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OFFICE OF THE CITY CLERK
OAKLAND

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

2010 FEB 25 AM 9:40

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: March 9, 2010

RE: **Agency Resolution Authorizing The Agency Administrator To Purchase A \$220,300 Loan Secured By 1662-1664 7th Street, 1666 7th Street, 1672 7th Street, 715 Campbell Street And 1676 7th Street In West Oakland From The Local Initiatives Support Corporation For An Amount Not To Exceed \$100,000**

SUMMARY

A resolution has been prepared requesting Oakland Redevelopment Agency (Agency) approval of a resolution authorizing the purchase of a \$220,300 loan made by the Local Initiatives Support Corporation (LISC) to Oakland Community Housing, Inc. (OCHI) for an amount not to exceed \$100,000. The loan is against properties located in West Oakland assembled by OCHI for the purpose of developing affordable housing at the site generally known as the 7th and Campbell properties. Agency purchase of the LISC loan will put the Agency in first position on all of the parcels, including 1676 7th Street, consolidating the Agency's control of the site for future development.

OCHI is no longer in existence, and has defaulted on its loans to both the Agency and to LISC. By purchasing the LISC loan, the Agency will be in a position to foreclose on the development site at a time of its choosing.

In analyzing the options available to the Agency in regard to recovering the property, it was concluded that the community and the purposes of redevelopment will be best served by purchasing the LISC loan at a discount, using West Oakland Redevelopment Project funds. While the principal owed to LISC by OCHI is \$220,300, LISC is prepared to accept \$100,000 and give up all ownership position in the properties. The Agency will then issue a Request For Proposals (RFP) for the sale and development of the site.

FISCAL IMPACT

The purchase of the LISC loan will require a \$100,000 expenditure of redevelopment funds from the West Oakland Redevelopment Operations Fund and Project (Fund 9590, Project S233510, Org.88679) for projects and programs in the West Oakland Project Area.

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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. This program was established to assist affordable housing developers in acquiring 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 (1662-1664 7th St, 1666 7th St., 1672 7th St. and 715 Campbell St.).

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. In May of 2009, the Agency adopted Resolution No. 2009-0059 C.M.S. to reduce the interest rate on the Agency loans to 3% (from rates that varied between 4 and 6.19%).

Table 1 shows the loan details for each property:

APN	#	Street	Agency Loan		LISC Loan	
			Principal	Interest at 3 %	Principal	Interest
006-0017-017	715	Campbell	\$75,920	\$14,978		
006-0017-018	1662	7th	\$276,000	\$61,919		
006-0017-019	1664	7th				
006-0017-020	1666	7th	\$169,238	\$28,289		
006-0017-021	1672	7th	\$168,440	\$35,794		
006-0017-022	1676	7th				
Total			\$689,598	\$140,980	\$220,300	\$45,000

LISC, a non-profit corporation dedicated to helping community residents transform neighborhoods into healthy and sustainable communities. LISC has a long-standing commitment to support community development in Oakland. In 2003, LISC provided short-term gap acquisition financing in the amount of \$220,300 to OCHI for the 7th and Campbell properties, in addition to an adjacent parcel (1676 7th Street), which did not have any loans against it, putting LISC in a first position for that parcel only. LISC is the second lien holder on all the 7th and Campbell properties except: 1676 7th Street (LISC is in 1st position) and 1666 7th Street (LISC is in third). Due to OCHI's insolvency, LISC's loan is also in default. In purchasing the LISC loan, the Agency will be able to control the entire site known as the 7th & Campbell properties.

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Please see *Attachment A* for a map of 7th & Campbell properties.

KEY ISSUES AND IMPACTS

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 7th 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.

In March 2009, after consultation with the Agency, LISC began taking steps to foreclose on its security interests in the 7th and Campbell properties. By purchasing the LISC loan, the Agency will take over the foreclosure proceedings for the entire 7th and Campbell site, but will have the discretion to move forward on that process at a time that is most advantageous to the City and the Agency.

On January 13, 2010 the West Oakland Project Area Committee (WOPAC) approved the use of West Oakland Redevelopment funds for the purchase of the LISC loan in an amount not to exceed \$100,000. The WOPAC's rationale was that though LISC's principal amount was \$220,300, the most recently appraised value of the properties was \$146,952. In addition, liens in the amount of \$27,574 were recorded against the property. WOPAC recommended offering LISC \$100,000 for the loan, and LISC agreed.

SUSTAINABLE OPPORTUNITIES

Economic: Purchase of the LISC loan will help facilitate the foreclosure and sale of these properties to recoup the Agency's investment of \$689,598.

