

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2010 FEB 25 PM 7:54

To: Office of the City/Agency Administrator
Attn: Dan Lindheim
From: Community and Economic Development Agency
Date: March 9, 2010

Re: An Agency Resolution Amending Agency Resolution No. 2008-0005 C.M.S. To Change The Recipient Of \$300,000 Grant For The Rehabilitation And Conversion Of The California Hotel To Permanent Supportive Housing From Cahon Associates To The East Bay Asian Local Development Corporation (EBALDC), And Amending Resolution No. 2008-0055 C.M.S. To Reallocate Up To \$325,000 From The Tenant Assistance Program For Residents At OCHI Properties To The Trustee Of The California Hotel For Emergency Operating Assistance At The California Hotel

SUMMARY

Resolutions have been prepared to 1) change the recipient of a \$300,000 grant for the rehabilitation and conversion of the California Hotel to permanent support housing from Cahon Associates, an affiliate of Oakland Community Housing Inc. (OCHI), to the East Bay Asian Local Development Corporation (EBALDC); and 2) reallocate up to \$325,000 in funds from the tenant assistance program intended for residents at OCHI properties (including the California Hotel) to the property's trustee for emergency operating assistance related to property operations.

During the 2007-2009 Budget process, the Redevelopment Agency authorized the use of \$300,000 of Agency Low and Moderate Income Housing Funds for capital expenditures related to the transfer of ownership and conversion of the California Hotel into a permanent supportive housing property. Those funds were allocated to Cahon Associates, the OCHI affiliate and ownership entity. OCHI is no longer a functional organization. After careful analysis over the past two years, EBALDC is dedicated to finding a long-term solution for the California Hotel consisting of acquisition and substantial rehabilitation of the property. As a result, staff is recommending that the recipient of the \$300,000 be changed from Cahon Associates to EBALDC. These funds will be used immediately for pre-development costs, such as architecture and engineering work, property acquisition/foreclosure research, environmental studies and market analyses.

On November 14, 2008, the Superior Court of the State of California appointed Anne Omura of the Eviction Defense Center as the trustee of the California Hotel. Since that time, Ms. Omura has been handling all of the property management responsibilities at the property. The building is currently operating at a severe deficit and is in need of immediate emergency operating

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assistance to keep the property open and functioning until EBALDC can begin the rehabilitation of the property, which is anticipated in August 2012. Staff is recommending that funds in the amount of \$325,000 remaining from the unused portion of tenant assistant funds for OCHI properties be allocated to the trustee to cover property operating costs, such as utility bills, maintenance, insurance coverage, minor repairs and pest control measures.

FISCAL IMPACT

Rehabilitation and Conversion Grant to EBALDC

The Agency approved \$300,000 in FY 2007-08 funds for the reuse of the California Hotel as permanent supportive housing for formerly homeless individuals and households during the FY 2007-09 Budget process. These funds are currently budgeted in the Agency Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Project (L324710).

Emergency Operating Support to Trustee

Funds in the amount of \$535,950 were returned to the City/Agency from the unused portion of the 2008 tenant assistance program for displaced OCHI residents. Although some tenants took advantage of tenant assistance offered to tenants at OCHI properties that did not have property management, in many cases it was very difficult to find affordable units suitable for the tenants, and many tenants opted to stay in place. As a result, most of the funds that were initially allocated for tenant assistance became available for reallocation.

In August 2009, the Agency approved reallocating \$150,000 of the unused funds for emergency operating assistance at the Oaks Hotel, leaving a balance of \$385,950. Staff proposes to allocate \$325,000 of the remaining funds to provide emergency operating assistance to the California Hotel over the next 31 months, until construction begins on the property. It is recommended that this funding be provided as a grant, since there is no source of funding for repayment, and the building's current capacity for servicing debt is effectively non-existent at this point. Funds are available from the Agency's Low and Moderate Income Housing Fund (9580), Housing Development Organization (88929), Account (54912), Project (P209310).

BACKGROUND

Staff has presented numerous reports since 2007 (May 22, 2007; January 22, 2008; April 22, 2008; April 26, 2008; March 17, 2009; August 25, 2009; January 5, 2010) to Council regarding the decline of OCHI and the affect the decline has had on its Oakland properties. Staff's ultimate goal has been to keep as many properties open as possible (given the limited funds available) while the transfer and ownership and reconfiguration of the properties is worked out.

