
MY WORD

Together we can turn Oakland around

By Peter Dreier

A prominent eyesore in Oakland's downtown district is a four-story brick structure, on Broadway and Telegraph, called the Fredrickson Building. Once an office and retail building, it has long been vacant and suffered severe damage in the 1989 Loma Prieta earthquake.

City officials consider the improvement of the building, located on a blighted block across from the historic Fox Theater, a key part of its plan to revitalize the area, but they've been stymied by the building's owner.

Who owns this important piece of downtown real estate? The Resolution Trust Corporation, a federal agency which inherited the Fredrickson Building from the failed HomeFed Bank in 1992. Since then, the RTC has allowed the building to deteriorate, making its rehabilitation even more costly.

Since 1992, an Oakland-based nonprofit organization, Catholic Charities Housing Development Corporation, has repeatedly tried to acquire the building from the RTC in order to repair it and create low-cost housing. Working with a private partner, Catholic Charities intends to restore the historic Fredrickson Building (built in 1923) to its original architectural splendor and transform it into about 20 apartments.

The group, which has a successful track record of redeeming vacant buildings — including the former Drake Hotel and the Santana Apartments — offered the RTC \$100,000.

But rather than negotiate a sale with Catholic Charities, the RTC has sought to sell off the building to the highest bidder. At the first auction, in the fall of 1992, CCHDC and its partner submitted the only bid, but

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the RTC rejected its offer without providing an explanation.

At the next two auctions, private developers submitted bids (\$445,000 in July 1993 and \$420,000 last May) far above the building's real value, especially since the property will require about \$2 million (according to the RTC's own estimates) in seismic upgrading to make it earthquake-proof.

A waste of time and money

From the start of this process, middle-level RTC staffers warned their higher-ups that the auction process would squander time and taxpayers' money, while the building fell into even greater disrepair. They correctly predicted that speculators would make unrealistically high bids, then hope to cut a deal with the agency for a lower price. But the top officials in the RTC's Newport Beach office, which runs the agency's California operations, overruled them and put the Fredrickson property up for auction.

Not surprisingly, each of the winning bidders has failed to come up

with the money to purchase and repair the building. The private developer that made the highest bid at the most recent auction in May informed the RTC last week that he couldn't complete the deal. Catholic Charities would still like to purchase and renovate the Fredrickson Building, but it is concerned that the RTC might put it up for auction once again.

Unfortunately, this situation is not an isolated incident. The major problem is how the RTC sells the failed S&Ls and how it disposes of its vast assets, now worth about \$45 billion. Since its creation in 1989 as the federal agency to oversee the failed savings-and-loan institutions, the RTC has viewed its mission as being the nation's largest auctioneer. It has received considerable public criticism for paying outrageously high fees to outside attorneys and accountants and for selling commercial properties to speculators at bargain basement prices.

But when nonprofit community groups want to purchase RTC-owned properties to help rebuild their neighborhoods, the RTC seems to have a different standard.

The RTC was born to clean up the mess created by the greed and mismanagement of the nation's S&Ls. In the 1980s, the Reagan administration and Congress bowed to the powerful S&L lobby and deregulated the industry, which had previously focused its lending on providing mortgages for America's home buyers. This opened the door to a decade-long orgy of speculation in commercial real estate. Sadly, the RTC has repeated the same sins.

The RTC's handling of the Fredrickson Building is a case study of how its misguided policies waste taxpayers' dollars and hurt, rather than help, city officials and neighborhood groups rebuild their communities.

Lessons to be learned

But there is still hope that the RTC will learn some lessons from its past mistakes, including the sad saga of the Fredrickson Building. At the Federal Reserve Bank in downtown San Francisco Friday morning, the top officials from the RTC's Newport Beach office will attend a public hearing to examine the agency's practices.

At that meeting, three local leaders — Janice Jones, executive director of Catholic Charities' housing office; James Rinehart, director of the city's Office of Economic Development and Employment, and Annalee Allen, co-chair of the Oakland Heritage Alliance — will try to convince A.J. Felton, who runs the RTC's California office, to permit Catholic Charities to purchase the Fredrickson Building rather than putting it up for auction a fourth time, which would repeat the cycle of delay and decay.

The nonprofit group's plan will not only add much-needed low-income housing in Oakland, but also help city officials spur the revitalization of the historic downtown area.

There's an old adage that when you have nothing but lemons, make lemonade. Rather than repeat its past mistakes, the RTC can turn this eyesore into an opportunity to improve the economic and social conditions in Oakland.

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