

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

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

2010 OCT 14 PM 2: 12

**To:** Office of the Agency Administrator  
**Attn:** Dan Lindheim  
**From:** Community and Economic Development Agency  
**Date:** October 26, 2010

**Re: An Agency Resolution Authorizing An Owner Participation Agreement With Alvernaz Partners, LLC, for the Rehabilitation of 8603 and 8701 Hillside Street in the Central City East Redevelopment Project Area, Including Agency Funding In An Amount Not to Exceed \$275,000, and Rescinding Agency Resolution No. 2009-0091 C.M.S. Authorizing Previous Funding for the Project**

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**SUMMARY**

The Redevelopment Agency is seeking approval of a resolution authorizing the Agency Administrator to negotiate and enter into an Owner Participation Agreement (“OPA”) with Alvernaz Partners, LLC (Grant Alvernaz and Douglas Moore) as owners of 8603 and 8701 Hillside Street, for the rehabilitation of the herein referenced residential properties and Agency funding of the rehabilitation in the form of a matching grant in an amount not to exceed \$275,000.

A total of 96 units are located in two apartment buildings at 8603 and 8701 Hillside Street (together, the “Property”). The Property (APN 43-4610-001-01 and APN 43-4610-001-02) was constructed in 1964 and encompasses a combined area of 1.64 acres. The buildings consist of two stories and have a concrete foundation, stucco exterior walls and flat roofs. The Property is located within the Central City East (“CCE”) Redevelopment Project Area and is situated behind the Castlemont High School campus and Youth UpRising, a youth leadership oriented organization that focuses on the advancement of youth leadership development as a means of transforming the community.

Agency Funding Structure & Purpose

Proposed funding for exterior improvements to the Property will be structured as a reimbursable, “one-for-one” matching grant (the “Grant”). Improvements include: new roofing; exterior building repair and painting; installation of enhanced property lighting; new landscaping; parking lot repaving; demolition of existing pool and courtyard improvements; tree trimming and removal; and ironwork. Grant funds will be distributed for new improvements only, as improvements prior to Agency approval are not deemed eligible. Grant funds will be paid from available Central City East redevelopment funds in an amount not to exceed \$275,000.

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## FISCAL IMPACT

The Grant will be distributed in the form of reimbursements for work in place, once construction on each component or phase of the project is certified complete and the construction terms stated in the OPA have been met. Grant disbursement will be issued in the form of checks payable directly to the Owner. The Owner shall maintain, at their expense, completed improvements to the exterior of the property for 20 years. Neither the City nor the Agency will be responsible for ongoing exterior maintenance.

Reimbursement funding for the proposed new improvements in an amount not to exceed \$275,000 will be allocated from the Redevelopment Agency's Central City East Operations Fund (9540), Central City East Organization (88699), Central City East Public/Private Development (S233360) and Land Assembly and Relocation (S233350) Projects as shown below:

Central City East Tax Increment Funds	
• Public / Private Development Program (S233360)	\$100,000
• Land Assembly & Relocation Program (S233350)	<u>\$175,000</u>
Total	\$275,000

## BACKGROUND

The owners of subject Property have requested funding assistance from the Agency in order to make health and safety improvements to two adjoining apartment buildings on the Property. Alvernaz Partners LLC (the current owners) purchased the Property from Pineview Partners LLC on August 27, 2010. Pineview Partners LLC had previously been awarded Agency funding in an amount not to exceed \$275,000 to conduct various improvements on the property via Agency Resolution No. 2009-0091 C.M.S. Alvernaz Partners purchased the property with the goal to conduct the same improvements on the property, and the desire to receive the same amount in Agency funding to assist in those improvements. The current owners presented their request to the Central City East Project Area Committee ("PAC") at the September 13, 2010, PAC meeting. Staff has worked with the owners to explore the best funding option, factoring in previous owner investment as well as Agency restrictions. Staff and the owners have agreed that said funds will be distributed as a reimbursable matching grant. The PAC voted in favor of the owners' request at the September 13, 2010 PAC meeting, with the recommendation that funding be provided through a recorded Owner Participation Agreement ("OPA"), included as *Attachment A*.

