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# A federal agency prolongs Oakland blight

**A** *Oakland* PROMINENT eyesore in Oakland's downtown district is the Fredrickson Building, a long-vacant, four-story brick structure at Broadway and Telegraph Avenue.

Once an office and retail building, it was severely damaged in the Loma Prieta earthquake in 1989.

City officials consider renovation of the building a key part of Oakland's plan to revitalize a blighted area.

But they have been stymied by the building's owner.

And the owner is the federal government.

The deed is held by the Resolution Trust Corporation (RTC), which inherited the Fredrickson Building from the failed HomeFed Bank in 1992. Since then, the RTC has allowed the building to deteriorate.

An Oakland-based nonprofit organization, Catholic Charities Housing Development Corporation, has repeatedly tried to acquire the building for low-cost housing.

Working with a private partner,

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Catholic Charities intends to restore the historic building (built in 1923) as a 20-unit apartment house. Catholic Charities, which has a successful track record of redeeming vacant buildings — including the former Drake Hotel and the Santana Apartments — has offered \$100,000.

Rather than negotiate, the RTC has sought to sell the building to the highest bidder. At the first auction, in the fall of 1992, Catholic Charities and its partner submitted the only bid. It was rejected by RTC without explanation. At the next two auctions, private developers submitted bids (\$445,000 in July 1993, \$420,000 last May) far above the building's real value, especially since the property will require about \$2 million (according to RTC estimates) in seismic upgrades.

From the start, 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 for a lower price. Top officials in the RTC's Newport Beach office, which

runs the agency's California operations, overruled them.

Not surprisingly, the winning bidders failed to come up with the money. The high bidder in May informed the RTC this month that he couldn't complete the deal.

This is not an isolated incident. A major problem is how the RTC sells the failed savings and loan companies and how it disposes of their vast assets, now worth about \$45 billion. Since its creation in 1989 to oversee the failed savings

## A major problem is how the RTC sells failed S&Ls

and loan institutions, the RTC has viewed its mission as being the nation's largest auctioneer.

The RTC 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 previously had focused on providing mortgages for America's home buyers. This opened the door to a decade-long orgy of speculation in commercial real estate.

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' efforts to rebuild their communities.

**B**UT THERE is still hope that the RTC will learn from its mistakes. Top officials from the Newport Beach office promised to attend a public hearing Friday morning at the Federal Reserve Bank in San Francisco. The subject is the agency's business practices.

Among the speakers: Janice Jones, executive director of Catholic Charity's housing office; James Rinehart, director of Oakland's Office of Economic Development and Employment, and Annalee Allen, co-chair of the Oakland Heritage Alliance.

Their hope is 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.

Instead of repeating its mistakes, the RTC can turn this eyesore into an opportunity to improve the economic and social conditions in Oakland.