

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

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2008 JUN 26 PM 4: 23

**To:** Office of the Agency Administrator  
**Attn:** Deborah Edgerly  
**From:** Community and Economic Development Agency  
**Date:** July 8, 2008

**Re: An Agency Resolution Authorizing An Owner Participation Agreement With Pineview Partners, LLC, and Lenin Anne 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**

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## SUMMARY

This item is a request for Redevelopment Agency approval of a resolution authorizing the Agency Administrator to negotiate and enter into an Owner Participation Agreement (“OPA”) with Pineview Partners, LLC (members are Steve deGolia and Robert Fitzstephens) as partial owner of 8603 Hillside Street and sole owner of 8701 Hillside Street, and Lenin Anne as partial owner of 8603 Hillside Street, for the rehabilitation of these residential properties and Agency funding of the rehabilitation in the form of a deferred loan in the amount of \$275,000.

### Property Description

A total of 96 units are located in two apartment buildings at 8603 and 8701 Hillside Street (together, the “Property”). 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.

### Agency Funding Structure & Purpose

Proposed funding for exterior improvements to the Property will be structured as a deferred, twenty (20) year loan (the “Loan”). Loan proceeds will be paid from available Central City East redevelopment funds in an amount not to exceed \$275,000.

## FISCAL IMPACT

Funding for the proposed improvements in an amount not to exceed \$275,000 will be allocated from the Redevelopment Agency’s Central City East Operations Fund (9450), Central City East Organization (88699), Central City East Public/Private Development (S233360) and Land Assembly and Relocation (S233350) Programs as shown below:

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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 the Property have requested funding assistance from the Agency 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 February 4, 2008, PAC meeting. Staff originally proposed this project to be assisted with a matching grant. However, since the owners have already expended a large portion of their own project capital on regular operations and maintenance, they can only support a deferred loan. The PAC is supportive of the owners' request with the recommendation that funding be provided through a recorded Owner Participation Agreement ("OPA"), included as Attachment A.

## KEY ISSUES AND IMPACTS

The owners are seeking partnership with the City to bring positive physical change to the Property that will have a positive 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 year, the owners have been successful in working with the OPD and the District Councilmember to achieve reductions in criminal activity and police call outs. Also during the past year, the owners have invested over \$500,000 to upgrade apartment interiors, install gates, utility systems, and removing illegally dumped trash.

The owners of the Property are also negotiating 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.

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## **SUSTAINABLE OPPORTUNITIES**

### ***Economic:***

The proposed improvements, 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, and living wage.

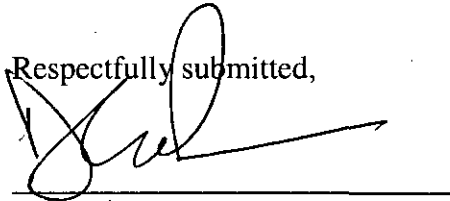
## **DISABILITY AND SENIOR CITIZEN ACCESS**

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.

**ACTION REQUESTED OF THE REDEVELOPMENT AGENCY**

It is recommended that the Agency authorize the Agency Administrator or her designee to negotiate and execute an Owner Participation Agreement with Pineview Partners, LLC, and Lenin Anne for rehabilitation of 8603 and 8701 Hillside Street in the Central City East Redevelopment Project Area, including Agency deferred loan funding in an amount not to exceed \$275,000.

Respectfully submitted,



Dan Lindheim  
Director  
Community and Economic Development Agency

Reviewed by:  
Gregory Hunter, Deputy Director of Economic Development  
and Redevelopment  
Larry Gallegos, Central City East Manager, Redevelopment  
Division

Prepared by:  
Doug Cole, Urban Economic Coordinator  
Redevelopment Division

ATTACHMENT A: Owner Participation Term Sheet

APPROVED AND FORWARDED TO  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:

  
Office of the City/Agency Administrator

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**8603 & 8701 HILLSIDE STREET  
OWNER PARTICIPATION AGREEMENT  
TERM SHEET  
(Revised 06/04/08)**

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 February 4, 2008, 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 Pineview Partners, LLC (members are Steve deGolia and Robert Fitzstephens) as partial owner of 8603 Hillside and sole owner of 8701 Hillside, Lenin Anne, as partial owner of 8603 Hillside; and the Redevelopment Agency of the City of Oakland. Pineview Partners, LLC, and Lenin Anne are together 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. 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 forgivable, deferred-payment permanent construction loan not to exceed \$275,000 (the "Loan").