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## KEY ISSUES AND IMPACTS

The owners are seeking assistance from the Agency to bring positive physical change to the Property that will have a beneficial impact on Hillside Street and the surrounding East Oakland neighborhood. Beautification of the area and the ability to attract new tenants of working class families will improve the socio-economic demographics of the area and help to dramatically reduce the 20 year history of crime, violence and drug activity that has plagued the area surrounding Hillside Street.

Over the past three years, both the previous owners as well as the current owners have been successful in working with the Oakland Police Department and the District Councilmember to achieve reductions in criminal activity and police calls for service. The owners have installed new, onsite management and have explored other methods to address the crime issues that have impacted the property and its residents. A stricter policy to evict residents that have been proven to contribute to the criminal element has been put in place. Also during the past three years, over \$500,000 has been invested in the property to upgrade apartment interiors, install security gates, utility systems, and remove illegally dumped trash.

Over the past three years, staff has worked with both the previous and the current owners to provide Agency assistance. The result is the proposed funding of a maximum of \$275,000 for exterior improvements to the Property, which will be structured as a reimbursable, "one-for-one" matching grant (the "Grant").

If the Owner Participation Agreement is not authorized and the amount-not-to-exceed-\$275,000 is not provided, then there is a strong possibility that the necessary improvements to address the health and safety issues at 8603-8701 Hillside Street will not be completed. This could have a negative impact on the efforts to improve the neighborhood put forth by the property's current ownership, in collaboration with the District Councilmember, the Oakland Police Department and the City Attorney's Neighborhood Law Corps unit.

## PROJECT DESCRIPTION

The improvements will include, but shall not be limited to:

- i. New roofing for both buildings
- ii. Exterior building repair and painting
- iii. Installation of enhanced Property lighting
- iv. New landscaping
- v. Parking lot repaving
- vi. Demolition of existing swimming pool and courtyard improvements
- vii. Tree trimming and removal where required

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- viii. Ironwork replacement and repair
- ix. Additional work as required, subject to Agency approval

Grant funds will be distributed for new improvements only, as improvements prior to Agency approval are not deemed eligible. Grant funds will be paid from available Central City East redevelopment funds in an amount not to exceed \$275,000.

The owners of the Property have also conducted negotiations with the City Attorney's Office, Neighborhood Law Corps, around best management practices regarding property operations and management concerns. The City Attorney's office has requested that mutually-agreed upon terms be incorporated into the OPA. Execution of the City Attorney's settlement agreement was a condition precedent to the disbursement of grant proceeds. The settlement agreement was executed by representatives of both parties on August 27 2010.

As negotiated in the OPA, the owners' responsibilities include:

- a. Submitting to Agency for review and approval a complete scope of improvements for total rehabilitation of Property to be undertaken in phases, for eligible exterior capital improvements, as stated in the above list.
- b. Submitting to Agency for review and approval a sources-and-uses project budget, gap analysis and cash flow.
- c. Submitting to Agency for review and approval financing commitments or required equity commitments.
- d. Submitting to Agency for review and approval an implementation / completion schedule.
- e. Ensuring that all work complies with City's current planning and building regulations and that all required necessary permits are secured.
- f. Ensuring that all contractors hired to perform the approved scope of work are licensed contractors that meet minimum insurance requirements of the Agency.
- g. Ensuring that all contractors are able to document compliance with City/Agency's employment and contracting programs (including prevailing wage, Small/Local Business Enterprise, Local Employment, Apprenticeship, Living Wage, First Source, and Equal Benefits).
- h. Maintaining at their expense the completed improvements for 20 years.
- i. Compliance with CCE Redevelopment Plan and nondiscrimination provisions.
- j. Entering into a settlement agreement with the City of Oakland as negotiated by the City Attorney's Office concerning operations and management practices for the Property. Execution of the settlement agreement will be a condition precedent to disbursement of Grant proceeds.

