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CITY OF OAKLAND 2012 APR 26 PM 5:31

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Oak Center Homes

DATE: April 12, 2012

City Administrator

Approval

Date

4/25/12

COUNCIL DISTRICT: 3

RECOMMENDATION

Staff recommends that City Council adopt a resolution amending, terminating and waiving deed covenants encumbering Oak Center Homes at scattered sites throughout West Oakland, to allow a revised ownership structure to facilitate acquisition of financing for rehabilitation of the properties.

OUTCOME

City Council adoption of the resolution will enable the property ownership structure to change from a cooperative to a limited partnership. This will enable the owners to apply for financing to rehabilitate the 89 affordable housing units. The City is not providing any financial assistance to this project.

BACKGROUND/LEGISLATIVE HISTORY

Oak Center Homes is an 89 unit scattered site, limited equity residential housing cooperative, located in the Oak Center area of West Oakland. The cooperative was formed in 1979 as part of a settlement agreement of litigation against CalTrans brought by residents who were displaced by the Grove-Shafter Freeway. The units were rehabilitated at that time with financing from the California Housing Finance Agency. The cooperative includes 89 affordable housing units, which are a combination of single family homes and multifamily buildings affordable to very low, low, and moderate income households.

The City of Oakland and The Redevelopment Agency of the City of Oakland conveyed the parcels that make up the project to Oak Center Homes, the cooperative's nonprofit corporation, pursuant to three contracts of sale and four grant deeds between 1979 and 1983. All of the grant deeds are the same except for the dates. The grant deeds require that the development remain a residential cooperative "until July 1, 2010 and thereafter until the Oakland City Council by

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resolution and after a public hearing shall terminate the restriction.” Furthermore, the grant deeds provide that only the Redevelopment Agency has the right to consent to any changes or elimination of any covenants in the grant deed. These aspects of the grant deeds need to be amended to enable the limited partnership to apply for rehabilitation financing.

ANALYSIS

The Oak Center Homes units are now in need of substantial rehabilitation, and the cooperative wants to finance the rehabilitation with tax exempt bonds and private investment through the Low Income Housing Tax Credit Program, and seller carry-back financing. However, cooperatives are not eligible for these types of financing sources. As a result, the cooperative has decided to form a limited partnership that will acquire the property and obtain the financing. A nonprofit corporation has been created to serve as the managing general partner of the limited partnership. The City must amend, terminate and waive aspects of its grant deeds in order for the cooperative to transfer ownership to a limited partnership. Other minor changes must also be made to the grant deeds to enable the project to proceed with the rehabilitation.

The rehabilitation will include upgrades to kitchens, bathrooms, unit interiors and exteriors, and will make corrections to structural issues in all the buildings. Tenants will have the right to remain residents and the property will remain affordable to and occupied by very low, low and moderate income persons and families for fifty-five (55) years from the date of grant deed amendments. Other benefits of the rehabilitation include improvements to the physical appearance of the 89 housing units scattered throughout West Oakland, and the creation of construction jobs from the \$7 million rehabilitation effort. All of these benefits will occur without a financial cost to the City.

PUBLIC OUTREACH/INTEREST

The Board of Directors of Oak Center Homes has performed considerable outreach to the residents regarding the rehabilitation. Most recently, a notice was sent to the cooperative members outlining the rehabilitation plan and impacts of forming a limited partnership. Acquisition proceeds will be used to provide computer classes, after school classes and other tenant services. Additionally, a public hearing is required for this item, so the public will have the opportunity to comment on this item when it is heard by Council.

COORDINATION

Housing staff worked with the City Attorney’s Office to draft the report, resolution and grant deed amendments. The Budget Office has reviewed the report as well.

