

CITY OF OAKLAND

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OFFICE OF THE CITY CLERK
OAKLAND

2017 NOV 21 PM 3:49

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Michele Byrd
Director, HCDD

SUBJECT: Assign, Consolidate and Modify City
Loans on E.C. Reems Gardens
Apartments

DATE: November 13, 2017

City Administrator Approval

Date:

11/21/17

RECOMMENDATION

Staff Recommends That The City Council Approve A Resolution Authorizing The City to (1) Assign the City Loans and Deeds of Trust Secured By the E.C. Reems Gardens Apartments Located At 2700 Alvingroom Court To Renaissance Housing Communities, LLC (or Affiliate), (2) Consolidate And Modify the City Loans On The Property Into A Secured Deferred-Payment Loan At 3% Simple Interest for Fifty-Five Years, and (3) Modify and Extend the Terms of The Regulatory Agreement Encumbering the Property.

EXECUTIVE SUMMARY

Passage of the proposed resolution will accomplish the following:

- Authorize the assignment of City loans and lien rights on the EC Reems Gardens Apartments affordable housing project, including the loan recently purchased from Housing and Urban Development (HUD), to Renaissance Housing Communities, LLC (or an affiliated entity) to facilitate the transfer of project ownership needed to preserve and rehabilitate the property.
- Accept the payment by Renaissance Housing Communities in the amount of \$50,000 upon the assignment of the City's security interests to cover City transfer expenses.
- Ensure that Renaissance Housing Communities upon the completion of the property title transfer pays the outstanding tax liens on the property in the approximate amount of \$173,345.59.
- Preserve, modify and extend affordability restrictions on the project for an additional fifty-five years.
- Consolidate and modify the two existing City loans into one secured deferred payment loan at 3% non-compounding interest for fifty-five years, with extension rights for equal extensions in the affordability restrictions on the property.
- Preserve the City's financial investment in the project, including the \$4.2 million in direct City loans and the \$3,606,541 in City funds used to purchase the HUD loan.
- Ensure that Renaissance Housing Communities agrees to make all needed repairs within 24 months of taking title to the property.

Item: _____
CED Committee
December 5, 2017

- Ensure that Renaissance Housing Communities conducts a thorough file review, including tenant income re-certifications to ensure that each household meets the very-low income and low-income requirements.

BACKGROUND / LEGISLATIVE HISTORY

The E.C. Reems Gardens Apartments (Alvingroom Court) is a 126-unit multi-family affordable housing complex located at 2600-2795 Alvingroom Court. The apartments were constructed in 1948, and consist of one, two and three bedroom units scattered throughout fifteen buildings. In the early 1990's, the then privately-held property had earned a reputation in the community as a site for drug traffic and violence. From there, it began to rapidly deteriorate and carry a high vacancy rate. In 1995, American Savings Bank foreclosed and took title to the property.

In 1996, Alvingroom Court L.P. (the "owner") (composed of the Corporation for Better Housing (managing general partner), Hope Housing Development Corporation (operating general partner), and KAVIGEM, Inc.) entered into negotiations to acquire, rehabilitate, and manage the deteriorated complex. The City provided the owner with financial assistance to acquire and rehabilitate the project as affordable housing.

Between 1997 and 2001, the owner received multiple loan funding awards from the City totaling \$2,939,500. The current outstanding balance on the City loans, including accrued interest, is \$4,201,085 (maturing on December 31, 2034 and subordinate to the former HUD deed of trust). To date, no loan repayments have been made to the City from either available surplus cash flow or any other available project funds.

As a condition of the financial assistance, the owner entered into three separate recorded regulatory agreements with: (1) the City of Oakland (expires in 2026), (2) HUD (released and discharged on August 29, 2017 per the terms of the sale of the HUD loan to the City), and (3) the California Tax Credit Allocation Committee (TCAC). The tax credits have expired but the TCAC regulatory agreement is still in effect through 2028. The purpose of these agreements is to ensure that the owner complies with the conditions of financing, including but not limited to, restrictions on project rents, occupancy by individuals and families who are income qualified, operations, ownership and property management.

