



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Estelle Clemons
Interim Director, Human
Services Dept.

SUBJECT: Lao Family Community Development,
Inc. \$5M Acquisition Request

DATE: September 7, 2022

City Administrator
Approval

A handwritten signature in black ink, appearing to be "Estelle Clemons", written over a horizontal line.

Date Sep 12, 2022

INFORMATION

EXECUTIVE SUMMARY

On July 26, 2022, the City Council adopted the following budget policy directive: “for staff to work to identify additional funds to expand transitional homeless housing combined with services and job assistance, including pursuing a funding strategy with Lao Family Community Development CARE Campus, and return to Council in September with funding options.” This informational report provides City Council with an update on the status of the assessment to explore the Lao Family Community Development, Inc. funding strategy for the acquisition of the CARE Campus to help expand transitional homeless housing for Oakland’s unhoused population.

ANALYSIS AND POLICY ALTERNATIVE

During the City of Oakland’s FY 22-23 mid-year budget cycle, the LFCDD submitted a request to the City Council seeking \$5M to support the \$24.2M purchase acquisition of the former 285 room Motel 6 hotel at 8480 Edes Avenue located in East Oakland, for which LFCDD would provide the City of Oakland with access to 100 CARE Campus furnished studio rooms, per year, for 30 years. Through the direction of the City Administrator’s Office, staff from the Human Services Department (HSD) and the Housing and Community Development Departments (HCD) were assigned to assess the LFCDD request.

The following information provides City Council with an update on the request and assessment of the LFCF acquisition and proposed project, to date.

HSD and HCD Staff Activities

- July 26, 2022 – the LFCF CEO sent an email informing the City that the LFCF had previously submitted a Homekey application in 2020, co-sponsored by the Alameda County Health Department and the Alameda County Housing and Community Development Department. Community Economics served as the project’s consultant, Gubb & Barshay as the attorneys, and BBI Construction and Tricorp-Group provided the construction estimates. The email further states that as a Homekey project, there was a \$64M construction budget and \$32M operating deficit over 20 years. LFCF states that outside of Homekey, the renovation would cost approximately \$5-6M, assuming that prevailing wages and other public requirements would not apply. Note that City funding requires prevailing wages and contract compliance (unless explicitly waived by Council), so LFCF’s estimates appear to not reflect City requirements.
- August 16, 2022 - HSD and HCD staff scheduled an initial conference call with the agency to review the previously requested proposal and budget documents prior to a site visit; however, LFCF did not submit the requested documents prior to the call. LFCF was represented by its Director of Programs only, and the CEO was not present for the call.
- August 17, 2022 – HSD and HCD staff conducted a site visit of the 285 room Care Campus located at 8480 Edes Ave, led by LFCF’s Director of Programs. and received via email, a 6-page proposal from the LFCF’s CEO outlining the \$5M city request for the CARE Campus Site Acquisition in exchange for 100 rooms for Oakland’s unsheltered population for 30 years and an additional \$1M request for an annual Professional Service Contract to provide case management to Oakland participants (**Attachment A**).
- August 19, 2022 – HCD confirmed receipt of the following documents from the LFCF to aid in assessing the request: 1) LFCF qualifications narrative, 2) a very rough development budget that excluded acquisition and appeared to propose a permanent affordable housing deal using tax credits and bonds, 3) Facilities Condition Report, 4) Purchase & Sale Agreement, 5) Occupancy Agreement, 6) Alameda County Probation Contract, and 7) a proposed schedule.

HCD staff requested the proposed cash flow and operating budget and LFCF’s CEO stated that they were unavailable until the financial consultant was engaged. HCD staff also requested clarification around the type of housing being proposed (interim vs. permanent), and LFCF CEO responded that the proposal currently was for interim housing operations, as the feasibility of converting to permanent housing had not yet been determined with a financial consultant.