On June 5, 2007, the Agency approved Resolution No. 2007-0044 C.M.S., which provided \$1,000,000 in secured loans to OCHI affiliates to cover operating deficits and substantial

outstanding payables at 11 rental properties that had cash flow problems. The California Hotel received \$661,000 from this source to cover operating deficits. Except for an initial payment of \$120,000 authorized by the Agency directly to Cahon Associates, these funds were provided to the John Stewart Company, the managing agent for Cahon Associates at that time (before a trustee was appointed to the property). In addition, on February 5, 2008, the Agency approved Resolution No. 2008-004 C.M.S. providing an additional \$500,000 in operating grants to the OCHI portfolio. The California Hotel received \$288,000 and these funds were also provided to the John Stewart Company, who was the managing agent for Cahon Associates or to Aon Risk Services for property insurance. The majority of these funds were to cover operating expenses, including utility bills and pest eradication and control.

At the request of the City and other lenders to change the property management entity for the portfolio from OCHI's floundering property management arm, the John Stewart Company took over management of the California Hotel from August 2007 through August 2008. They ceased property management operations due to the severe monthly operating deficit and legal liabilities associated with the property. For a period of time, there was no property management on-site until the Supreme Court of California appointed Anne Omura of the Eviction Defense Center as the trustee of the property. The November 2008 Court Order authorized Ms. Omura to perform the following functions at the California Hotel:

- Collect rents from tenants to pay for operating costs, repairs and management costs,
- Select a property manager,
- Maintain funds received and disbursed with respect to the operation of the property,
- Evict tenants for non-payment of rent or to otherwise enforce rental agreements,
- Place the building on the market for sale/transfer and accept bids for the sale/transfer of the property,
- Enter into revenue agreements for the roof of the property,
- Rent the vacant commercial spaces on the first floor to increase revenue if the space was secured and brought up to commercial code.

Anne Omura and the Eviction Defense Center have been effectively managing the property since November 2008 on an extremely limited budget. The limited funds generated each month from residential and commercial rents are used to pay for part-time on-site property management staff, monthly elevator maintenance, a portion of the monthly utility bills, pest control and 24 hour security. The revenue generated each month is less than the expenses; the monthly operating deficit is currently \$7,800 per month.

Before OCHI completely fell apart, staff from both CEDA's Housing Division and DHS's Community Housing Services units worked with OCHI to determine the most viable scenario for the property based on the Council/Agency's direction to staff in 2007 to pursue the transition of the California Hotel to a permanent supportive housing site. In August 2007, OCHI issued a Request for Proposals (RFP) for the acquisition and conversion of the Hotel to a permanent

supportive housing site targeting homeless and/or formerly homeless individuals. OCHI received one submittal, which was submitted by EBALDC.

A project team consisting of EBALDC, City staff, County staff and social service providers met regularly from October 2007 through Fall 2008 to discuss the fiscal, physical, management and supportive services structure for the project. Progress stalled due to multiple lawsuits that were being pursued by California Hotel tenants against OCHI and the John Stewart Company at that time, and it was too risky for a new owner to acquire and rehabilitate the property. After the lawsuits were settled and Anne Omura helped stabilize the property in Summer 2009, she contacted EBALDC and asked them to re-evaluate the long-term feasibility of acquiring and rehabilitating the California Hotel. After careful consideration and analyses, working closely with Ms. Omura, EBALDC is proposing to acquire and rehabilitate the California Hotel to preserve all of the 150 SRO and studio units. In keeping with best practices of permanent supportive housing today, EBALDC plans to reserve up to 35% of the units for people who are homeless and have special needs. LifeLong Medical Care will provide social services on-site for all tenants.

KEY ISSUES AND IMPACTS

Rehabilitation and Conversion Grant to EBALDC

For the past two years, EBALDC has been working diligently on a viable long-term work-out plan for the acquisition and rehabilitation of the California Hotel. In addition, EBALDC has been working closely with Ms. Omura since she became the property trustee to ensure a successful transition of ownership for the property and residents alike.

EBALDC is proposing to rehabilitate and preserve all 150 SRO and studio units at the property. The scope of rehab, estimated at \$29.5 million, will target the priority problems of the historic building, including plumbing system replacement, seismic upgrades, asbestos remediation, heating system replacement, code improvements, window replacements, the addition of kitchenettes to units currently without kitchens and the addition of an elevator.