Alvingroom Court, L.P., is no longer properly managing the development per the terms of the TCAC and City regulatory agreements. This failure is due in part to years of financial hardship and on-going management turn-over issues (six different property management companies from the start of operations). This situation puts the City's regulatory agreement and financial investment of more than \$4.2 million in deferred loan balance (and the acquired HUD loan in the amount of \$3.6 million) at substantial risk.

On July 18, 2017, the City Council adopted Resolution No. 86873 C.M.S. (1) authorizing the purchase of a HUD-held mortgage loan secured by the property for a purchase price of up to \$4,000,000 plus accrued interest and (2) taking actions to facilitate the transfer, preservation and rehabilitation of the property with a new entity, selected from responses to a Request For Proposals/Qualifications (RFP/Q).

On August 23, 2017, the City entered into a Mortgage Loan Sale Agreement with the Secretary of HUD for the purchase of the HUD loan at the face value of its note of \$3,411,520.93 plus accrued interest and fees. The total purchase price breakdown was as follows:

Principal Balance:	\$	3,411,520.93
Interest and Fees (through 8/23/2017)	\$	192,020.09
Escrow Fees	\$	3,295.00
<hr/>		
Total Purchase Price:	\$	3,606,836.02

While the City purchased the HUD senior security interest, the deeds of trust securing the City's junior security interest in the amount of \$4,234,247.01 remains in default (maturing on December 31, 2034). To date, no loan repayments have been made to the City from either available surplus cash flow or any other available project funds.

The project continues to suffer from major cash-flow issues that have interfered with the owner's ability to comply with the regulatory requirements regarding replacement reserve set-aside funds to pay for (1) completion of the initial rehabilitation; (2) replacement of systems/appliances; and (3) abatement of deferred maintenance. This failure has negatively impacted the physical conditions and financial monitoring scores from HUD and the City over the years. This continuing non-compliance eventually led HUD to consider loan foreclosure.

As stated in the July 18, 2017, report to City Council, in the last several years, the project has failed its physical property inspection required by HUD's Real Estate Assessment Center (REAC). The REAC inspection reports cite repeated and serious deficiencies for items such as: missing/damaged/expired fire extinguishers; missing/damaged/inoperable range/stove/refrigerator; missing/damaged mailboxes; and broken/missing hand rails on walkways/step. In February 2014, HUD approved a disbursement from the Reserve Fund for Replacements in the amount of \$230,226 for the sole purpose of curing the physical deficiencies cited under the REAC. However, based on the HUD Auditor's report of FY 2014 Audited Financial Statement, approximately \$219,000 of the \$230,226 was inappropriately used by the owner to pay for related services by BLH Construction, an affiliate of the Corporation for Better Housing (CBH), for work completed in FY 2010 or earlier and not to cure the physical deficiencies under recent REAC inspections. This misuse of the Reserve Fund was unauthorized and deemed ineligible by HUD.

The HUD Auditor's report also recommended release of \$135,643 from the Operating Reserve Account to complete the repair of life safety items, property maintenance, and to make critical payments to vendors. However, these funds were used to pay CBH's property management fees in the amount of \$57,000 and \$65,000 for reimbursed payroll expenses. Again, the misuse of funds for this purpose was unauthorized and deemed ineligible by HUD.

In the last several years, the project repeatedly failed the City's physical and financial reviews under its asset monitoring inspection program. Despite numerous discussions between the parties around the on-going deficiencies and the approval of multiple requests to extend time to cure, these deficiencies remain outstanding.

After it became clear that the owners had no intention of curing the deficiencies or complying with their proposal to order a Capital Needs Assessment, the City engaged EMG Corporation Consultants to conduct such an analysis. A copy of EMG's report was sent to the respective owners for review and action. To date, the owners have failed to submit a plan of action to cure the health and safety items listed in the report.