Environmental: Approval of the resolution will help the Agency move toward getting this blighted property developed in a productive way.

Social Equity: There will not be an impact on social equity.

DISABILITY AND SENIOR CITIZEN ACCESS

Approval of this resolution will not have an impact on disability and senior access.

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RECOMMENDATION(S) AND RATIONALE

Purchasing the LISC loan against the 7th and Campbell properties will consolidate the Agency's control of the site, and allow the Agency to proceed with foreclosure at a time most advantageous to the Agency and the City. Therefore, staff recommends that the Agency approve the resolution to purchase the loan for an amount not to exceed \$100,000.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff recommends approval of the resolution authorizing the Agency Administrator to purchase the LISC \$220,300 loan secured by 1662-1664 7th Street, 1666 7th Street, 1672 7th Street, 715 Campbell Street, and 1676 7th Street for an amount not to exceed \$100,000.

Respectfully submitted,



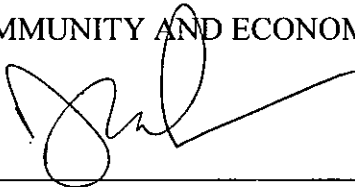
Walter S. Cohen, Director
Community and Economic Development Agency

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

Patrick Lane, Redevelopment Area Manager, Redevelopment
Division

Prepared by:
Hui-Chang Li, Urban Economic Analyst, Redevelopment
Division

APPROVED AND FORWARDED TO
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

ATTACHMENT A: Map of 7th and Campbell site

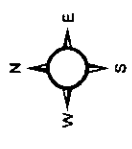
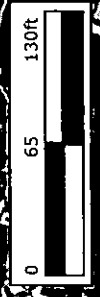
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Attachment A: 7th and Campbell Site



Legend

- City Limits
- Parcels
- Freeways
- Major Sts
- Streets
- Water
- Land



It is imperative that you obtain BOTH the Zoning and General Plan designations for the property(s) you are searching for.

Questions? Contact a planner at (510)238-3911.

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ASSESSOR'S MAP 6

Code Area No. 17-046

W.P.