Assessment and Analysis

City staff from HCD and HSD conducted a review of the LFCD documents submitted to date, which were missing critical information. The initial analysis of the submittal is as follows:

- The submitted documents are unclear as to whether the proposal is for transitional or permanent housing, which will dictate different funding sources and feasibility analyses. Subsequently, LFCD's CEO confirmed over email that the proposal is for LFCD to acquire the building to continue transitional housing operations and services, and that a Homekey application would not work for the project because of Homekey program requirements for prevailing wages, relocation benefits, and referrals through Coordinated Entry.
- The submitted narrative presents LFCD's general transitional housing qualifications, with no information about this specific proposal and funding request.
- Proposed rehabilitation budget does not reflect the described transitional housing acquisition, and therefore does not show how the City funds would fit into the proposed acquisition.
- The submitted budget suggests a 4% tax credit and bond execution, which is only allowed for permanent housing projects and not for transitional housing as proposed. Under a tax credit and bond structure, the project would require significant changes to the team to meet minimum experience requirements, and then the project would have to compete statewide in the most competitive and oversubscribed category (New Construction).
- Facilities condition report suggests \$4.8M to cover the next 10 years of building needs, but it looks like only \$3.5M is budgeted for the actual building. The rest of the \$5M+ hard cost line goes towards exterior work (parking, fencing, filling in pool) and contractor costs.
- No cash flow or operating budget has been provided; the full budget and feasibility analysis has not been prepared because LFCD has not yet entered into a contract with its financial consultant, Community Economics, and thus the status is unclear.
- Without an operating budget or services proposal, HSD staff is unable to assess the transitional housing proposed for the \$5M that LFCD has requested from the City.

Next Steps

Due to the fact that LFCD has yet to engage their proposed financial consultant, Community Economics, HCD staff recommended that LFCD follow up with HCD and HSD staff once the financial consultant has been hired to provide a specific and complete proposal and budget, including assumed sources for the transitional housing acquisition, rehabilitation, and long-term operations. The proposed schedule should reflect when LFCD is seeking each source of funds, and the narrative should describe the scope of work of this specific project as well as a complete

program and services plan for existing residents. Only with this information can City staff provide a responsible evaluation of the request for City funds.

Based on the current documents submitted by LFCD, there is not enough information to recommend public funding at this time, even if such funding were available, as it is unclear how the City's funds are proposed to be used and what the scope of the project is. Traditionally funding for services is solicited through a competitive process based on a specific criteria, program budget, and performance metrics to ensure city funds are optimized, as is the case for LFCD's current contract with HSD for its Homeless to Housing Program for \$1M to serve 43 clients from the E12th parcel.

Upon LFCD submitting a complete proposal that includes the critical elements described above, HCD and HSD will again assign staff to review.

Respectfully submitted,



ESTELLE CLEMONS

Interim Director, Human Services Department

Prepared in coordination with:

CHRISTINA MUN

Interim Director, Housing and Community
Development Department

For questions regarding this report, please contact Christina Mun, Interim HCD Director at 510-332-5122 or C'Mone Falls, HSD Interim Community Homelessness Manager at 510-238-6186.

Attachments (1):

Lao Family Community Development, Inc. \$5M CARE Campus Acquisition Request

ATTACHMENT A

I. NEED FOR PROGRAM:

The Oakland PIT 2022 data indicates there are nearly 4,000 unsheltered persons in Oakland at any point in time (over 300 encampments throughout the City). The City of Oakland declared and renewed an Emergency Ordinance Declaring a Shelter Crisis in the City. Furthermore, the City of Oakland's CDBG First and Second Substantial Amendment to the Five Year Consolidated Plan FY 2020/2021-2024/2025 also called out for the creation of a loan pool for borrowers for the production, protection and or preservation of affordable housing, economic development, and public facilities.

Public hearings on the above mentioned CDBG Consolidated Plan, various hearings on the City's FY Annual Budget 2022/2023 and Mid-Cycle Budget Amendments, local survey results conducted by the Oakland Chamber of Commerce, the Vietnamese Chamber of Commerce, Chinatown Chamber of Commerce, Hispanic Chamber of Commerce of Alameda County, and various public survey results from outreach work conducted by members of the Deeply Rooted Collaboration on the City's Housing Element/General Plan Update all indicate that residents, businesses and property owners and voters reported that their top most important priorities affordable housing and ways to deal with homelessness, public safety/health, cleanliness/graffiti/trash/blight, jobs and economic development.

