

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

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2008 JUL 10 PM 8:25

**TO:** Office of the Agency Administrator  
**ATTN:** Dan Lindheim  
**FROM:** Community and Economic Development Agency  
**DATE:** July 22, 2008

**RE:** **Supplemental Report On 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**

Council District 7 Offices has requested that this item be rescheduled from the July 8, 2008 to the July 22, 2008 CED Committee (CEDC) meeting. The purpose of this request was to permit staff additional time to meet and confer with owners regarding the additional Owner Participation Agreement (OPA) provisions attached to the OPA term sheet, at the request of the City Attorney's Office.

**BACKGROUND**

The July 8<sup>th</sup> CEDC staff report included an Attachment A-OPA Term Sheet. Following the review of the staff report and the OPA Term Sheet by the Office of the City Attorney (OCA), the OCA requested that staff add additional OPA provisions. The owners have requested that these additional OPA provisions be removed from the Owner Participation Term Sheet as they were added subsequent to the owner's verbal acceptance of the terms in the draft OPA term sheet. Therefore, staff has included a new OPA Term Sheet that includes the owners agreed upon negotiated provisions. (Attachment A)

**RECOMMENDATION AND RATIONALE**

Staff supports the removal of the "Additional OPA Provisions" from the OPA Term Sheet since subsection j, under Responsibilities of Owner, still includes a reference to the operating covenants. Redevelopment staff is concerned with their ability to monitor and enforce provisions listed in the City Attorney's office term sheet.

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CED Comte.  
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The loan is structured as a deferred loan due and payable upon sale or transfer of the property. The loan is secured with a deed of trust on the property. The property owners have demonstrated a financial need and that financial need has been supported by the Central City East Project Area Committee (CCE PAC) through their recommendation that the Agency Board negotiate for a deferred loan or grant with the property owner. Additionally, the resolution makes reference to best management practices being incorporated into the OPA. The staff report does include a statement that "The City Attorney's office has requested that mutually-agreed upon terms be incorporated into the OPA."

Redevelopment staff proposes that agreed upon terms for the City Attorney's Office Compliance Plan be reached and documented prior to disbursement of redevelopment dollars for the project. This form of inter-Agency support is consistent with the manner in which the City Attorney's Office and the Redevelopment Agency have worked with other challenging properties.

**ACTION REQUESTED OF CITY COUNCIL**

Council is requested to remove the "Additional OPA Provisions" from the OPA Term Sheet as references to best management practices are included in the Resolution and will be required by the City Attorney's Office Compliance Plan in a separate agreement that is agreed to and signed prior to disbursement of Agency funds.

Respectfully submitted:



\_\_\_\_\_  
Dan Lindheim, Director  
Community and Economic Development Agency

Reviewed by:

Gregory Hunter, Deputy Director of Economic Development and Redevelopment

Larry Gallegos, East Oakland Redevelopment Area Manager, Community and Economic Development Agency

Prepared by:

Doug Cole, Urban Economic Coordinator, Redevelopment Division

ATTACHMENT A: Owner Participation Agreement Term Sheet (w/o Additional OPA Provisions)

APPROVED FOR FORWARDING 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 07/08/08)**

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 regarding 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 (Rescheduled to July 22, 2008)
    - iii. Tentative Agency Date: July 15, 2008 (Rescheduled to September 16, 2008 if Agency does not meet on July 29, 2008)