In addition to the outstanding physical issues, the property file review identified major recordkeeping deficiencies, including but not limited to: (1) absence of executed residential leases, (2) absence of annual income re-certifications, (3) rent levels above the income levels allowed by the regulatory agreement, (4) tenant files for units listed as vacant on the Annual Rent and Tenant Income Report, (5) absence of tenant documentation, including initial rental application and financial verification, and (6) high vacancy rates.

The owners continue to disregard the fact that they are in default with the City. Despite written and verbal requests to cure default items, no serious effort has been made to cure, and the owners continue to operate and manage the project well below the reasonable standard of care expected of a reputable affordable housing entity.

The fact that the owners maintain high vacancies at EC Reems at a time when there is an affordable housing shortage in Oakland and the surrounding Bay Area is incomprehensible and unacceptable. The City is committed to protect this critical housing resource and preserve the project as long term affordable housing for the benefit of its residents. The owners have simply failed at all attempts to make this project whole and operate it accordingly.

In order to effectively transfer and/or assign the City's security interests in order to facilitate transfer of the project, on August 24, 2017, the City released a Request For Proposals/Qualifications (RFP/Q) for an owner/developer/property manager with experience working with troubled affordable housing properties, financial capacity, and the staffing necessary to handle the at-risk tenant population. A preproposal meeting was held with potential proposers on August 31, 2017. By the close of the September 25, 2017, proposal deadline, staff received proposals from three housing entities: (1) a joint venture between Northbridge Investments, LLC and EAH Housing, Inc. and (2) Renaissance Housing Communities, LLC (RHC).

Selection Process

The selection process involved two steps, including review of the written proposals by Housing and Community Development (HCD) staff and a three person panel that included local affordable housing experts.

Based on the quality of the written proposals, extensive developer experience and the averaging of the scores, RHC is being recommended as the owner/developer/property manager for the project. (see ***Attachment A*** for a review of the ranking criteria) RHC has been chosen based on its high-level business plan of action to own, manage, and rehabilitate the property, its ability to finance the rehabilitation without requesting funds from the City, and its willingness to

make a financial contribution to defray City transfer costs. (See **Attachment B** for the Business Plan of Action)

Moreover, RHC has the unique track record and experience of successfully completing very similar complicated transactions and rehabilitations on four separate East Oakland affordable housing properties from the former Oakland Community Housing, Inc. (OCHI) portfolio. Between years 2010 and 2013, RHC acquired and rehabilitated: (1) Ventana Townhomes (FKA Marin Way Court) – 20 units, (2) Hillside Terrace (FKA San Antonio Terrace) – 23 units, (3) Granite Pointe (FKA Foothill Plaza) – 54 units, and (4) Fruitvale Villas (FKA Nueva Vista Apartments) – 30 units. These acquisitions and rehabilitations were successfully performed through a relatively complex four step process, including (1) note purchases from three different entities (CalHFA, the City of Oakland, and Citibank), (2) foreclosures, (3) preservation and substantial rehabilitation, and (4) maintaining affordability restrictions and accepting Section 8 residents with low or very low incomes. RHC proposes a similar plan for E.C. Reems Gardens.

Since then, RHC's principals have gone on to acquire, rehabilitate and manage over 14 additional multifamily properties in the Bay Area, and, by year end 2017, will manage and/or asset manage approximately 400 units.

In addition to RHC's direct developer experience, RHC has its own sources of funding and has no plan or need to request City affordable housing funds for the acquisition and rehabilitation of E.C. Reems Gardens. Moreover, RHC proposes to pay the City approximately \$50,000 upon the assignment of the loans to defray any costs the City will incur in its facilitation of the note sale to RHC, and, upon the completion of the property title transfer, and will pay the outstanding tax liens on the property in the approximate amount of \$173,345.59.

