



CITY OF OAKLAND
newsrelease
Office of the City Attorney

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Judge Approves Lehman Cash to Clean Up Oak Knoll

OAKLAND, CA – After months of community concern and legal wrangling, a deal to secure \$3.7 million from failed Wall Street giant Lehman to abate health and safety hazards at the former Oak Knoll Naval base has been approved by a U.S. Bankruptcy Court judge in Santa Ana.

Thousands of creditors have lined up to get cash from Lehman as it undergoes restructuring in the biggest bankruptcy case in U.S. history. Given the enormous number of claims, City officials said it was extraordinary that Oakland was able to secure a significant amount of funding for the long-neglected base, a 167-acre property in the East Oakland hills that was formerly home to a U.S. Navy hospital.

“According to Lehman’s own numbers, more than 65,000 claims totaling \$830 billion have been filed in the company’s bankruptcy case,” City Attorney John Russo said. “Under these circumstances, I am very pleased that Lehman stepped up to meet the demands of this community, and that this deal was ultimately approved by the court.”

Oakland is likely the only local government in California – and perhaps the first city in the nation – to secure this level of funding from the Lehman bankruptcy estate.

Russo credited the Sequoyah Hills/Oak Knoll neighbors for their work and leadership on this issue.

The former Oak Knoll base was set to be developed by SunCal Oak Knoll LLC with financial backing from Lehman. But after the collapse of Lehman and the subsequent bankruptcy of the SunCal Oak Knoll partnership, contractors walked away from the property leaving more than 90 half-demolished buildings, piles of asbestos, overgrown vegetation and other problems. The Oakland Fire Chief declared the property a major fire hazard in a city that, 18 years ago, experienced one of the worst fire disasters in modern U.S. history.

After work on the development stalled, the City ordered the abatement of the nuisances on the property in June 2009. In late 2009, the City brought representatives from Lehman and SunCal Oak Knoll to the table and brokered the agreement approved by a judge last week (January 5).

In the [agreement](#), Lehman will fund \$3.7 million to demolish ramshackle, World War II-era buildings, remove asbestos, clean up debris and secure the vacant Oak Knoll hospital. The funding is in addition to \$550,000 already released by Lehman to pay for armed security guards, improvements to fences and “goat deployment” to eradicate the fire threat posed by overgrown vegetation. SunCal Companies is responsible for managing and directing the clean-up of the property.

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