

FILED REDEVELOPMENT AGENCY  
OFFICE OF THE CITY CLERK OF THE CITY OF OAKLAND  
2009 APR 30 PM 6:45 AGENDA REPORT

TO: Office of the Agency Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: May 12, 2009  
RE: **An Agency Resolution Amending Agency Resolution No. 2000-0055 to Reduce the Interest Rate to Three Percent for Site Acquisition Loans for 1662 - 1664 7<sup>th</sup> Street, 1666 7<sup>th</sup> Street, 1672 7<sup>th</sup> Street and 715 Campbell Street, and Authorize a Loan to Local Initiatives Support Corporation of Up to \$6,000 For Maintenance Costs For the Properties to Facilitate the Foreclosure and Sale of these Properties**

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#### SUMMARY

This item is a request for the Oakland Redevelopment Agency (Agency) approval of a resolution amending Resolution No. 2000-0055 C.M.S., the legislation establishing the Agency's Site Acquisition Program, to reduce the interest rate to three percent for site acquisition loans for 1662-1664 7<sup>th</sup> Street, 1666 7<sup>th</sup> Street, 1672 7<sup>th</sup> Street and 715 Campbell Street (collectively known as the "7<sup>th</sup> and Campbell" properties). This item also requests authority to loan up to \$6,000 to Local Initiatives Support Corporation ("LISC"), a junior lienholder on the properties, to cover maintenance costs for the properties to remove and prevent blighting conditions and to facilitate the foreclosure and sale of these properties to recoup the Agency investment. The interest rates of the site acquisition loans currently vary between 4 and 6.19 percent. A three percent interest rate is standard for City/Agency loans made for affordable housing developments and will provide for a more competitive sales price for the 7<sup>th</sup> and Campbell properties in the current real estate market.

#### FISCAL IMPACT

Retroactively reducing the interest rate to three percent for the 7th and Campbell loans will reduce deferred interest revenue by \$122,994, and reduce any future interest accruals as well. Without the reduction, however, the foreclosure and subsequent sale of the properties (that will lead to the repayment of the Agency loans) are much less likely to occur. Any repayments of the 7th and Campbell loans will be returned to the 2000 Affordable Housing Bond Fund (Fund 9583).

The \$6,000 Agency loan for property maintenance, including weed removal and the rental of a security fence, will be provided from the West Oakland portion of the Redevelopment Planning Fund (9101), West Oakland Base Reuse Organization (88679), Budget Project (P37650).

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CED Committee  
May 12, 2009

**BACKGROUND**

On July 25, 2000, the Agency adopted Resolution No. 2000-0055 C.M.S., which established the Affordable Housing Site Acquisition Program and authorized a \$10 million allocation from affordable housing bond proceeds to fund site acquisition loans under the program. Per the Resolution, interest rates for each loan were determined according to the cost of funds at the time the loan was closed. This program was established to assist affordable housing developers acquire sites appropriate for the development of affordable housing, and provided up to 100 percent of the acquisition and holding costs to affordable housing developers to purchase vacant buildings or vacant land.

Between 2001 and 2003, the Agency made site acquisition loans totaling \$689,598 to Oakland Community Housing, Inc. (OCHI) for the 7th and Campbell properties. As of March 31, 2009, the total amount of accrued interest owed on the Agency's 7<sup>th</sup> and Campbell loans is \$263,974. Retroactively reducing the interest rate on each property to three percent will reduce the total interest owed to \$140,980, a difference of \$122,994. Table 1 shows the loan details for each property.

**Table 1: 7<sup>th</sup> and Campbell Site Acquisition Loans to OCHI**

Property	Loan Amount	Current Interest Rate	Interest Accrued as of 3/31/09	Interest Accrued if Rate is Reduced to 3%	Difference
1662 - 1664 7th St.	\$276,000	6.19%	\$130,418	\$61,919	\$68,499
1666 7th St.	\$169,238	4.00%	\$37,719	\$28,289	\$9,430
1672 7th St.	\$168,440	5.89%	\$70,275	\$35,794	\$34,481
715 Campbell St.	\$75,920	5.12%	\$25,562	\$14,978	\$10,584
<b>Total</b>	<b>\$689,598</b>	<b>N/A</b>	<b>\$263,974</b>	<b>\$140,980</b>	<b>\$122,994</b>

The principal and interest were due to the Agency three years after the loans were executed. During this period, OCHI was unable to proceed with a feasible project on the site and at least one subsequent affordable housing development proposal by an interested developer failed to move forward. Under the terms of the Site Acquisition Loan Program, an affordability agreement was recorded on each of the properties requiring that at least 25 percent of the residential units developed on the properties be affordable to households at or below 80 percent of Area Median Income. In June 2007, the Agency adopted Resolution No. 2007-0046 C.M.S., which authorized the removal of affordability restrictions on the 7<sup>th</sup> and Campbell properties contingent on the Agency loans being repaid in full and the Low and Moderate Income Housing Fund being made whole. The ability to remove the restrictions substantially increases the marketability of the parcels and the likelihood of selling these properties in the current market to recoup the Agency investments upon resale.