ANALYSIS AND POLICY ALTERNATIVES

To ensure an effective transfer of the property to the newly selected housing entity, the City must take the following steps: (1) approve RHC as the selected housing entity, (2) assign one or more of the City's secured interests in the property to RHC, (3) support the foreclosure of this security by RHC and the transfer of title to RHC through a foreclosure sale, deed in lieu of foreclosure, or other means, (4) modify and extend the regulatory agreement ensuring that City affordability restrictions remain on title for an additional 55 years, (5) consolidate and modify the existing City loans on the property (including the foreclosed loan) following the transfer of title to RHC through a foreclosure or other transfer, and (6) assist and monitor RHC's rehabilitation of the project to restore it to decent, safe, and sanitary physical standards fit for human habitation within a 24 month timeframe.

Property Transition Plan

The overall intention of RHC's business plan is to acquire the property, provide immediate security for the residents, secure operations and management, and complete the rehabilitation within 12 months of taking ownership. (see **Attachment B** for the Business Plan of Action)

Both of the City's loans, which are secured by deeds of trust, are currently in default. After the City's secured interest is assigned to RHC pursuant to an assignment agreement, RHC will seek a deed in lieu of foreclosure or other negotiated transfer from the owners, and, if not successful, will pursue a nonjudicial foreclosure sale of the property. RHC will be able to credit bid the outstanding amount of the loan at the foreclosure sale, and will likely acquire the property at the sale. Should another entity bid more than the credit bid at the foreclosure sale (which is unlikely, given the senior debt and long-term affordability restrictions), RHC would be required under the assignment agreement to pay the balance of the foreclosure loan to the City from the net sale proceeds due under the foreclosed loan to the City from sale proceeds.

Once RHC successfully acquires title free and clear, it will encumber the property with the City debt in amounts equal to the City debt amount outstanding prior to the acquisition. The total debt will be consolidated and modified into one secured deferred payment loan at 3% simple interest for a term of fifty-five years, with extensions to the loan term permitted in exchange for equal extensions to the term of the affordability restrictions. The debt may be subordinated to facilitate future financing, but the long-term affordability restrictions included in the recorded regulatory agreement will not be subordinated (per City policy) in order to protect the affordable restrictions.

RHC will record the regulatory agreement in senior position to all debt with the following terms through 2081: rent limits for 118 units affordable to households at 50% of area median income, and eight units affordable to households at 80% of area median income, with three units allowed to be excluded from rent and income restrictions for uses related to property management.

Alternative to Approving Renaissance Housing Communities

In the alternative, if the City Council chooses not to approve staff's recommendation, the City will have no other option but to step in and foreclose on its security interests. Staff believe that this option is unacceptable, given the current, substandard conditions of the property and the significant potential development and operating costs burden to the City. Additionally, the owners continue to disregard the fact that they are in default with the City. Despite written and verbal requests to cure default items, no serious effort has been made to cure, and the owners continue to operate and manage the project well below the reasonable standard of care expected of a reputable affordable housing entity. Once this property is stabilized and better managed by RHC, the surrounding community will benefit with regards public health and safety and overall maintenance.

FISCAL IMPACT

The City Council authorized the appropriation and allocation of up to \$4,000,000 plus accrued interest to purchase the HUD-loan secured by E.C. Reems Garden Apartments. The final cost of the purchase, including interest and fees totaled: \$3,606,440. The remaining unspent funds total: \$393,560.

PUBLIC OUTREACH / INTEREST

The ongoing issues around health and safety are complaint driven. When the City receives a health and safety complaint by a resident of a City-funded affordable housing project, it is then addressed by staff. In the last several years, the City received complaints from residents of EC Reems Gardens for such things as mold and deferred maintenance items. The residents have been very vocal with the City about the overall condition of the project and their desire to see improvements made by the owners. The City is eager to facilitate these improvements once a new affordable housing entity is in place.

COORDINATION

The preparation of this report was coordinated with HCD, the Controller's Bureau of the Finance Department, and the City Administrator's Office; the legislation was reviewed by the City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: The project serves low and very low income residents. By the City assigning its security interest, it will allow RHC to own, preserve and rehabilitate these units as affordable for another fifty-five years under the new regulatory agreement. The assignment will also preserve the City's financial interest in the project of over \$7 million.