One specific priority of an urgent community need as identified by our City Council, neighborhood groups in the San Antonio-Fruitvale areas, E. 12th and Lakeshore unsheltered advocates, E. 12th and International Blvd local businesses, residents, Vietnamese Chamber of Commerce, that is affordable/homeless housing related, is the need for a transitional housing solution with a path to permanent housing for the E. 12th Street encampment areas. There is an estimate of over 400 unsheltered individuals just along the E. 12th Street area from the Lake to Fruitvale Avenue.

This area is comprised of faith-based groups, community-based nonprofits, K-12 schools, body shops, roofing businesses, gas stations, auto/building supplies related uses, restaurants/food related businesses, residential uses, Clinton Park, and industrial and other commercial properties. Furthermore, it was also identified that priority should be given to eliminate blighted buildings and conditions along traffic medians and sidewalks where graffiti and other vandalism activities such as breaking in of private property, causing nuisance such as fires, and use of drugs then the disposal of needles in public spaces and public consumption of alcohol and sleeping illegally under the freeways and public parks.

USE OF FUNDS:

The purpose of the \$5M request to the City of Oakland is to assist Lao Family Community Development to acquire the CARE Campus (LFCD CARE Campus) to provide safe transitional housing with wrap around supportive service, workforce, education, training, financial education/coaching/asset development and health services access in a one-stop comprehensive setting for homeless single adults in Oakland and Alameda County. These adults

will therefore achieve stability as they have intersecting conditions like re-entry backgrounds, a past history of homelessness and housing insecurity, mental health, behavior health, unaddressed chronic health conditions and substance abuse, poverty and joblessness, past trauma, adverse childhood experiences, a lack of savings, a need for credit repair and banking re-establishment, and a pathway to permanent housing. Many indicate they have a strong desire to improve their life situation.

This request to the Oakland City Council and City Administrator's Office is specifically for such housing in the form of property acquisition assistance to Lao Family Community Development for the former Motel 6 (CARE Campus) site at 8480 Edes Avenue in Oakland.

LFCD has secured an LOI Commitment from Oakland based Community Bank of the Bay for 80% financing (\$19.2M) for the acquisition of this \$24,200,000 property.

LFCD has a signed PSA and is in escrow to close the of the property by 8/30/2022. The condition of the loan is contingent on a one-time financial support in the amount of \$5,000,000 from the City of Oakland to LFCD to be used as the 20% down payment for property acquisition of the physical property from the G6 Hospitality Group LLC/Blackstone Equity. LFCD executed a PSA and has opened escrow with the Fidelity Title Company.

The property is 285 units of furnished studios. Ten rooms are being used for onsite staff housing, group therapy functions, housing/career and supportive case management, computer lab/AJCC job center, an independent High School for Adults and Vocational Training Programs, Roots Satellite Clinic, Core Mental Health and Cognitive Therapy service, AC Probation Department meetings for one on one check in with the participants, and other critical service.

DEDICATED ROOMS FOR OAKLAND:

We propose 100 furnished studio rooms to be dedicated per year for Oakland's Unsheltered Population needs for 30 years.

According to the 2022 PIT count data, 47% of Alameda's Unsheltered population are from Oakland (3,337 out of 7,135). Blacks, Latinos, Native Americans, Immigrants, and People of Color including Southeast/East Asian/Pacific islanders are the majority of the unsheltered population (60% of Oakland's unsheltered are African Americans, 16% Latinos, Multi-race up makeup 7%, Asian & Pacific Islanders make up 4% , Native Americans make up 3% and Whites make up the balance.)

AC PROBATION DEPT ROOMS & RESULTS TO DATE:

The CARE Campus also has 150 dedicated rooms for Alameda County Probation Department for housing unsheltered, unemployed, AB109 adults on probation-supervised release. To date, 36 of 150 of the Probation's Department participants have graduated into permanent housing earning \$85,000 to \$115,000 annual salaries and into permanent housing in the market place

(private landlords, room mate housing, affordable housing tax credit properties) ranging in rents from \$1500 to \$2200 per month. This is 22% to 30% of their monthly gross income.

ROOM DESCRIPTIONS AND SITE SUMMARY:

The CARE campus offers 2 and three story buildings, an elevator, onsite laundry, meal service provided by the Radisson Hotel catering department two doors down, a covered visitor center, safe, clean, ADA compliant, well-lit and ready to be used housing supply on 3.2 acres.