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All of the previously listed requirements and improvements will have a positive impact on the Property and the neighborhood, through both an aesthetic appeal and by addressing public safety concerns, which can lead to increased property values for the surrounding area.

Further improvements to the Property will benefit the neighborhood in a financially positive way, as well. The Property is currently affecting the public safety, as well as the visual appeal, of the neighborhood. Certain improvements upon the exterior building will curtail access throughout the property by non-residents, including individuals who engage in drug dealing and other crime related activities. The improvements (including exterior building repair and ironwork) will work to restrict access to the grounds that have in the past facilitated the escape or haven of individuals who seek to break the law. By decreasing the access, it is hoped that the incidents of crime will decrease. With a reduction in crime and an increase in public safety within the neighborhood, the property values of both the Property and the surrounding neighborhood should increase.

## **SUSTAINABLE OPPORTUNITIES**

### ***Economic:***

The proposed improvements and required operations and maintenance of the property will help to improve and sustain the economic viability of the immediate neighborhood and project area.

### ***Environmental:***

The project will adhere to the City's sustainable development guidelines, which include criteria for green building technologies, site selection and reparation, water, energy, indoor environmental quality and human factors, materials selection with recycled content or health considerations, and waste and recycling procedures.

### ***Social Equity:***

The project will be subject to the Agency's employment and contracting programs including local construction employment, local and small local business participation goals, prevailing wage and living wage.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

This project will be required to comply with applicable City, state and federal disabled access requirements. Any new construction that occurs on the Property will be required to comply with applicable City, state and federal disabled access requirements. CEDA Building Services will address such standards during plan check and building inspection.

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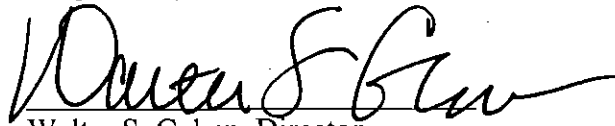
## RECOMMENDATION AND RATIONALE

Staff recommends approval of the Agency Resolution and the Owner Participation Agreement with the owner of the properties at 8603 and 8701 Hillside Street. By implementing the improvements and having the owners hold to the requirements listed in the OPA, the Agency will work to address the crime and blight from which the Property currently suffers.


## ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

It is recommended that the Agency authorize the Agency Administrator or his designee to negotiate and execute an Owner Participation Agreement with Alvernaz Partners, LLC, for rehabilitation of 8603 and 8701 Hillside Street in the Central City East Redevelopment Project Area, including an Agency reimbursable matching grant in an amount not to exceed \$275,000.

Respectfully submitted,



Walter S. Cohen, Director  
Community and Economic Development Agency

Reviewed by:   
Gregory Hunter, Deputy Director, Redevelopment and  
Economic Development

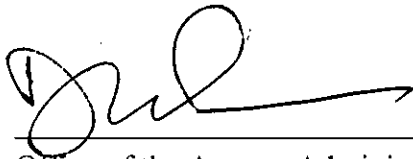
Larry Gallegos, Central City East Manager, Redevelopment  
Division

Prepared by:  
Doug Cole, Urban Economic Coordinator, Redevelopment  
Division

Kimani Rogers, Urban Economic Analyst, Redevelopment  
Division

ATTACHMENT A: Owner Participation Term Sheet

APPROVED AND FORWARDED TO  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

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**8603 & 8701 HILLSIDE STREET  
OWNER PARTICIPATION AGREEMENT  
TERM SHEET  
(Revised 07/08/08, 2/9/09, 10/1/09 Updated 10/4/10)**

The owners of property located at 8603 and 8701 Hillside Street in Oakland (together, the "Property") have requested funding assistance from the Redevelopment Agency of the City of Oakland in order to make health and safety improvements to two adjoining apartment buildings on the Property. The owners presented their request to the Central City East Project Area Committee ("PAC") at the September 13, 2010 PAC meeting. The PAC is supportive of the owners' request. The funding will be provided through a recorded Owner Participation Agreement ("OPA").