As described in a series of staff reports between May 22, 2007 and March 3, 2009, OCHI is no longer a solvent non-profit organization. As a result of their insolvency, OCHI cannot develop or sell these parcels, nor repay the defaulted Agency loans. The parcels are vacant except the 1666 7<sup>th</sup> Street parcel, which contains one building. The vacant properties have not been properly maintained by OCHI.

## **KEY ISSUES AND IMPACTS**

### LISC Involvement

LISC, a non-profit corporation dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities, is the second lien holder on the 7<sup>th</sup> and Campbell properties (subordinate to the Agency liens). In 2003, LISC provided short-term gap acquisition financing in the amount of \$220,300 to OCHI for the parcels located at 7<sup>th</sup> and Campbell, in addition to two additional parcels abutting the 7<sup>th</sup> and Campbell properties. Due to OCHI's insolvency, LISC's loan is also in default.

In March 2009, after consultation with the Agency, LISC began taking steps to foreclose on its security interests in the 7<sup>th</sup> and Campbell properties. Once the properties are foreclosed, LISC intends to market and sell the properties. By handling the foreclosure, marketing and sale of the 7<sup>th</sup> and Campbell properties, LISC is saving the Agency considerable costs in staff time and fees associated with the foreclosure and sale of the properties. Since the Agency is the lien holder in first position on the 7<sup>th</sup> and Campbell properties, LISC is required to pay back the Agency loans plus interest before recouping any of its own investment. Due to current market condition, LISC may be able to recoup a portion or the loan's entire principal; however, it is highly unlikely that LISC will be able to recoup any of its loan's accrued interest of \$45,000.

### Funds to Maintain the Properties

The resolution will also authorize a \$6,000 Agency loan to LISC to maintain the properties, which will consist of weed removal and the rental of a security fence. In absence of adequate property maintenance by OCHI, the City Code Compliance division has been cleaning up the properties, which has resulted in code compliance penalties assessed on the properties. Provision of these funds to LISC will ensure the properties are adequately maintained throughout the foreclosure and sale of the properties.

## **SUSTAINABLE OPPORTUNITIES**

***Economic:*** Reducing the interest rate on these loans to three percent (the standard for City/Agency affordable housing loans) will help facilitate the foreclosure and sale of these properties to recoup the Agency's investment of \$689,598.

***Environmental:*** The 7<sup>th</sup> and Campbell properties have not been adequately maintained by OCHI, since they are no longer a solvent organization. As a result, the properties have been creating a blighting influence in the community with overgrown weeds and trash accumulation. Allocating \$6,000 in Agency funds to LISC will enable them to remove and prevent blighting conditions throughout the foreclosure and sale of the properties.

***Social Equity:*** The 7<sup>th</sup> and Campbell properties are vacant and underutilized and currently a blighting influence in the West Oakland community due to deferred maintenance. Reducing the interest rate on the Agency loans will help facilitate the sale of these properties so they can be more fully utilized. In addition, these actions will help recoup the Agency investment, which can then be reinvested in affordable housing activities throughout the City.

#### **DISABILITY AND SENIOR CITIZEN ACCESS**

This Resolution does not provide specific benefits or programs for disabled or senior citizens.

#### **RECOMMENDATION AND RATIONALE**

Reducing the interest rate for the 7<sup>th</sup> and Campbell properties to the three percent will bring the site acquisition loans in line with the current interest rate of the City and Agency's affordable housing development loans. This reduction will help facilitate the foreclosure and sale of the properties and, as a result, help the Agency and LISC recoup their investments. Therefore, staff recommends that the City Council amend the resolution to reduce the interest rate to three percent for site acquisition loans for 1662 - 1664 7th Street, 1666 7th Street, 1672 7th Street and 715 Campbell Street, and authorize a loan to LISC up to \$6,000 for maintenance costs for the properties to remove and prevent blighting conditions.

**ACTION REQUESTED OF THE CITY COUNCIL**

The Community and Economic Development Agency requests that the Agency accept this report and amend resolution No. 2000-0055 C.M.S. to reduce the interest rate to three percent for site acquisition loans for 1662 - 1664 7<sup>th</sup> Street, 1666 7<sup>th</sup> Street, 1672 7<sup>th</sup> Street and 715 Campbell Street, and authorize a loan to LISC of up to \$6,000 for maintenance costs for the properties.

