Keys will own the building and begin rehabilitation of the building.

Five Keys created 8350 Edes LLC, an entity they control, to execute the lease and loan documents. Holding real estate in a separate legal entity is commonly used to limit the liability of the organization and keep separate accounting of the property's financial information. In addition to the ground lease and loan documents in the name of the LLC, the predevelopment loan documents that were executed with Five Keys will also be assigned to the LLC.

The lease submitted for your approval today contains the following terms:

- The lease is effective for 20 years;
- The lease requires Five Keys to manage and complete rehabilitation as described above;
- The lease requires Five Keys to manage and maintain the property in good physical condition, in order to mitigate the risk of major damage and to provide decent, safe, and sanitary housing for residents;
- Operations and services for the residents at the property will be funded by the County;
- Residents for the units will be referred through the County's Coordinated Entry System (CES); and
- The lease allows both the County and Five Keys to terminate the agreement.

Five Keys has successfully submitted their development plans to the City of Oakland Building Department and expects to receive building permits in February 2024. Construction can begin soon after permits are received and is expected to take approximately 8 to 10 months to complete.

SELECTION CRITERIA AND PROCESS:

In coordination with the GSA, and HCSA, the Housing and Community Development Department (HCD) issued Request for Proposals (RFP) on March 12, 2021 and September 13, 2021 to select a developer to own, rehabilitate, and operate the building under the Homekey guidelines, with no viable submissions.

On January 11, 2022, your Board authorized staff to negotiate with Five Keys after a competitive process that resulted in no viable responses. On August 9, 2022 (Item No. 64), your Board approved predevelopment funding for the project. Five Keys is an established housing service provider. The Five Keys contract before your Board today is with a nonprofit Community-Based Organization (CBO) based in San Francisco that is providing services on the County's behalf, directly to the County clients/residents and is not subject to Small, Local and Emerging Business (SLEB) requirements. The project will meet the Measure A1 labor and workforce development requirements.


FINANCING:

Partial funding for this project comes from Department ID 260352 Measure A1 Innovations, Acquisition and Opportunity (\$8,500,000) and Department ID 260355 Measure A1 Homeowner Housing Development (\$6,000,000) and is included in CDA's approved FY 2023-2024 Budget. The remaining (\$2,000,000) will come from the MTC funds which is concurrently recommended for your Board's approval on today's agenda. There is no Net County Cost as a result of this action.

VISION 2026 GOAL:

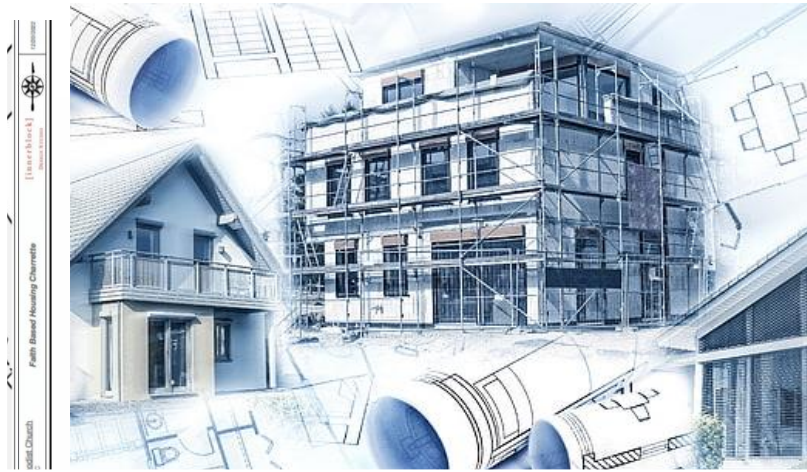
The approval of this project meets the 10X goal pathway of **Eliminate Homelessness** in support of our shared vision of **Safe and Livable Communities**.

Very truly yours,

DocuSigned by:

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Sandra Rivera, Director
Community Development Agency

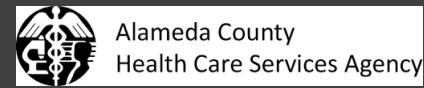
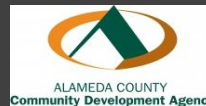
cc: Susan S. Muranishi, County Administrator
Donna R. Ziegler, County Counsel
Melissa Wilk, Auditor-Controller
Peilin Chen, County Administrator's Office
Andrew Massey, Office of the County Counsel
Caitlyn M. Gulyas, Office of the County Council
Lucy Romo, Community Development Agency



Alameda County Board of Supervisors Meeting

Oakland Homekey Hotels OakDays: Ground Lease and Funding Request

February 6, 2024



Agenda

- Background on Project Homekey
- Requested Board Action
- Summary of OakDays Project
- Oakdays Status Update and Future Plans
- Proposed Ground Lease Terms
- Questions?