Terms of the Loan

1. Maximum Loan Amount: \$275,000.00
2. Loan Term: Twenty (20) years.
3. Interest Rate: No interest.
4. Payments: No periodic payments are required. Loan shall become due and payable in full when the Property is transferred, sold, or refinanced, or if Owner defaults under the OPA.
5. Security: The Loan will be evidenced by a promissory note and secured by a deed of trust against the Property. The deed of trust will be subordinate to existing deeds of trust on the Property.
6. Forgiveness: After twenty years, if there is no transfer, sale, refinance, or default, the Loan will be forgiven.

Loan Disbursement

The Loan 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. Loan 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 Agency review and approval a complete scope of improvements for total rehabilitation of Property to be undertaken in phases, for eligible exterior capital improvements in the following priority:
    - 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
  - b. Submit to Agency for Agency review and approval a sources and uses project budget, gap analysis and cash flow.
  - c. Submit to Agency for Agency review and approval financing commitments or required equity commitments.
  - d. Submit to Agency for Agency review and approval an implementation / completion schedule.
  - e. All work to comply with City's current zoning and design guidelines and secure all necessary permits as required.
  - f. All contractors hired to perform approved scope of work to be licensed contractors that meet minimum insurance requirements of the Agency.
  - g. Be 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. Owner to maintain, at their expense the improvements completed for 20 years.
  - i. Owner to comply with CCE Redevelopment Plan and nondiscrimination provisions.
  - j. Owner to comply with additional obligations re continuing management and operation of the Property attached to this term sheet, enforceable by

the City of Oakland as a third party beneficiary of the OPA. Breach of these obligations shall also constitute a Loan default.

2. Responsibilities of the Agency:
  - a. Due diligence and review of all requested documentation.
  - b. Working 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. Tentative Rules Committee Date: June 3, 2008
    - ii. Tentative CED Committee Date: July 8, 2008
    - iii. Tentative Agency Date: July 15, 2008

**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



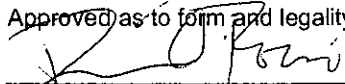
violence or property crime on or near the Property. Owner agrees to sign "No Trespassing" complaints with the Oakland Police Department, and to renew them every thirty days. Owner agrees to maintain records of its compliance with this provision, and make them available for inspection within forty-eight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

- 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.

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OAKLAND

2008 JUN 26 PM 4:23

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 AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH PINEVIEW PARTNERS, LLC, AND LENIN ANNE 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**

**WHEREAS**, Pineview Partners, LLC, is partial owner of 8603 Hillside and sole owner of 8701 Hillside, and Lenin Anne is partial owner of 8603 Hillside (together, the "Owners"); and

**WHEREAS**, A total of 96 units are located in two apartment buildings at 8603 and 8701 Hillside Street (together, the "Property"); and

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

**WHEREAS**, the Owners of the Property are 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 Owners presented their request to the Central City East Project Area Committee ("PAC") at the February 4, 2008, 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 forgivable, deferred-payment permanent construction loan not to exceed \$275,000 (the "Loan"); and

**WHEREAS**, Loan 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 Owners 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 forgivable, deferred-payment permanent construction loan from the Agency in an amount not to exceed \$275,000 to the Owners 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 will be allocated. Specifically, \$100,000 from the Redevelopment Agency's Central City East Operations Fund (9450), 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 the loan will be for a term of 20 years, with no interest and with no periodic payments, but shall become due and payable in full when the Property is transferred, sold or refinanced, or if Owners default under the OPA; and be it

**FURTHER RESOLVED**: That the loan shall be forgiven after twenty years if there is no transfer, sale, refinance, or default; and be it

**FURTHER RESOLVED**: That as a condition of the loan, the Agency shall require the recordation of the OPA, which shall also incorporate best management practices regarding property operations and management concerns; and be it

**FURTHER RESOLVED**: That the loan shall be secured by a deed of trust on the Property; and be it

**FURTHER RESOLVED**: That the making of the loan 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 Agency hereby authorizes the Agency Administrator or his or her designee in his or her discretion to subordinate the priority of the Agency's deed of trust to liens or encumbrances of another private or governmental entity providing financial assistance to the project, if the Agency Administrator or his or her designee determines that (1) an economically feasible alternative method of financing the project on substantially comparable terms and conditions but without subordination is not reasonably available, (2) the Agency's investment in the Property in the event of default is reasonably protected, and (3) subordination is in the best interests of the Agency; and be it further

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

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2008

**PASSED BY THE FOLLOWING VOTE:**

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

NOES -

ABSENT -

ABSTENTION -

**ATTEST:**

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