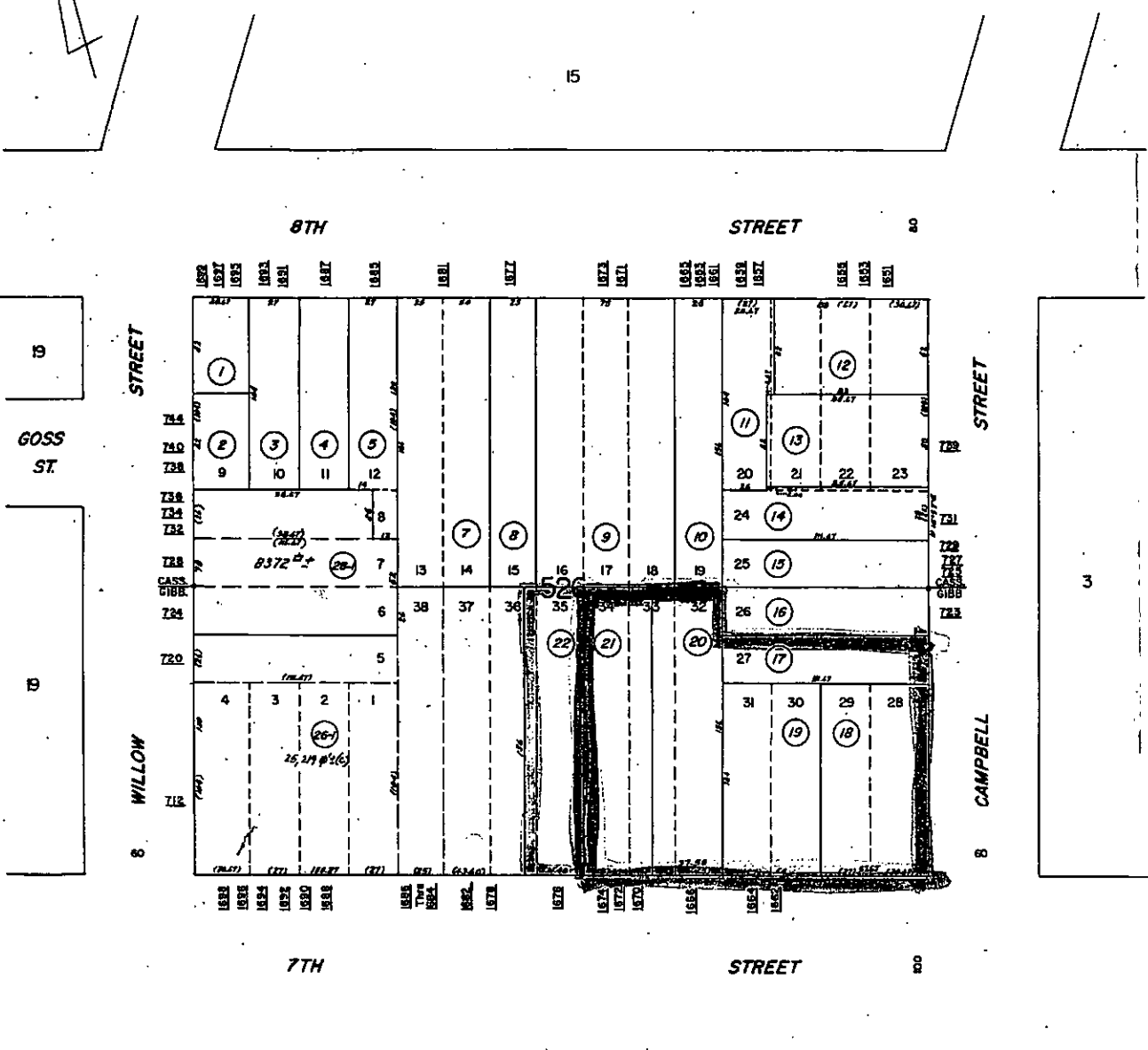
17

Scale: 1" = 50'

CASSERLY TRACT AT THE POINT (Bk.6 Pg.2)
GIBBONS PROPERTY AT OAKLAND POINT (Bk.1 Pg.31)

Revised 14-78
11-30-80
12-22-81
11-9-88
4-27-04
8-10-88
11-30-80
12-22-81
11-9-88
4-27-04
8-10-88

Drawn 9-88 W.L.M.




Formerly Bk. 504

FILED
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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.

AGENCY RESOLUTION AUTHORIZING THE AGENCY ADMINISTRATOR TO PURCHASE A \$220,300 LOAN SECURED BY 1662-1664 7TH STREET, 1666 7TH STREET, 1672 7TH STREET, 715 CAMPBELL STREET AND 1676 7TH STREET IN WEST OAKLAND FROM THE LOCAL INITIATIVES SUPPORT CORPORATION FOR AN AMOUNT NOT TO EXCEED \$100,000

WHEREAS, between 2001 and 2003 the Agency made site acquisition loans to Oakland Community Housing, Inc. ("OCHI") secured by properties located at 1662-1664 7th Street, 1666 7th Street, 1672 7th Street, 715 Campbell Street (together, the "7th and Campbell properties") in the West Oakland Redevelopment Project Area; and

WHEREAS, in 2003 the Local Initiatives Support Corporation ("LISC") made a loan to OCHI in the principal amount of \$220,300, secured by the 7th and Campbell properties and an adjacent property located at 1676 7th Street; and

WHEREAS, it was OCHI's intention to develop the properties as a mixed-use affordable housing project; and

WHEREAS, OCHI is no longer a solvent non-profit organization, and is unable to develop the properties or repay the defaulted loans; and

WHEREAS, the Agency wishes to purchase the LISC \$220,300 loan secured by the 7th and Campbell properties for \$100,000; and

WHEREAS, LISC is willing to sell its loan to the Agency for \$100,000; and

WHEREAS, the purchase of the LISC loan will allow the Agency to consolidate its control over the 7th and Campbell properties, thereby facilitating its future redevelopment; and

WHEREAS, funds for the purchase of the LISC loan are available in the West Oakland Redevelopment Project Fund; and

WHEREAS, the requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the Agency Administrator is authorized to purchase the \$220,300 LISC loan secured by the 7th and Campbell properties for an amount not to exceed \$100,000; and be it

FURTHER RESOLVED: That the Agency hereby allocates \$100,000 in Redevelopment Agency funding from the West Oakland Redevelopment Operations Fund (9590), Redevelopment Projects Organization (88679), General West Oakland Projects (S233510) for this purpose; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA under Section 15061(b)(3) (activity covered by the general rule, no significant effect on the environment) and Section 15183 (projects consistent with the General Plan) of the CEQA Guidelines, and directs the Agency Administrator to file a Notice of Exemption and an Environmental Declaration (under California Fish and Game Code section 711.4) with the County of Alameda; and be it

FURTHER RESOLVED: That the Agency Administrator or his designee is authorized to negotiate and execute documents and take any other actions with respect to the LISC loan purchase consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____

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