EBALDC is proposing that up to 35 percent of the units be reserved for homeless people with special needs whose incomes are no greater than 35 percent of Area Median Income (AMI). The remaining units will be targeted for people whose incomes are at or below 50 percent AMI. It is anticipated that LifeLong Medical Clinic will provide the on-site social services at the property. LifeLong Medical Care has operated out of the California Hotel since the 1990s and has substantial work experience within permanent supportive housing developments, including the Oaks, Hamilton and Harrison Hotels. Specific on-site services will include mental health services, substance use management, case management, benefits counseling, housing retention services and emotional support.

EBALDC is applying for a number of funding sources for the rehabilitation of the property, including Low-Income Housing Tax Credits, State of California AHP funds and future City of Oakland NOFA funds. These funding sources will be pursued in the next 12 to 18 months, based on the funding cycle deadlines. Certain work, however, is ready to begin now, which is why staff is recommending that the recipient of the \$300,000 grant to the property be changed from Cahon Associates to EBALDC at this point in time. These funds will be used immediately for architecture and engineering work, property acquisition/foreclosure research, environmental studies and market analyses. Furthermore, these funds will be used to determine whether or not additional commercial tenants can move into the building before the significant rehabilitation begins, which could generate additional revenue for the building. All of this work will help facilitate a successful transfer of the property to EBALDC and a timely rehabilitation.

It should be noted that EBALDC originally submitted an application this year for the New Construction and Substantial Rehabilitation NOFA for the California Hotel for \$4.2 million. City staff asked EBALDC to reduce the amount of their NOFA request, given the limited amount of NOFA funds available this year due to the State ERAF take of redevelopment funds and a decrease in tax increment revenue. Since construction is not anticipated to begin until 2012, City staff was reluctant to recommend such a large funding award to the project when projects with immediate needs had applied for funding through this year's NOFA. EBALDC agreed to withhold the majority of their request until next year's NOFA with the understanding that the \$300,000 in funds already allocated to the project would be made accessible to EBALDC to move forward with work at this time. Changing the recipient of these funds from Cahon Associates to EBALDC will demonstrate a commitment from the City to the successful transfer and rehabilitation of the property from the OCHI affiliate to a viable developer and property management company.

Lastly, allocation of this limited amount of funding in response to EBALDC's submission of a proposal through a competitive NOFA process could preserve their eligibility for project-based Section 8 vouchers should such assistance become available from the Oakland Housing Authority.

Emergency Operating Support to Trustee

The Court appointed trustee of the California Hotel, Anne Omura of the Eviction Defense Center, has been managing the property since September 2008. The property is operating on an extremely limited budget. Monthly revenue currently equals approximately \$18,500 per month and operating costs total approximately \$26,300, causing a monthly deficit of approximately \$7,800 per month. The property generates monthly revenue from the following sources:

- Approximately \$14,000 in residential rental revenue from 37 occupied units (due to the poor condition of the property, the vacant units are not being leased),
- \$1,700 in commercial rent revenue,

- Approximately \$3,100 from the lease on a cell tower on the building's roof. (However, that contract expires in October 2010 and the lease may not be extended or the amount may be reduced, which would increase the monthly deficit.)

Since the monthly operating costs are greater than the revenue being generated by the property, Ms. Omura is only able to pay a portion of the property's bills, resulting in an outstanding EBMUD and Waste Management balance. The property has not been able to support property tax or business tax payments. Ms. Omura scrambles each month to ensure that the gas, electric and water utilities are kept on at the property. Operating costs include an on-site property management staff for four hours per day, monthly elevator maintenance (since the one elevator in the property breaks down continuously), monthly pest control to prevent another bed bug infestation, utilities and 24 hour per day security. Residents are performing the communal chores to keep the common areas clean. Ms. Omura and Eviction Defense Center have worked extremely hard at creating a positive and community atmosphere at the property, and thanks to their efforts, tenants have a new sense of spirit and pride in the building and its future. Ms. Omura's work is a significant reason why EBALDC believes it will be able to successfully acquire and rehab the property.