Parties

The parties to the OPA will be Alvernaz Partners, LLC (members are Grant Alvernaz and Douglas Moore) as owner of 8603 Hillside and 8701 Hillside Street, and the Redevelopment Agency of the City of Oakland. Alvernaz Partners, LLC, is referred to as "Owner", and the Redevelopment Agency of the City of Oakland is referred to as the "Agency."

Property Description

96 units located in two apartment buildings at 8603 and 8701 Hillside Street (APN 043-4610-001-01 and 043-4610-001-02). The Property is located within the Central City East ("CCE") Redevelopment Project Area.

Agency Funding Structure

Proposed funding for eligible improvements would be structured as a phased, 1 to 1 matching grant, distributed as a reimbursement and not to exceed \$275,000 (the "Grant").

Terms of the Grant

1. Maximum Grant Amount: \$275,000.00
2. Grant Structure: 1 to 1 match of Owner's contribution;
3. Payment: Grant will be issued to Owner as a reimbursement only; and after the completion of an improvement to one of the items listed under "Responsibilities: Section 1a" within this OPA Term sheet.

Grant Disbursement

The Grant will be distributed in the form of reimbursements for work in place, once construction on each component or phase of the project is certified complete and the construction terms stated in the OPA have been met. Grant disbursement will be issued in the form of checks payable directly to the Owner.

Responsibilities

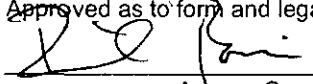
The following additional terms will be incorporated into the OPA:

1. Responsibilities of Owner:
  - a. Submit to Agency for review and approval a complete scope of improvements for total rehabilitation of Property to be undertaken in phases, for eligible exterior capital improvements such as:
    - i. New roofing for both buildings
    - ii. Exterior building repair and painting
    - iii. Installation of enhanced Property lighting
    - iv. New landscaping
    - v. Parking lot repaving
    - vi. Demolition of existing swimming pool and courtyard improvements
    - vii. Tree trimming and removal where required
    - viii. Ironwork replacement and repair
    - ix. Additional work as required, subject to Agency approval
  - b. Submit to Agency for review and approval a sources-and-uses project budget, gap analysis and cash flow.
  - c. Submit to Agency for review and approval financing commitments or required equity commitments.
  - d. Submit to Agency for review and approval an implementation / completion schedule.
  - e. Ensure that all work to complies with City's current planning and building regulations and secure all necessary permits as required.
  - f. Ensure that all contractors hired to perform approved the scope of work are licensed contractors that meet minimum insurance requirements of the Agency.
  - g. Ensure that all contractors are able to document compliance with City/Agency's employment and contracting programs (including prevailing wage, Small/Local Business Enterprise, Local Employment, Apprenticeship, Living Wage, First Source, and Equal Benefits).
  - h. Maintain, at their expense, the completed improvements for 20 years.
  - i. Compliance with CCE Redevelopment Plan and nondiscrimination provisions.
  - j. Must enter into a settlement agreement with the City of Oakland as negotiated by the City Attorney's Office concerning operations and management practices for the Property. Execution of the settlement agreement will be a condition precedent to disbursement of Grant proceeds. Failure to comply with the terms of the settlement agreement shall be grounds for termination of the OPA.



2. Responsibilities of the Agency:
  - a. Due diligence and review of all requested documentation.
  - b. Work cooperatively with Owner to help move the project forward in a timely manner.
  
3. Conditions Precedent to Obtaining CED Committee and Agency Authorization:
  - a. Submission by Owner and review by Agency of items in Section 1.a. above in addition to submission of the following:
    - i. Draft contract for construction of improvements, schedule, and phasing plan (if required).
    - ii. Contract compliance monitoring plan.
  
