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CITY OF OAKLAND



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July 22, 2008

CITY COUNCIL
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE
Oakland, California

**RE: SUPPLEMENTAL REPORT ON AGENCY RESOLUTION
AUTHORIZING AN OWNER PARTICIPATION AGREEMENT FOR
8603 AND 8701 HILLSIDE STREET**

Dear Chairperson Brunner and Members of the Committee:

At your July 22, 2008, meeting, you will be considering a recommendation from the CEDA Redevelopment Division to authorize an owner participation agreement ("OPA") with the owners of residential properties at 8603 and 8701 Hillside Street. The OPA would provide for a \$275,000 deferred forgivable loan from the Redevelopment Agency to fund the rehabilitation of the properties.

This item was pulled from your July 8 agenda. The original staff report from CEDA for the July 8 item attached a term sheet that included a set of covenants requiring the property owners as a condition of the loan to manage and operate the properties in conformance with certain best management practices. Those covenants, which are attached to this letter, were included at the recommendation of the City Attorney's Office. CEDA's staff report now omits those management covenants from the term sheet, and CEDA is now recommending that the loan be made without the condition that the owners follow those practices.

I am writing to provide the Committee with background on how those management covenants were developed, and to recommend in the strongest possible terms that the Committee include those covenants in the OPA as a condition of the loan, **as originally recommended by CEDA**. I am puzzled as to why CEDA staff would have deleted these terms as they are essential to the protection of the City's interest in this transaction.

BACKGROUND

The Neighborhood Law Corps of the City Attorney's Office has been investigating the owners' management practices at the Hillside properties since March 2007, after receiving numerous public safety and habitability-related complaints about the properties from the community. Our investigation confirmed slum conditions, including repeated and ongoing code violations, and serious illegal drug activity and associated violence.

After the owners **failed to voluntarily take steps to address the management problems**, this Office commenced prosecutorial action against the owners. The City has negotiated with the owners for months to reach an agreeable settlement in lieu of litigation. The attached management covenants were the product of settlement discussions among the City Attorney, Councilmember Reid, and the owners. The owners have agreed in principle to these covenants.

KEY ISSUE

The management covenants are the result of the Oakland Police Department's expertise and input, and months of negotiation between the City and the owners. Inclusion of the management covenants as a condition of the OPA loan was the ideal carrot-and-stick resolution the City Attorney and CEDA staff formulated to address the core management deficiencies at the properties.

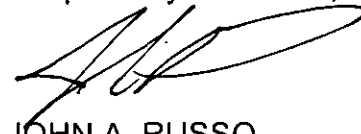
If the management covenants are excluded from the OPA, the City Attorney will be forced to proceed with its prosecutorial action against the owners. It would be foolish to have one City agency provide substantial funding to a property owner while another City department is simultaneously pursuing legal action against that owner.

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RECOMMENDATION

The City Attorney recommends that the management covenants remain attached to and incorporated into the OPA as a condition of the Redevelopment Agency loan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Russo', written over a horizontal line.

JOHN A. RUSSO
City Attorney

Attorneys Assigned:
Sheena Wadhawan
Daniel Rossi

Attachment: 8603 & 8701 Hillside Street: Additional OPA Provisions

8603 & 8701 HILLSIDE STREET: ADDITIONAL OPA PROVISIONS

1. **On-Site Resident Management:** Owner agrees to employ a full-time General Manager, and two full-time on-site resident managers, with one resident manager residing in 8603 Hillside, and one in 8701 Hillside. Owner agrees to maintain records of its compliance with this provision, and make them available for inspection within forty-eight (48) hours upon the City's request.
2. **Community Liaison:** Owner agrees to designate a Community Liaison whose role it will be to interact with and communicate with community members, including but not limited to neighbors and community organizations. The Community Liaison shall provide contact information to the City that may be shared with the community at large. The Community Liaison must be available to discuss both progress and outstanding concerns and complaints about the Property on behalf of Owner, and shall communicate any complaints or concerns to Owner immediately.
3. **Timely Eviction of Problem Tenants:** In a manner complying with all state, local, and federal law, Owner agrees to institute eviction proceedings, by giving the minimum allowable notice required under the law, against any tenant who commits, permits, maintains, or is involved in any drug-related nuisance, gang-related crime, illegal drug activity, illegal possession, sale, or use of weapon, or violent crime on the Property, or who fail to abide by the terms of their lease or the house rules, immediately upon learning of the activity or being informed of the activity by the Oakland Police Department. Owner agrees to maintain records of its compliance with this provision, and make them available for inspection within forty-eight (48) hours upon the City's request.
4. **No-Loitering Policy:** Owner agrees to immediately report to the Oakland Police Department any illegal activity on the Property which, through reasonable diligence, the Owner is aware. The City agrees that activity reported by Owner will not be considered a breach of the OPA, so long as Owner continues to report to and reasonably work with the Oakland Police Department to abate such activity. Owner agrees to include a no-loitering policy in each and every lease agreement, and to post "No Loitering" signs on the front and rear of both buildings on the Property in clearly visible locations. The Owner agrees to consistently monitor and enforce the policy. Owner agrees to inspect the signs every thirty days and to replace signs that are missing or defaced within ten days of inspection. Owner agree to report to the Oakland Police Department chronic loiterers, or loiterers who use, sell, store, or give away controlled substances on the Property, or who commit any acts of