Staff is recommending that up to \$325,000 in emergency operating assistance be provided to the trustee of the California Hotel to ensure that the property can keep functioning until EBALDC begins construction as anticipated in August 2012. The operating assistance is projected to cover the gap between the operating costs listed above and a \$1,407.55 portion of the property's insurance coverage and rental and commercial revenue generated each month for up to 31 months. It has been a constant struggle each month for Ms. Omura to gather the funds to keep the utilities on in the property; the emergency operating assistance will help maintain the property in its current state and ensure that it does not continue to deteriorate before work can begin.

SUSTAINABLE OPPORTUNITIES

Economic: These projects improve and maintain the affordable housing inventory in Oakland.

Environmental: Each of the buildings in the OCHI portfolio met standards in existence at the time they were built. It is anticipated that when the California Hotel is transferred to EBALDC and rehabilitated, it will again meet these environmental standards, albeit in a historically appropriate context. Preserving this building near mass transit and numerous social services enables residents to reduce dependency on automobiles and further reduce adverse environmental impacts.

Social Equity: Affordable housing is a means of achieving greater social equity. Oakland's neighborhood-level environment will be improved by rehabilitating underused and blighted buildings. The proposed projects will preserve and improve affordable rental housing for very low income individuals.

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DISABILITY AND SENIOR CITIZEN ACCESS

All housing development projects receiving federal funds are required to construct and set aside units to be occupied by persons with disabilities (Federal Section 504 regulation). In the last 20 years, OCHI developed 638 residential units—including the California Hotel's 150 units—using local, state and federal funds, and they were in compliance with local, state and federal regulations. The State's Title 24 and the Americans with Disabilities Act require consideration of persons with disabilities in design and construction of housing. These requirements include accessible units and facilities. Furthermore, all developers receiving City or Agency funds are required to effectively market housing units to the disabled community. EBALDC consistently presents this strategy in their Affirmative Fair Housing Marketing Plans.

RECOMMENDATIONS AND RATIONALE

In order to facilitate the transfer to a viable, long-term owner and substantial rehabilitation of the California Hotel, staff recommends changing the recipient of \$300,000 grant from Cahon Associates, the OCHI ownership affiliate that is no longer in existence, to EBALDC.

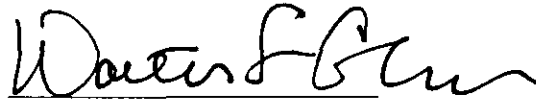
Staff also recommends reallocating up to \$325,000 in unused funds from the OCHI tenant assistance program to the California Hotel's trustee for emergency operating assistance to keep the property running until EBALDC can begin construction on the property in August 2012.

ACTION REQUESTED OF THE CITY COUNCIL

The following actions are requested of the Redevelopment Agency:

1. Amend Agency Resolution No. 2008-0005 C.M.S. to change the recipient of \$300,000 grant for the rehabilitation and conversion of the California Hotel to permanent supportive housing from Cahon Associates to the East Bay Asian Local Development Corporation (EBALDC),
2. Amend Resolution No. 2008-0055 C.M.S. to reallocate up to \$325,000 from the Tenant Assistance Program for residents at OCHI properties to the trustee of the California Hotel for emergency operating assistance at the California Hotel.

Respectfully submitted,

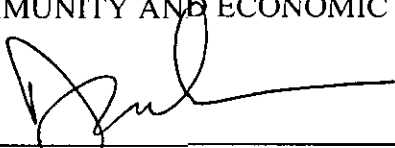


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Jeffrey Levin, Acting Deputy Director
Housing and Community Development

Prepared by:
Meghan Horl
Housing and Community Development Division

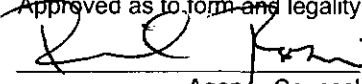
APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City/Agency Administrator

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Approved as to form and legality

Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

AN AGENCY RESOLUTION AMENDING AGENCY RESOLUTION NO. 2008-0005 C.M.S. TO CHANGE THE RECIPIENT OF A \$300,000 GRANT FOR THE REHABILITATION AND CONVERSION OF THE CALIFORNIA HOTEL TO PERMANENT SUPPORTIVE HOUSING FROM CAHON ASSOCIATES TO THE EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION (EBALDC)

WHEREAS, Resolution No. 2008-0005 C.M.S. dated February 5, 2008 authorized a grant in the amount of \$300,000 in Low and Moderate Income Housing funds to Cahon Associates to help convert and rehabilitate the California Hotel, a 150 unit affordable rental housing project located at 3501 San Pablo Avenue, to permanent supportive housing; and