Respectfully submitted,

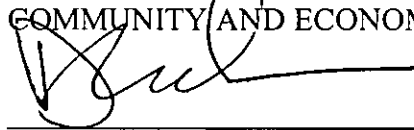


Walter S. Cohen, Director  
Community and Economic Development Agency

Reviewed By:  
Sean Rogan, Deputy Director  
Housing & Community Development

Prepared By:  
Meghan Horl,  
Acting Housing Development Manager

APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



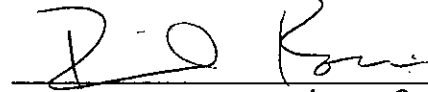
Office of the Agency Administrator

Item: \_\_\_\_\_  
CED Committee  
May 12, 2009

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2009 APR 30 PM 6:45

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. 2000-0055 C.M.S. TO REDUCE THE INTEREST RATE TO THREE PERCENT FOR SITE ACQUISITION LOANS FOR 1662-1664 7<sup>TH</sup> STREET, 1666 7<sup>TH</sup> STREET, 1672 7<sup>TH</sup> STREET AND 715 CAMPBELL STREET, AND TO AUTHORIZE A LOAN TO LOCAL INITIATIVES SUPPORT CORPORATION OF UP TO \$6,000 FOR MAINTENANCE COSTS FOR THE PROPERTIES**

**WHEREAS**, on June 25, 2000, the Redevelopment Agency adopted Resolution No. 2000-0055 C.M.S. establishing the Affordable Housing Site Acquisition Program and authorized a \$10 million allocation from Affordable Housing Bond Proceeds to fund site acquisition loans under the Program; and

**WHEREAS**, under the Program guidelines adopted by Resolution No. 2000-0055, the interest rate is set at the Agency's cost of funds; and

**WHEREAS**, in 2001 the Redevelopment Agency made a site acquisition loan under the Program in the amount up to \$276,000 with an interest rate of 6.19% to Oakland Community Housing, Inc. for the purchase of 1662-64 7<sup>th</sup> Street; and

**WHEREAS**, in 2001 the Redevelopment Agency made a site acquisition loan under the Program in the amount up to \$276,000 with an interest rate of 5.89% to Oakland Community Housing, Inc. for the purchase of 1672 7<sup>th</sup> Street; and

**WHEREAS**, in 2002 the Redevelopment Agency made a site acquisition loan under the Program in the amount up to \$75,920 with an interest rate of 5.12% to Oakland Community Housing, Inc. for the purchase of 715 Campbell Street; and

**WHEREAS**, in 2003 the Redevelopment Agency made a site acquisition loan under the Program in the amount up to \$169,238 with an interest rate of 4% to Oakland Community Housing, Inc. for the purchase of 1666 7<sup>th</sup> Street; and

**WHEREAS**, the four parcels became collectively known as the "7<sup>th</sup> and Campbell" development (the "Properties"); and

**WHEREAS**, Oakland Community Housing, Inc. is no longer a solvent organization and cannot develop the Properties, sell the Properties, nor repay the defaulted loans; and

**WHEREAS**, Oakland Community Housing, Inc. has debt subordinate to the Redevelopment Agency on the Properties; and

**WHEREAS**, the Properties are no longer being properly maintained, which is causing a blighting influence in the community; and

**WHEREAS**, Local Initiatives Support Corporation, a junior lien holder on the Properties, is taking steps to foreclose on the Properties; and

**WHEREAS**, retroactively reducing the interest rates on each of the loans to 3% will help facilitate the foreclosure and sale of the Properties to recoup the remaining debt owed to the Agency; now therefore, be it

**RESOLVED**: That Resolution No. 2000-0055 C.M.S. is hereby amended to authorize the Agency Administrator to retroactively reduce the interest rate on each of the site acquisition loans on the Properties to 3%; and be it

**FURTHER RESOLVED**: That the Redevelopment Agency authorizes a loan of up to \$6,000 to Local Initiatives Support Corporation to cover maintenance costs for the Properties to remove and prevent blighting conditions; and be it

**FURTHER RESOLVED**: That the Redevelopment Agency loan shall be allocated from the West Oakland portion of the Redevelopment Planning Fund (9101), West Oakland Base Reuse Organization (88679), Budget Project (P37650); and be it

**FURTHER RESOLVED**: That the Agency Administrator or his designee is hereby authorized to conduct negotiations, execute documents, administer the loan, extend or modify repayment terms, and take any other necessary action with respect to the loan and the Properties, consistent with this Resolution and its basic purpose; and be it

**FURTHER RESOLVED:** That prior to execution, all loan documents will be reviewed as to form and legality by Agency Counsel and copies shall be placed on file with the Agency Secretary.

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

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