Environmental: For most of the residents the ability to walk or take public transportation is a key factor in their desire to remain at the property. The project is centrally located on the MacArthur Boulevard corridor that services buses and is near the 580 Freeway. The project is conveniently surrounded by local mom and pop storefronts and small food markets for easy access.

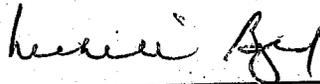
Social Equity: The goal is to assign the City's security interest to a responsible housing entity to properly manage and rehabilitate the project. The project is in a low-income community of color and these residents are more likely to face the financial hardship and emotional distress associated with displacement and gentrification. The approval to assign the City loans to an experienced housing entity will balance the social equity impact versus allowing the City to use limited City resources to complete the transfer process.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Approve A Resolution (1) Authorizing The City to Assign the City Loans and Deeds of Trust Secured By the E.C. Reems Gardens Apartments Located At 2700 Alvingroom Court To Renaissance Housing Communities, LLC (or its related entity), And (2) Consolidate And Modify the City Loans On The Property Into A Secured Deferred-Payment Loan At 3% Interest Non-Compounding Interest For Fifty-Five Years, and (3) Modify and Extend the Terms of Regulatory Agreement.

For questions regarding this report, please contact Michele Byrd, Director, Housing and Community Development Department, at 510-238-3714 or Antoinette M. Pietras, Housing Development Coordinator, at 510 238-6177.

Respectfully submitted,



Michele Byrd
Director, Housing and Community Development
Department

Reviewed by:
Meg Horl, Acting Manager of Housing
Development

Prepared by:
Antoinette M. Pietras, Housing Development
Coordinator
Housing Development Services

ATTACHMENTS:

- Attachment A: Summary of Ranking for Owner/Developer/Property Manager
- Attachment B: Business Plan

ATTACHMENT A: SUMMARY OF RANKING FOR OWNER/DEVELOPER/PROP MANAGER

	Maximum Points	EAH/NORTHBRIDGE INVESTMENTS	RENAISSANCE HOUSING COMMUNITIES
PROPOSAL			
I. Relevant Experience <i>A. Past, recently completed, or on-going projects to substantiate experience.</i> <i>B. Experience on at least three (3) similar projects described in RFP/Q.</i> <i>C. Prior Experience and ability to work with City Staff, community groups and other stakeholders.</i>	30	13	28
II. Qualifications <i>A. Professional background and qualifications of team members and firms comprising the team.</i>	25	12	22
III. Organization <i>A. Current workload, available staff and resources.</i> <i>B. Capacity and flexibility to meet schedules, including any unexpected work.</i> <i>C. Ability to perform on short notice and under time constraints.</i> <i>D. Cost control procedures in design and construction.</i> <i>E. Ability to perform numerous projects at the same time.</i>	20	6	14
IV. APPROACH <i>A. Understanding of the nature and extent of the services required.</i> <i>B. Specific outline of how the work will be performed.</i> <i>C. Awareness of potential problems and providing solutions.</i> <i>D. Special resources the team offers that are relevant to the successful completion of the project.</i>	20	12	17
V. Other Factors <i>A. Presentation, completeness, clarity, organization, and responsiveness of proposal.</i>	10	5	9
PROPOSAL POINTS	105	48	90

ATTACHMENT B
BUSINESS PLAN OF ACTION

Renaissance Housing Communities' ("RHC") business plan for the property can be summarized in three main categories:

1. Acquisition Phase
2. Management Phase
3. Financing/Renovation Phase

1. ACQUISITION PHASE (100 to 180 Days): Move swiftly to complete the acquisition of the promissory note and foreclose on the property. The severity of the situation requires site control of the property as soon as possible to protect the property and the residents.

