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2009 FEB 11 PM 4:19

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

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: February 24, 2009

RE: **An Agency Resolution Amending Resolution No. 2008-51 C.M.S. to Change the Recipient of a Grant for Capital Improvements to the Oaks Hotel at 587 15th Street from the John Stewart Company to Oaks Associates and to Increase the Amount of the Grant by \$18,000 for a Total Not to Exceed \$83,000 to Cover Increased Costs Associated with Payment of Prevailing Wages; and**

**An Agency Resolution Amending Resolution No. 2008-52 C.M.S. to Change the Recipient of a Grant for Capital Improvements to Kenneth Henry Court at 6455 Foothill Boulevard from the John Stewart Company to 6455 Foothill Associates, and to Increase the Amount of the Grant by \$37,000 for a Total Not to Exceed \$187,000 to Cover Increased Costs Associated with Payment of Prevailing Wages**

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**SUMMARY**

On June 17, 2008, the Agency approved Resolutions No. 2008-51 C.M.S. and 2008-52 C.M.S., which respectively provided \$65,000 to the Oaks Hotel and \$150,000 to Kenneth Henry Court, for needed capital improvements. These properties are part of the troubled Oakland Community Housing, Inc. (OCHI) portfolio. The intended recipient of the grants was the property manager of both properties, the John Stewart Company (JSCo). The purpose of this report is to request a change in the authorized recipients of the two grants from JSCo to the current ownership entities for the properties, and to provide additional funds (\$18,000 for the Oaks Hotel and \$37,000 for the Kenneth Henry) to cover the payment of prevailing wages on the capital improvement work being undertaken at these two affordable housing developments.

**FISCAL IMPACT**

Funds in the amount of \$55,000 are available from Agency 2006 Affordable Housing Bond Proceeds, Fund (9584), Housing Development Organization (88929), 2006 Housing Bond Project (L290410), to increase the capital improvements grants to the Oaks Hotel and Kenneth Henry Court, by \$18,000 and \$37,000, respectively. Funding for the original grant allocations is already set aside in Fund 9584 for the Oaks Hotel (Project L356510) and Kenneth Henry (Project L356610). The additional funding is intended to cover the projects' use of prevailing wages, which was not originally included in cost estimates by property management staff. Neither property has sufficient income or reserves to cover these costs, and completing this work will permit JSCo and the 136 tenants at these properties to remain in place while the transfer of ownership is completed.

Item: \_\_\_\_\_  
CED Committee  
February 24, 2009

## **BACKGROUND**

In response to staff reports on May 22, 2007, January 22, 2008, April 22, 2008 and June 17, 2008 on the impacts of OCHI's decline on its Oakland properties, City and Agency resolutions have been approved to provide operating assistance, funds for insurance costs, and emergency tenant assistance and counseling for residents at properties losing property management to assist them in find housing elsewhere. City staff is also working intensively with various non-profits to develop workout and transfer plans for the OCHI properties. These actions have been undertaken by the City and Agency to protect more than \$25,000,000 in investments made over the last 20 years in OCHI's 638 units of affordable housing and prevent displacement of the households living in these units to the greatest degree possible.

Most pertinent to this report, on June 17, 2008, the Agency approved Resolutions No. 2008-51 C.M.S. and No. 2008-52 C.M.S., which respectively provided \$65,000 to the Oaks Hotel and \$150,000 to Kenneth Henry Court for needed capital improvements.

## **KEY ISSUES AND IMPACTS**

### Summary of Requested Changes to the Grants

Although these two properties are generally fairly stable, each has capital improvements needs that cannot be covered by project replacement reserves—fire panel modernization work at the Oaks Hotel, and siding replacement work on two of the four buildings at Kenneth Henry Court.

In recognition that OCHI was failing and unlikely to be able to administer the grants, the funding authorized last year was to be disbursed to JSCo for use at the properties. However, this created unanticipated tax liabilities for JSCo, which as a for-profit entity would be required to pay corporate taxes on the grants. Since that would greatly reduce the funds available for the actual work, staff is requesting that the grants instead be authorized to the property ownership entities. JSCo would then accept the grant funds on behalf of the properties as their management entity.

The use of Agency funds triggers a requirement to pay state prevailing wages. However, since previous capital improvement work, funded out of property reserves, did not require payment of prevailing wage, the original scopes of work put out to bid by JSCo did not take into account the payment of prevailing wages. This was not immediately apparent from the initial bids, but was discovered during negotiation of the grant agreements. The scopes of work have been re-bid with a provision for including prevailing wage, and thus \$55,000 in additional funds are being requested to cover this requirement for the two grants.