The rooms have a fullsize/queen size bed, night stands, dressers, closet, table, chairs, closet, sink and complete bathroom, min-splits, curtains, a mini-refrigerator, and microwave. It offers an excellent opportunity to have a dedicated transitional housing campus with a clear path to permanent housing, comprehensive onsite leverage support and job services, located near public transportation, DMV, excellent job centers, medical service, and county social service. WIFI, TVs, room phone are provided.

HOMEKEY HISTORY IN THE PAST:

Previously LFCD co-sponsored with Alameda County Health Services an application to HCD for HomeKey funds and therefore conducted the required comprehensive list of studies and analysis. We determined that privately financing this project and using Oakland funds toward the property acquisition and private dollars towards the rehab would be the best course of action in order to prioritize the needs of Oakland's unsheltered population and priority of the City Council. LFCD is an approved City of Oakland HOMEKEY developer.

CASE MANAGEMENT SERVICE:

Case management for the 100 Oakland participants each year is separate. See the budget format for the \$1M separate Professional service Contract for details. The budget for that is approximately \$27,000 per customer per year (of which \$5500 is dedicated for the participants to be used towards their IDA account, permanent housing security deposit, first month and last month rent offsite). Any in-kind and leverage service such as the AJCC workforce WIAO-General Fund employment service, co-enrollment with Roots, Core, Highlands Community Charter and Technical Schools, and earlier outlined services will be provided free of charge as long as the participants are eligible and commit to the offerings/treatment.

LFCD CARE HQ OFFERING ON E. 12th STREET:

LFCD is able to provide an emergency shower, address for mail, clothing closet, fresh and canned food, safe parking, COVID-19 vaccination clinics, and various other case management supports at the CARE HQ before transition to the CARE Campus motel 6.

PERMANENT HOUSING:

Each Oakland participant is provided a customize permanent housing plan, individual employment plan for work, and health wellbeing case plan and a multi-disciplinary team of case managers.

By way of background, LFCD has over 100 existing private landlords, affordable housing tax credit landlords, and corporate landlords who are willing to accept Section 8 Vouchers, Airbnb credits, agreements with extended stay full suite motels and hotel agreements across over 20 hospitality properties all over the EastBay, South Bay, and Northern California, sober living facilities, SROs, and individual and faith based housing charitable room host landlords. Our room access inventory is over 4,500 rooms.

EXPERIENCE HISTORY:

Please see our July 2022 report to see results of the \$1M Professional Service for Oakland's E. 12th Street Unsheltered Project to Date.

During the last 66 months, LFCD has placed over 4,000 houseless, refugee, and housing unstable individuals into permanent housing throughout AC, CC and Sacramento with private landlords for our clients. In total LFCD will have 350 units of transitional housing and permanent affordable housing in Alameda, Contra Costa and Sacramento counties. LFCD is able to rapidly respond and house within (24-72 hours responsiveness rate) to reduce the harms of homelessness, reduce exposure to COVID-19 risk factors, and increase health and safety by placing households into existing inventory in the affordable housing, market rate housing, and alternative housing space. On average each household is able to graduate into permanent housing from 1 month to 6 months from the date they enter our programs.

MILESTONES SCHEDULE:

Lao Family staff will carry out the activities identified below. Specifically the CEO and her finance-property development team have over 70 years of combined experience in the field of real estate finance, development, property management, leasing and compliance. The activities include:

1. Secure a Letter of Commitment from the City of Oakland for the \$5M acquisition grant by 8/26/2022.
2. Secure an LOI for a \$5Million Revolving Line of Credit as Bridge Loan in the amount of \$5M for the 20% down payment by 7/30/22. Complete.
3. Secure an LOI for the 80% Acquisition Loan \$19.2 M by 7/30/22. Complete.
4. Purchase Sales Agreement and Operating Agreement 2/2021. Complete.
5. Identification of Attorney, Engineering, soils, environmental, survey, seismic, general contractor, architectural firm, project manager, and conduct other due diligence 2021/2022/2023. Complete.