2. MANAGEMENT PHASE (30 Days): The goal of RHC's management of E.C. Reems will be to manage and maintain the property for benefit of the residents and the surrounding community. RHC will manage the property in strict adherence to the regulatory agreement and applicable housing laws. The key components of this management phase are as follows:

- **Life Safety and Crime Prevention.** RHC will work closely with the Oakland Police and Fire Departments to identify all crime and life safety issues and then work swiftly to remediate them. Crime, life safety and habitability issues are at the top of our list of concerns for E.C. Reems.
- **File Audit / Occupancy Status.** RHC's onsite management team will be in place starting on the 1st day of our ownership. We will immediately begin the process of securing operational control which includes file and records audits and resident surveys/interviews and unit-by-unit inspections in order to determine the occupancy status of each unit. All occupants will be treated with the care and respect.
- **Establish Communication and Expectations with Residents and Neighbors.** Our management company personnel will immediately reach out to all residents and neighbors in the surrounding community to establish clear lines of communication. We believe this is critical to do as soon as possible so that people have a way to express their concerns and so that we can respond quickly and effectively.
- **Sound Leasing and Property Management Practices.** We believe that consistent, responsive on-site management and maintenance is crucial to establishing a peaceful environment at the property. Our onsite management team will consist of at least four full-time employees (2 managers + 2 maintenance staff), plus full-time security, at least during the initial transition period and possibly longer if necessary. Applicants applying for residency at the property will be screened for credit and criminal background checks, identity confirmation, and income verifications (per the terms of the regulatory agreement). Section 8 vouchers and other government-assistance programs will be welcomed.
- **Maintenance Department.** We will hire at least 2 full-time maintenance employees at E.C. Reems. It is our business practice to address maintenance requests on the same day or the following business day if possible. Our software system tracks these requests, stores technician notes and photos, and automatically sends surveys to the residents to confirm that the issue has been resolved and to request any feedback they may have.
- **Bookkeeping, Accounting, and Reporting.** We utilize sound bookkeeping and accounting processes. We employ a full-time staff bookkeeper and an outside accounting firm. All transactions are recorded in our cloud-based accounting software, enabling prompt reporting and resident requests.
- **Regulatory Agreement Compliance and Reporting.** We are well-versed and experienced at operating affordable housing properties with regulatory agreements. In the past, we operated three separate

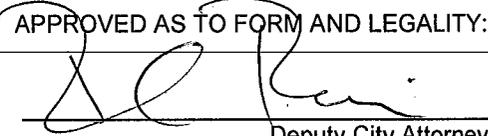
affordable housing properties in East Oakland with regulatory agreements from CalHFA and the City of Oakland in place. We operated those properties in strict adherence with the provisions of the regulatory agreements. Each property was audited annually by CalHFA and the City of Oakland and we passed those audits with flying colors. We will operate E.C. Reems with the same diligence and with the expectation that we will receive the highest possible score when being audited.

3. FINANCING AND RENOVATION PHASE (12 Months):

- **Property Condition Assessment.** Within 90 days after acquiring ownership, RHC will complete our own property condition assessment. The areas of focus will include the inspection and assessment of structural, roofing, siding, doors/windows, electrical, plumbing, drainage, security features, interior finishes and habitability issues.
- **Construction Planning and Budgeting.** Once a thorough assessment of the property's condition is complete, we can begin the process of obtaining bids and selecting architects, engineers, and contractors to perform the rehabilitation work. Oakland-based contractors and architects will receive priority, although we will also accept bids from contractors in neighboring areas. We expect this process to be complete in 30-60 days after our assessment is complete.
- **Construction Financing.** We will finance this project with a combination of equity we personally contribute and conventional construction financing. RHC will not require any funding from The City of Oakland, or any other government agency. We've developed strong relationships with the commercial lending markets and have closed over 50 multifamily loans on similar projects over the last several years. We expect to secure and close on our construction financing in 60 days after finalizing the construction budget.
- **Construction Phase.** The construction will start immediately after we have closed our construction financing. We expect the construction to include, but not be limited to: Roof repair/replacement, window repair/replacement, Siding repairs, deck/balcony repairs, exterior painting, waterproofing repairs/ upgrades, electrical and plumbing upgrades, dryrot and fire damage repairs, repair and addition of security features (gates, lighting, intercoms, cameras, etc.), ADA compliance upgrades, landscaping and flatwork repairs. Interior habitability repairs will be made as soon as possible and without displacing tenants (if possible). More extensive interior upgrades will be made to vacant units and upon turnover. The interior upgrades will likely include: new flooring, renovated and/or upgraded cabinets, new appliances, new light fixtures, new plumbing fixtures, window coverings, bathroom remodels, HVAC repair/upgrades, etc.