ATTACHMENT A

violence or property crime on or near the Property. Owner agrees to sign "No Trespassing" complaints with the Oakland Police Department, and to renew them every thirty days. Owner agrees to maintain records of its compliance with this provision, and make them available for inspection within forty-eight (48) upon the City's request.

5. **Secure Gates:** Owner agrees that any and all access to either of the Property shall be confined to secure access points at the front of the Property. Owner agrees the front gates at each of the buildings on the Property will remain locked and secured, such that no person will be able to enter the Property without an access card or key to enter the locked gate. The access points will be consistently monitored and maintained to ensure that they remain locked and secured at all times. Owner agrees the gates that control access to the parking lots at each of the buildings on the Property will remain locked and secured, such that no person will be able to enter the Property without an access card or key to enter the locked gate. The access points will be consistently monitored and maintained to ensure that they remain locked and secured at all times.
6. **Ongoing security services:** Owner agrees to retain the services of an on-site or off-site security company, other than that currently employed, which Owner or management will call when assistance is needed twenty-four hours per day and seven days per week, and who periodically patrol the Property on a daily basis. The security company must physically patrol the Property at least four times per day during daylight hours, and six times per day during nighttime hours. If, after six months from the effective date of this agreement, the Oakland Police Department is unsatisfied with the performance and efficacy of the security company employed, this provision will be revised and Owner will agree to on-site armed security during peak hours of criminal activity, as determined by the Oakland Police Department, not to exceed 8 hours per day.
7. **Mailboxes:** Owner agrees to maintain secure tenant mailboxes on the Property, so that they remain locked at all times, and may only be accessed with a key by tenants or United States Postal Service personnel.
8. **Secure fencing:** Owner agrees to install and maintain wrought-iron fencing around the entire perimeter of the Property.
9. The City agrees Owner may employ a phased approach to fencing the property as follows:

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- a. **Phase One:** Owner agrees to complete Phase One by May 30, 2008, on which date the City will inspect for compliance. The City and Owner agree the rear of both buildings on the Property and the shared fence with Castlemont High School ("Castlemont") must be secured. Owner agrees to repair and secure the unsecured gap in fencing, located at the corner of 8603 Hillside Street's rear fence and Castlemont's fence, with fencing of a similar height to Castlemont's existing fencing or eight feet, so that it is can no longer be used as an access way. Owner agrees to install and maintain eight-foot wrought iron fencing with an outward-curvature design behind both buildings on the Property between neighbors' existing fencing, so that there is continuous secure fencing at the rear of the both of the buildings. All razor wire or other illegal fencing materials must be removed. Owner agrees to re-secure any damaged or unsecured chain-link fencing located on the Property. Owner agrees to maintain and repair all fencing as needed. Owner agrees to repair any and all damaged fencing within two weeks of discovery of damage.
 - b. **Phase Two:** Owner agrees to complete Phase Two within twelve months of execution of the OPA. The Parties agree that the wooden fencing on the side of 8701 Hillside Street need not be removed, but Owner agrees to repair it so as to eliminate points of entry and to ensure stability. Owner agrees to install and maintain eight-foot wrought iron fencing with an outward-curvature design along the entire rear of both buildings not improved as part of Phase One.
10. **Blight:** Owner agrees to maintain the Property in a blight-free condition as defined by Oakland Municipal Code section 8.24 et seq.
 11. **Lighting:** Owner agrees to install and maintain motion-activated lighting that will illuminate the entirety of the exterior of the Property after dark.