6. Liaison to city for permit, use, parking, zoning, parking, planning, entitlement and other governmental approvals; including representing agency at public and govern meetings 2020/2021/2022/2023. (Ongoing).
7. Development of a proforma, cash flow, and operating budgets and identify, apply, and secure all financing for acquisition and rehab, bridge loans, pre-development, and permanent financing 2021/2022/2023. (Ongoing).
8. Liaison and contact for community outreach and approval (Ongoing)
9. Identify partner agencies for operation and coordination of various programs (Ongoing with Team).

PROGRAM MONITORING:

Monitoring of program progress and outcomes is the responsibility of the Director of Programs, and her team including the Re-entry Housing Manager, WIAO Adult Program Manager, CARE Campus Program coordinator, CARE campus Property Manager, CARE Assistant Site Supervisor and other Team Members. The CEO is the initial Project Manager. These individuals meet regularly on a weekly basis and stay in contact on the telephone and email, and has a project management schedule, with each task and deadline for the activities identified including the due diligence period, all entitlement, predevelopment, construction, operating, financing, identify consultants and coordinate and manage all consults. Act as the liaison person to government agencies, community groups and funders. The CEO and Project Team meets every week.

EXPERIENCE/CAPACITY:

History: Lao Family Community Development, Inc. (LFCD) was founded in 1980 by Southeast Asian refugees newly arrived in the San Francisco Bay Area, for the purpose of facilitating the social adjustment of the hundreds of newcomers arriving daily from the upheaval in their countries.

Since that time, LFCD has adapted to the changing needs of its customers and today its staff and customers reflect a different mix with 50% being US born low-income local populations with special and unique needs. Refugees and immigrant needs continue to be an important population LFCD serves with a wide range of innovative service programs promoting the sustainability, self-sufficiency, economic, housing and community development of this diverse community.

MISSION: The mission of LFCD has always been to advance and promote the economic self-sufficiency through culturally informed housing, employment and support services. LFCD embraces celebrating the cultural pride of our local community's diverse low-income, refugees, immigrants, and limited English speaking communities located in Oakland, Alameda and Contra Costa Counties in the Bay Area and Sacramento county. LFCD has a broad and deep network of partnerships in many areas and uses community-driven approaches for family strengthening and neighborhood revitalization.

CURRENT ACTIVITIES: LFCD's current activities include WIAO and CalWORKS and Refugee employment services, 6 One-Stop Career Center service operation, AB109 Re-entry Housing and

Employment service, WIAO youth leadership and summer and year round employment services, rental housing counseling and education, financial education, Individual Development Accounts (IDAs), health navigation, PEI mental health services, development and operation of affordable permanent housing, rapid safe housing, transitional housing, HS Diploma and Vocational Training, ESL adult education, civic participation education, crime victim and domestic violence assistance, health education, immigration legal service, community and economic development, VITA tax services, food service, and senior services.

AGENCY SUCCESS: Over its 42-year history, LFCD has made significant contributions to promoting the prosperity and community health of Oakland's diverse low-income high barrier unsheltered, re-entry, refugees, immigrant, and other low-income communities. LFCD supports the technical, capacity, fiscal and development of emerging organizations LFCD consistently exceeds goals on service contracts: Recent Oakland WIAO, OFCY, Office of Violence Prevention, OHA, Alameda County Probation, Social Service, CalWORKs, CCC AB109, Behavior Health, EHS, CalWORKS, Sacramento SETA, DHA, WIAO Adult and Youth, Governor's Cal OES, State Park, CA Dept of Natural Resources, past CDBG/HOME, HUD contract goals were all successfully implemented and exceeded their goals. LFCD has strong fiscal management and program management history. It has strong relationships with mainstream agencies and service providers have had an important impact on the successful integration of high barrier populations, refugee and immigrant communities into the wider society, by allowing our clients to gain better access to public service, training, education, health care, hospitals, childcare, housing, employment services and training, Immigration and Naturalization Service programs, welfare department, criminal justice department, and preventative health programs.

FINANCIAL CAPACITY:

Current Operating Budget: LFCD's current 2022 annual operating budget is over \$23 million. Major sources of funds are listed in the 2021 agency audited financial statements and over 60+ sources.