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COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:
Total Project Costs \$0

2. COST ELEMENTS OF AGREEMENT/CONTRACT:
TOTAL AGREEMENT/CONTRACT AMOUNT \$0

3. SOURCE OF FUNDING:
Staff is not recommending funding for this project.

4. FISCAL IMPACT:
There is no fiscal impact associated with staff's recommendations.

SUSTAINABLE OPPORTUNITIES

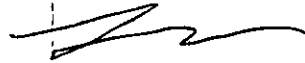
Economic: The rehabilitation of this affordable housing project will create well-paying construction jobs for City of Oakland residents and spur further investment into the community.

Environmental: The rehabilitation will likely utilize sustainable and green materials and practices. It will rehabilitate existing housing near public transit, jobs, and other services located in West Oakland.

Social Equity: Affordable housing is a means of achieving greater social equity. This item will enable the project's owners to rehabilitate affordable rental housing for low-income individuals and families.

For questions regarding this report, please contact Meghan Horl, Housing Development Coordinator IV, at 510-238-6171 or mhorl@oaklandnet.com.

Respectfully submitted,



FRED BLACKWELL
Assistant City Administrator

Reviewed by:
Michele Byrd, Deputy Director *MB*
Housing and Community Development

Prepared by:
Meghan Horl, Housing Development Coordinator IV
Housing Development Unit

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APPROVED AS TO FORM AND LEGALITY:

DRAFT

Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AMENDING, TERMINATING AND WAIVING DEED COVENANTS ENCUMBERING OAK CENTER HOMES AT SCATTERED SITES THROUGHOUT WEST OAKLAND, TO ALLOW A REVISED OWNERSHIP STRUCTURE TO FACILITATE ACQUISITION OF FINANCING FOR REHABILITATION OF THE PROPERTIES

WHEREAS, Oak Center Homes is an 89 unit scattered site limited equity residential housing cooperative located in the Oak Center area of West Oakland; and

WHEREAS, the cooperative was formed in 1979 as part of the a settlement agreement of litigation against CalTrans brought by residents who were displaced by the Grove-Shafter Freeway; and

WHEREAS, the Redevelopment Agency of the City of Oakland conveyed the 44 parcels that make up the project to Oak Center Homes, the cooperative's nonprofit corporation, pursuant to three contracts of sale and four grant deeds between 1979 and 1983; and

WHEREAS, the Oak Center Homes units are now in need of substantial rehabilitation and the cooperative needs to form a limited partnership to acquire the properties and obtain the necessary financing for the rehabilitation; and

WHEREAS, covenants in the grant deeds need to be amended, terminated and/or waived in order for the cooperative to form a limited partnership and proceed with the rehabilitation; and

WHEREAS, the grant deeds provide that certain agreements and covenants contained therein may be terminated by the City Council of the City of Oakland by resolution after public hearing; and

WHEREAS, the Redevelopment Agency was dissolved as of February 1, 2012, pursuant to ABx1 26, and the City has elected to retain and assume the housing assets, functions, and obligations of the Redevelopment Agency pursuant to California Health and Safety Code Section 34176 upon Redevelopment Agency dissolution, per Resolution No. 83680 C.M.S., adopted by the City Council on January 10, 2012; and

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WHEREAS, the Redevelopment Agency's rights and obligations under the contracts of sale and the grant deeds are housing assets retained and assumed by the City; and

WHEREAS, the City Council has held a public hearing on this matter; now, therefore, be it

RESOLVED: That the City Council hereby amends, terminates and waives those deed covenants encumbering Oak Center Homes that require the properties to remain as a residential housing cooperative, and confirms that neither the City itself nor the City in its capacity as housing successor to the Redevelopment Agency has any right to re-enter and take any of the properties or to re-vest title in itself; and be it

FURTHER RESOLVED: That the City Administrator or her designee is hereby authorized to negotiate and enter into an amendment to the grant deed agreements and covenants with provisions as needed to enable the cooperative to form a limited partnership and proceed with rehabilitation of the properties, provided that the properties shall remain affordable to and occupied by very low, low, and moderate income persons and families for 55 years, and to take whatever other action is necessary with respect to the properties consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST:

LaTonda Simmons
City Clerk and Clerk of the Council,
City of Oakland

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