Alameda County
Health Care Services Agency

Project Homekey Background



Statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness



Eligible projects include conversions of hotels and motels into permanent or interim housing, in partnership with local government entities



Alameda County purchased two hotels with HOMEKEY Grants from the State of California in December of 2020



Alameda County
Health Care Services Agency

Requested Actions from the Board of Supervisors



Delegate authority to enter into ground lease with Five Keys Schools and Programs (“Five Keys”) to develop and rehabilitate the OakDays Project, the former hotel at 8350 Edes in Oakland into affordable permanent supportive housing



Authorize funding and Delegate authority to enter into Procurement Contract number 26250 with Five Keys, providing \$16.5 million of Measure A1 and Metropolitan Transportation Commission (“MTC”) funds to support the construction and rehabilitation of OakDays



Approve resolution adding Five Keys to Homekey Standard Agreement as required by the California Department of Housing and Community Development



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OakDays Project Summary



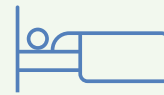
Structure and Location

140-unit former hotel and restaurant
8350 Edes Avenue, Oakland



County Acquisition

December 2020
\$18.1 million:
• \$15.1 million (Project Homekey funds)
• \$3 million (Alameda County Measure A1 Acquisition funds)



Shelter Operations

Since acquisition, non-congregate shelter for:

- those experiencing homelessness
- the medically frail



Operator and Service Provider

Operator:
• Five Keys Schools and Programs
Service and care provider:
• Cardea Health
Partners with County departments (GSA, OHCC, HCD)



Alameda County
Health Care Services Agency

OakDays Current Operations



Medical Services

Cardea Health, 501(c)(3) nonprofit

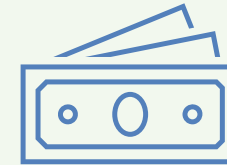
- Clinical support for those who are medically frail or at-risk of institutionalization
- Community-based care



Supportive Services

Five Keys, 501(c)(3) nonprofit

- Care coordination
- Transportation
- Meals
- Property management



Services and Operations Funding

Current funding:

- American Rescue Plan Act funding for homeless housing and services

Future funding:

- Five Keys and OHCC partnering to obtain funding
- 1/29/24: HUD Continuum of Care funding awarded, which will cover approximately 80% of operating costs



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OakDays Rehabilitation and Conversion



Rehabilitation and Conversion

Five Keys to undertake rehabilitation of former hotel and restaurant structures
Structure to be converted to affordable permanent supportive housing



Amenities

Community kitchen
Community space
Life and safety updates
Modifications to improve accessibility



Funding

\$14.5 million Measure A1 construction loan
\$1.1 million Measure A1 predevelopment loan (previously Board-approved)
\$2 million MTC Jumpstart Grant
Total construction cost: **\$17.6 million**



Property Management and Maintenance

County-monitored after construction
County will have power to inspect
Ground lease requires property to be maintained **at least** to the HUD minimum standards



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OakDays Status Update and Next Steps

1

Building Permits

- Application and building plans submitted to City of Oakland Building Department
- Five Keys staff working with City staff to address comments
- Expect to receive permits as soon as during the month of February

2

Construction

- Tentative start late February/early March
- Expected to take 8 – 10 months to complete

3

County Actions

- With the Board's approval today, staff will take the following actions after review and approval by County Counsel:
 - Add Five Keys as party to Homekey Standard Agreement
 - Finalize and execute Ground Lease with Five Keys
 - Finalize and execute PC #26250 to fund construction

4

Nonprofit Operator and Service Provider

- Five Keys Schools and Programs (operator)
- Cardea Health (service and care provider)



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Proposed Ground Lease Terms

- 20-year lease
- Lease will be held by an LLC formed by Five Keys (8350 Edes LLC) for the sole purpose of owning the improvements, developing and operating the building
- Requires completion of rehabilitation to convert to permanent supportive housing
- Includes the property management plan for the property, incorporating physical maintenance standards utilized by other local jurisdictions which own affordable housing
- Requires County to fund operations and services at the site
- Requires that units be filled through coordinated entry



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Questions?



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