2017 NOV 21 PM 3:49

APPROVED AS TO FORM AND LEGALITY:


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY TO (1) ASSIGN THE CITY LOANS AND DEEDS OF TRUST SECURED BY THE E.C. REEMS GARDENS APARTMENTS LOCATED AT 2700 ALVINGROOM COURT TO RENAISSANCE HOUSING COMMUNITIES, LLC (OR AFFILIATE), (2) CONSOLIDATE AND MODIFY THE CITY LOANS ON THE PROPERTY INTO A SECURED DEFERRED-PAYMENT LOAN AT 3% SIMPLE INTEREST FOR FIFTY-FIVE YEARS, AND (3) MODIFY AND EXTEND THE TERM OF THE REGULATORY AGREEMENT ENCUMBERING THE PROPERTY

WHEREAS, Alvingroom Court L.P., composed of the Corporation for Better Housing (managing general partner), Hope Housing Development Corporation (operating general partner), and Kavigem, Incorporated, is a housing development limited partnership; and

WHEREAS, Alvingroom Court L.P. owns an affordable housing rental housing project in Oakland known as E.C. Reems Garden Apartments, a 126-unit multi-family affordable housing complex located at 2600-2795 Alvingroom Court; and

WHEREAS, the City has made affordable housing development loans to Alvingroom Court L.P. for the project; and

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) insured a permanent mortgage loan on the property; and

WHEREAS, the HUD financing was in first position, senior in priority to the City loans; and

WHEREAS, the City and HUD had both put the owner in default under their respective loans and regulatory agreements; and

WHEREAS, On July 18, 2017, the City adopted Resolution No. 86873 C.M.S. authorizing the purchase of the HUD loan, and authorizing other actions necessary to facilitate the preservation and rehabilitation of the project including foreclosing on the City's affordable housing development loans secured by the property or assigning City

loans or lien rights to a responsible affordable housing entity chosen by the City Administrator; and

WHEREAS, on August 23, 2017, the City entered into a Mortgage Loan Sale Agreement with HUD for the purchase of the HUD loan; and

WHEREAS, the City owns the former HUD loan and it remains in first position, senior in priority to the other City loans; and

WHEREAS, the owner, Alvingroom Court L. P., remains in default under the City's loans and regulatory agreement; and

WHEREAS, the City took actions necessary to facilitate the preservation and rehabilitation of the project, and on August 24, 2017, issued a Request For Proposals and Qualifications for an owner/developer/property manager for the property; and

WHEREAS, the City received two submittals, and, after review and scoring of the submittals, City staff is recommending Renaissance Housing Communities, LLC (RHC) for this role; and

WHEREAS, in order to facilitate the transfer of project ownership needed for RHC to preserve and rehabilitate the property, the loans and lien rights currently owned by the City on the property needs to be assigned to RHC; now, therefore, be it

RESOLVED: That the City Council hereby authorizes the City Administrator or designee to assign any of the City loans on E.C. Reems Garden Apartments, including the former HUD loan, as well as any deeds of trust and/or other lien rights securing said loans, to RHC or to an affiliated entity approved by the City Administrator; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator to consolidate and modify the existing City loans into one secured deferred payment loan at 3% non-compounding interest for fifty-five years, with the right to extend the loan term in exchange for equal extension in the affordability restrictions on the property; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator to modify and extend the term of the regulatory agreement encumbering the property; and be it

FURTHER RESOLVED: That the City hereby appoints the City Administrator and/or designee to conduct negotiations, execute documents, and take any other action with respect to the assignment of the City loans, the consolidation and modification of the City loans and City regulatory agreement on the property, and the preservation and rehabilitation of E.C. Reems Garden Apartments consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY,
GUILLEN, KALB, KAPLAN, and PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California