A non-profit developer is pursuing ownership of the Oaks Hotel, and has submitted an application for the City's new Rehabilitation and Preservation Notice of Funding Availability (NOFA), which addresses capital improvement needs of existing affordable rental developments. Kenneth Henry Court is being assessed by a couple of non-profits who are interested in taking over ownership of that property as well. Since JSCo has indicated their willingness to remain as

property manager for the Oaks Hotel and Kenneth Henry Court as long as these interim repairs can be completed, staff is recommending increasing the grants amounts to facilitate this and avoid displacement of tenants.

Update Regarding OCHI Portfolio

In the six months since staff's June 2008 report, OCHI's situation has once again deteriorated. Only a single board member remains, its management arm has shut down, property management services have been lost at several properties, and 4 of the 14 Oakland properties are still at risk of closure. There do not appear to be any viable attempts by OCHI to formally dissolve as a non-profit and seek disposition of their properties via the State Attorney General's Office.

However, several other non-profits are stepping up to try to assume ownership of most of the portfolio, and a number of these have applied for rehabilitation funds through the new *Rehabilitation and Preservation NOFA mentioned earlier*. Funding recommendations are anticipated to be presented to the Agency several weeks after this report. Transfers are anticipated to take place over the next six months to two years, depending on the complexity of the ownership structure, and availability of funding to conduct needed repairs to make many of the buildings structurally stable.

**SUSTAINABLE OPPORTUNITIES**

*Economic:* These projects help maintain the affordable housing inventory in Oakland.

*Environmental:* Each of the buildings met standards in existence at the time they were built. It is anticipate that when transferred to new entities and rehabilitated, the buildings will again meet these environmental standards. Preserving sites near mass transit enable residents to reduce dependency on automobiles and further reduce adverse environmental impacts. In the meantime, these grants will facilitate repairs that are necessary to allow JSCo to remain on-site conducting property management at the properties and keep tenants in place in safe, affordable housing.

*Social Equity:* Affordable housing is a means of achieving greater social equity. Oakland's neighborhood-level environment will be improved by renovating underused and sometimes blighted buildings. The anticipated rehabilitation of these developments will preserve and improve affordable rental housing units for low and very low-income senior citizens and families. Social services, when provided to residents, further build social equity.

**DISABILITY AND SENIOR CITIZEN ACCESS**

The Oaks Hotel and Kenneth Henry Court were developed using local and federal funds and were in compliance with the local state and federal regulations at the time regarding access for persons with disabilities and seniors. Furthermore, all developers receiving City or Agency funds are required to effectively market housing units to the disabled community. OCHI had presented

this strategy in their Affirmative Fair Housing Marketing Plans, and any new owners will also need to comply. City funds have long supported housing development for seniors.

**RECOMMENDATIONS AND RATIONALE**

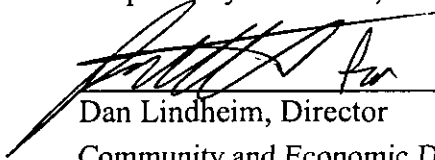
In order to protect or assist the low-income tenants at Kenneth Henry Court and the Oaks Hotel, and the City/Agency investments to date, staff recommends that the Agency approve providing up to \$55,000 in additional funds to cover the required payment of prevailing wages for capital improvement work at the Oaks Hotel and Kenneth Henry Court, and changing the grant recipients to the ownership affiliates.

**ACTION REQUESTED OF THE REDEVELOPMENT AGENCY**

The following actions are requested of the Redevelopment Agency:

1. Amend Resolution No. 2008-51 C.M.S. to change the recipient of a capital improvements grant to the Oaks Hotel at 587 15th Street to Oaks Associates and to increase the amount of the grant by \$18,000 for a total not to exceed \$83,000; and
2. Amend Resolution No. 2008-52 C.M.S. to change the recipient of a capital improvements grant to Kenneth Henry Court at 6455 Foothill Boulevard to 6455 Foothill Associates, and to increase the amount of the grant by \$37,000 for a total not to exceed \$187,000.


Respectfully submitted,

  
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Dan Lindheim, Director  
Community and Economic Development Agency

Reviewed by:   
Sean Rogan, Deputy Director of Housing and  
Community Development

Prepared by:  
Christia Mulvey, Housing Development Coordinator  
Housing and Community Development Division

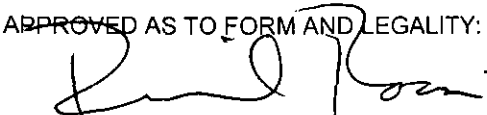
APPROVED AND FORWARDED TO THE  
COMMUNITY & ECONOMIC  
DEVELOPMENT COMMITTEE:

  
\_\_\_\_\_  
Office of the Agency Administrator

Item: \_\_\_\_\_  
CED Committee  
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APPROVED AS TO FORM AND LEGALITY:

  
Agency Counsel

## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**A RESOLUTION AMENDING RESOLUTION NO. 2008-0051 C.M.S. TO CHANGE THE RECIPIENT OF A GRANT FOR CAPITAL IMPROVEMENTS TO THE OAKS HOTEL AT 587 15TH STREET FROM THE JOHN STEWART COMPANY TO OAKS ASSOCIATES AND TO INCREASE THE AMOUNT OF THE GRANT BY \$18,000 FOR A TOTAL NOT TO EXCEED \$83,000 TO COVER INCREASED COSTS ASSOCIATED WITH PAYMENT OF PREVAILING WAGES**

**WHEREAS**, Resolution No. 2008-0051 C.M.S. dated June 17, 2008 authorized a grant for capital improvements in an amount not to exceed \$65,000 to the John Stewart Company ("JSCo"), which has served as the management entity for the Oaks Hotel, located at 587 15<sup>th</sup> Street in the City of Oakland, since October 1, 2007; and

**WHEREAS**, payment of prevailing wages is required by the use of Agency funds; and

**WHEREAS**, approximately \$18,000 in additional funds are required to pay prevailing wages to workers working on the Oaks Hotel; and

**WHEREAS**, JSCo has requested that the intended recipient of the grant be changed to Oaks Associates, the owner of the Oaks Hotel; and

**WHEREAS**, the previously reserved loan funds of \$65,000 are available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), Oaks Hotel (L356510); and

**WHEREAS**, the additional \$18,000 in funds requested at this time is available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), 2006 Housing Bond Project (L290410); now, therefore, be it

**RESOLVED:** That the Agency hereby amends Resolution No. 2008-0051 C.M.S. to change the recipient of a grant for capital improvements to the Oaks Hotel at 587 15th Street from the John Stewart Company to Oaks Associates, and to increase the amount of the grant by \$18,000 for a total not to exceed \$83,000; and be it

**FURTHER RESOLVED:** That the previously reserved loan funds of \$65,000 shall be made available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), Oaks Hotel (L356510) for this grant; and be it

**FURTHER RESOLVED:** That the additional \$18,000 in funds requested at this time shall be allocated to the grant from the Agency's Low-Mod Fund (9584), Housing Development Org (88929), 2006 Housing Bond Project (L290410).

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2009

**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

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APPROVED AS TO FORM AND LEGALITY:

  
\_\_\_\_\_  
Agency Counsel

REDEVELOPMENT AGENCY  
OF THE CITY OF OAKLAND

RESOLUTION No. \_\_\_\_\_ C.M.S.

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A RESOLUTION AMENDING RESOLUTION NO. 2008-0052 C.M.S. TO CHANGE THE RECIPIENT OF A GRANT FOR CAPITAL IMPROVEMENTS TO KENNETH HENRY COURT AT 6455 FOOTHILL BOULEVARD FROM THE JOHN STEWART COMPANY TO 6455 FOOTHILL ASSOCIATES AND TO INCREASE THE AMOUNT OF THE GRANT BY \$37,000 FOR A TOTAL NOT TO EXCEED \$187,000 TO COVER INCREASED COSTS ASSOCIATED WITH PAYMENT OF PREVAILING WAGES

**WHEREAS**, Resolution No. 2008-0052 C.M.S. dated June 17, 2008 authorized a grant for capital improvements in an amount not to exceed \$187,000 to the John Stewart Company ("JSCo"), which has served as the management entity for Kenneth Henry Court, located at 6455 Foothill Boulevard in the City of Oakland, since October 1, 2007; and

**WHEREAS**, payment of prevailing wages is required by the use of Agency funds; and

**WHEREAS**, approximately \$37,000 in additional funds are required to pay prevailing wages to workers working at Kenneth Henry Court; and

**WHEREAS**, JSCo has requested that the intended recipient of the grant be changed to 6455 Foothill Associates, the owner of Kenneth Henry Court; and

**WHEREAS**, the previously reserved loan funds of \$150,000 are available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), Oaks Hotel (L356610); and

**WHEREAS**, the additional \$37,000 in funds requested at this time is available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), 2006 Housing Bond Project (L290410); now, therefore, be it

**RESOLVED:** That the Agency hereby amends Resolution No. 2008-0052 C.M.S. to change the recipient of a grant for capital improvements to Kenneth Henry Court at 6455 Foothill Boulevard from the John Stewart Company to 6455 Foothill Associates, and to increase the amount of the grant by \$37,000 for a total not to exceed \$187,000; and be it

**FURTHER RESOLVED:** That the previously reserved loan funds of \$150,000 shall be made available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929), Kenneth Henry Court (L356610) for this grant; and be it

**FURTHER RESOLVED:** That the additional \$37,000 in funds requested at this time shall be allocated to the grant from the Agency's Low-Mod Fund (9584), Housing Development Org (88929), 2006 Housing Bond Project (L290410).

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2009

**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