WHEREAS, Cahon Associates, an affiliate of Oakland Community Housing Inc. (OCHI), is no longer a functional organization and as a result is unable to utilize the grant; and

WHEREAS, the East Bay Asian Local Development Corporation (EBALDC) is committed to finding a long-term solution for the California Hotel including the acquisition and substantial rehabilitation of the property; and

WHEREAS, EBALDC plans to use these funds immediately for predevelopment work associated with the acquisition and rehabilitation of the California Hotel and conversion of the property to permanent supportive housing, including architecture and engineering work, property acquisition/foreclosure research, environmental studies and market analyses; now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby amends Resolution No. 2008-0005 C.M.S. to change the recipient of the \$300,000 grant for the rehabilitation and conversion of the California Hotel to permanent supportive housing from Cahon Associates to EBALDC, or to an affiliate of EBALDC approved by the Agency Administrator; and be it

FURTHER RESOLVED: That grant funds shall come from the Agency's Low and Moderate Income Housing Fund (Fund 9580, Organization 88929, Account 58312, Project L324710); and be it

FURTHER RESOLVED: That the Agency hereby appoints the Agency Administrator or his designee to negotiate and execute grant agreements and take any other actions with respect to this funding consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2010

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID,
 AND CHAIRPERSON BRUNNER

NOES-

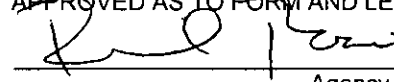
ABSENT-

ABSTENTION-

Attest: _____
 LaTonda Simmons
 Secretary of the Redevelopment
 Agency of the City of Oakland,
 California

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2010 FEB 25 PM 7:55

APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

AN AGENCY RESOLUTION AMENDING RESOLUTION NO. 2008-0055 C.M.S. TO REALLOCATE UP TO \$325,000 FROM UNUSED FUNDS FROM A TENANT ASSISTANCE PROGRAM FOR RESIDENTS AT OAKLAND COMMUNITY HOUSING, INC., PROPERTIES TO THE TRUSTEE OF THE CALIFORNIA HOTEL FOR EMERGENCY OPERATING ASSISTANCE

WHEREAS, the Redevelopment Agency operates programs to provide housing to low and moderate income households through its Low and Moderate Income Housing Fund; and

WHEREAS, California Health and Safety Code Section 33334.2 authorizes a redevelopment agency to use its low and moderate income housing funds to provided subsidies to or on behalf of extremely low income, very low income, or low income households, to the extent that those households cannot obtain housing at affordable costs on the open market; and

WHEREAS, in 2008, per Agency Resolution No. 2008-0055 C.M.S., the Agency authorized a contribution of \$843,650 to the City under the Cooperation Agreement to permit the City to amend its contract with Eden Information and Referral (Eden I & R) in order to provide funding to administer and fund a tenant assistance program to assist low income households expected to be displaced from seven affordable rental properties in Oakland owned by affiliates of Oakland Community Housing, Inc. (OCHI); and

WHEREAS, fewer households were assisted than originally projected since the buildings did not actually shut down, leaving an unused balance of \$385,950.68 with the Agency; and

WHEREAS, the California Hotel, an affordable rental housing project located at 3501 San Pablo Avenue, is owned by Cahon Associates, an affiliate of OCHI, but is controlled and managed by a trustee appointed by the court; and

WHEREAS, the California Hotel is projected to change ownership and undergo rehabilitation in 2012, but in the short term is in desperate need of additional operating

funds to keep the property functioning and prevent the further deterioration of the building's 150 units; now, therefore, be it

RESOLVED: That the Agency hereby amends Resolution No. 2008-0055 C.M.S. to re-allocate unused funds from the Low and Moderate Income Housing Fund (9850), Housing Development Organization (88929), Housing Development Program project (P209310) to the California Hotel Emergency Operating Assistance (Project to be determined), to be used as a grant to the trustee of the California Hotel to provide emergency operating assistance for the California Hotel; and be it

FURTHER RESOLVED: That the Agency Administrator or her designee is hereby authorized to negotiate and execute grant agreements and take any other actions with respect to this funding consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2010

PASSED BY THE FOLLOWING VOTE:

AYES—BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND
CHAIRPERSON BRUNNER

NOES—

ABSENT—

ABSTENTION—

ATTEST: _____
LaTonda Simmons
Secretary of the Redevelopment Agency
of the City of Oakland