  - b. Completion and sign off of OPA staff report, scheduling for rules committee, CED and Agency Council meeting
    - i. Rules Committee Date:           October 7, 2010
    - ii. CED Committee Date:           October 26, 2010
    - iii. Agency Date:                   November 16, 2010

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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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**AN AGENCY RESOLUTION AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH ALVERNAZ PARTNERS, LLC, FOR THE REHABILITATION OF 8603 AND 8701 HILLSIDE STREET IN THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA, INCLUDING AGENCY FUNDING IN AN AMOUNT NOT TO EXCEED \$275,000, AND RESCINDING AGENCY RESOLUTION NO. 2009-0091 C.M.S. AUTHORIZING PREVIOUS FUNDING FOR THE PROJECT**

**WHEREAS**, Alvernaz Partners, LLC (the "Owner") is the owner of 8603 Hillside Street and 8701 Hillside Street (together, the "Property"); and

**WHEREAS**, a total of 96 units are located in two apartment buildings at the Property and

**WHEREAS**, the Property is located within the boundaries of the Central City East Redevelopment Project Area; and

**WHEREAS**, the Owner of the Property purchased the Property from Pineview Partners LLC on August 27<sup>th</sup> 2010, who had been previously approved for Agency funding in an amount not to exceed \$275,000 to conduct health and safety improvements to the apartment buildings on the Property via Agency Resolution 2009-0091 C.M.S.; and

**WHEREAS**, the Owner of the Property is making certain health and safety improvements to the apartment buildings on the Property, and have requested funding assistance from the Redevelopment Agency for those improvements; and

**WHEREAS**, the Owner presented their request to the Central City East Project Area Committee ("PAC") at the September 13, 2010, PAC meeting, where the PAC supported the Owner's request and recommended that Agency funding be provided via a recorded Owner Participation Agreement ("OPA"); and

**WHEREAS,** proposed funding for eligible improvements would be structured as a phased, one-to-one matching grant, distributed as a reimbursement and in an amount not to exceed \$275,000 (the "Grant"); and

**WHEREAS,** Grant funds are available from the Agency's Central City East Redevelopment Project Area; and

**WHEREAS,** the proposed improvements will address issues of blight and help meet the goals and objectives of the Central City East Redevelopment Plan; now therefore be it

**RESOLVED:** That the Redevelopment Agency hereby authorizes the Agency Administrator or his or her designee to negotiate and execute an Owner Participation Agreement ("OPA") with the Owner, or to affiliated entities approved by the Agency Administrator or his or her designee, for the rehabilitation of the Property; and be it

**FURTHER RESOLVED:** That the OPA shall provide for a phased, one-to-one matching grant, distributed as a reimbursement from the Agency in an amount not to exceed \$275,000 to the Owner to be used for approved improvements to the Property; and be it

**FURTHER RESOLVED:** That a total of up to \$275,000 in Agency funds is hereby allocated for this purpose, specifically, \$100,000 from the Redevelopment Agency's Central City East Operations Fund (9540), Central City East Organization (88699), Central City East Public/Private Development (S233360) and \$175,000 from the Land Assembly and Relocation (S233350) Programs; and be it

**FURTHER RESOLVED:** That as a condition of the Grant, the Agency shall require the recordation of the OPA; and be it

**FURTHER RESOLVED:** That a condition precedent to the disbursement of any Grant funds shall be that the Owner has executed a settlement agreement with the City of Oakland as negotiated with the City Attorney's Office concerning operations and management practices at the Property; and be it

**FURTHER RESOLVED:** That the disbursement of the Grant shall be contingent on and subject to such other appropriate terms and conditions as the Agency Administrator or his or her designee may establish; and be it

**FURTHER RESOLVED:** That the OPA and all Grant documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution, and copies will be placed on file with the Agency Secretary; and be it

**FURTHER RESOLVED:** That the Agency rescinds Agency Resolution 2009-0091 C.M.S. authorizing previous funding for the project; and be it

**FURTHER RESOLVED:** That the Agency hereby authorizes the Agency Administrator or his or her designee to conduct negotiations, execute documents, administer the Grant, and take any other action with respect to the OPA, the Grant, and the Property consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2010

**PASSED BY THE FOLLOWING VOTE:**

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

NOES -

ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
Secretary of the Redevelopment Agency  
of the City of Oakland, California