

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

2009 DEC 22 PM 5:44

To: Office of the City/Agency Administrator
Attn: Dan Lindheim
From: Community and Economic Development Agency
Date: January 5, 2010

Re: Resolution Amending Resolution 2009-0082 C.M.S. To Change The Recipient Of A \$200,000 Grant For Operating Assistance For The Oaks Hotel From The John Stewart Company To Oaks Associates

SUMMARY

Staff has prepared a resolution to amend Resolution 2009-0082 C.M.S. to change the name of the recipient of a previously authorized \$200,000 grant for operating assistance for the Oaks Hotel from the John Stewart Company (JSCo) to Oaks Associates.

This is a technical change to ensure that the grant is made to the ownership entity for the hotel and not directly to the management company. Because JSCo is the authorized agent for Oaks Associates, it would continue to be accountable for management of the funds, but without the grant becoming taxable income to the management company itself. Without this change, JSCo is unwilling to accept the funds. Staff is recommending that this action be taken as soon as possible. The property cannot continue operations without these funds, but the funds cannot be provided until this action is approved.

FISCAL IMPACT

No new funds are required for this action. Because this only changes the name of the grant recipient, there is no fiscal impact to the Agency.

BACKGROUND

Earlier this year, the Redevelopment Agency authorized a \$200,000 grant for operating assistance for the Oaks Hotel, located at 587 15th Street. The Oaks Hotel is one of a number of properties developed and owned by Oakland Community Housing, Inc. (OCHI), which has since ceased operations. The original resolution named JSCo directly as the grant recipient.

The Agency has previously authorized a similar amendment to revise the named grantee in the case of another former OCHI property, Kenneth Henry Courts, which is also managed by JSCo.

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KEY ISSUES AND IMPACTS

Since the demise of Oakland Community Housing, Inc. (OCHI), JSCo has provided management services at a number of the OCHI-sponsored properties. As the management agent for the owner, JSCo has the authority to receive revenue for the property, including rents and any operating grants, and to expend such funds solely for the benefit of the operation of the property.

The previously adopted resolution providing a \$200,000 grant for Oaks Hotel operating expenses specified JSCo as the grantee. However, if JSCo receives the grant directly it will trigger significant tax liability. JSCo has informed staff that it will not accept the grant directly in its own name but will accept and be accountable for funds granted to the property owner, Oaks Associates.

The property is not sustainable without this operating support as rental income is insufficient to cover the costs of operating and managing the property and providing necessary services to residents. While JSCo continues to manage the property, it will not do so if there is negative cash flow and bills cannot be paid.

JSCo took over property management in October 2007 at the request of the City and other lenders (including the California Department of Housing and Community Development) after OCHI became an insolvent organization. If JSCo ceases property management, no entity will be responsible for paying utilities, performing repairs, preventing unauthorized visitors or addressing tenants' basic safety needs.

PROGRAM DESCRIPTION

The proposed resolution would allow the grant to be made in the name of Oaks Associates rather than JSCo. As the authorized management entity, the JSCo would remain accountable for receipt of the funds and would be permitted to expend them solely for costs of operating the hotel and providing services to residents. Funds will be disbursed only as reimbursement for invoices for approved operating expenses. No funds will be provided for the benefit of OCHI or any of its former employees or board members.

EVALUATION OF PAST PERFORMANCE

JSCo has managed the Oaks Hotel effectively for the past two years. It has continued to keep the hotel in operation, thereby avoiding displacement of tenants and abandonment of the property, both of which would have serious repercussions.

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SUSTAINABLE OPPORTUNITIES

Economic: The proposed action would maintain an existing affordable housing resource in Oakland.

Environmental: Preserving operation of the Oaks Hotel, which is located near mass transit and numerous social services, enables residents to reduce dependency on automobiles and further reduce adverse environmental impacts. In the absence of the proposed action, the likely abandonment of the property would have negative consequences on the surrounding environment.

Social Equity: Affordable housing is a means of achieving greater social equity. The continued operation of the Oaks Hotel will preserve affordable rental housing units for extremely vulnerable low and very low-income senior citizens and individuals. Social services, when provided to residents, further build social equity.

DISABILITY AND SENIOR CITIZEN ACCESS

Ensuring the continued operation of the Oaks Hotel would preserve housing opportunities for extremely low income seniors and person with disabilities.

RECOMMENDATION AND RATIONALE

Staff recommends that the proposed resolution be approved to ensure uninterrupted operation of the Oaks Hotel.

As noted above, this action is a technical correction to a previous resolution and does not require any new appropriation of funds. By authorizing that grant funds go nominally to Oaks Associates with full control by JSCo as the managing agent, the Agency will ensure that operations of the hotel continue uninterrupted while long-term strategies are pursued for disposition of the property and its rehabilitation and operation by a new owner.

ALTERNATIVE RECOMMENDATION

The Agency could choose not to modify the existing resolution and maintain the grant in the name of the JSCo. Because JSCo is unwilling to accept the grant funds in its own name, this course of action would lead to significant negative cash flow and the property would likely end up without any effective property management.

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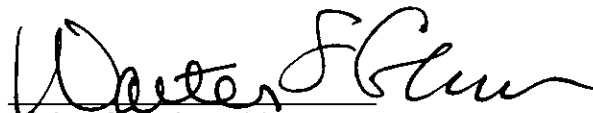
If the Agency decides not to approve the recommendation above, 72 Oaks Hotel residents may be displaced or left in a deteriorating building without any property management and would likely be forced to seek housing in a very tight market without assistance.

Staff does not recommend this alternative.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff recommends that the Agency approve the resolution and authorize that the previously approved grant be awarded in the name of Oaks Associates rather than JSCo.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

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

APPROVED AND FORWARDED TO THE
CITY COUNCIL



Office of the City/Agency Administrator

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FILED
OFFICE OF THE CITY CLERK
OAKLAND

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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 RESOLUTION 2009-0082 C.M.S. TO CHANGE THE RECIPIENT OF A \$200,000 GRANT FOR OPERATING ASSISTANCE FOR THE OAKS HOTEL FROM THE JOHN STEWART COMPANY TO OAKS ASSOCIATES.

WHEREAS, Resolution 2009-0082 C.M.S. dated August 25, 2009 authorized a grant for emergency operating assistance in an amount not to exceed \$200,000 to the John Stewart Company ("JSCo"), which has served as the management entity for the Oaks Hotel, located at 587 15th Street in the City of Oakland, since October 1, 2007; 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, JSCo is authorized to execute agreements to accept grant funds on behalf of the property in their role as authorized management agent for the property; and

WHEREAS, the previously reserved funds of \$200,000 are available in the Agency's Low-Mod Fund (9584), Housing Development Org (88929); now, therefore, be it

RESOLVED, That the Agency hereby amends Resolution No. 2009-0082 C.M.S. to change the recipient of a grant for emergency operating assistance to the Oaks Hotel at 587 15th Street from the John Stewart Company to Oaks Associates; and be it

FURTHER RESOLVED: That the Agency shall require as a condition of the grant that grant funds only be disbursed on a reimbursement or third party payment basis upon verification of incurred operating expenses jointly by the John Stewart Company and Agency staff.

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