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OAKLAND

CITY OF OAKLAND

AGENDA REPORT

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TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: February 9, 2010

**RE: A Report on Current City Programs and Services and Recommendations for
new Initiatives to Assist in the Expansion of Existing Oakland Businesses**

SUMMARY

On October 20, 2009, the City Council adopted the Business Tax Incentive Program and Sales Tax Incentive Program to attract new businesses to Oakland. The City Council also directed that staff provide a report on current incentives and resources, and recommendations for additional policies and financial incentives aimed at strengthening and growing Oakland's existing businesses.

In recent weeks, Economic Development staff convened discussion groups with Oakland business leaders, brokers, bankers, business service providers, and City of Oakland Economic and Redevelopment staff representatives to discuss strategies and financial incentives to assist Oakland's existing businesses.

While the working group agreed that financial incentives provided by the City are always appreciated by the business community, there are many other issues that are more significant in building a healthy environment for business retention and expansion. Given the ongoing budget challenges facing the city, the working group recommended against the implementation of any business incentive that would drain the general fund of resources that would otherwise be spent to provide core city and business services. The group recommended several strategies and policies that the City could implement to help Oakland businesses succeed during this difficult economic period. Those recommendations which are jointly supported by the working group and Economic Development staff are outlined in this report.

FISCAL IMPACT

With the exception of the Business Tax Credit Program, which staff does not recommend implementing at the current time, the fiscal impacts of the recommendations included in this report are generally minimal. The fiscal impacts of specific recommendations can be more fully assessed pending City Council direction.

Item: _____
CED Committee
February 9, 2010

BACKGROUND

Report on Current Programs and Services

The City of Oakland combined with its federal, state and local Business Service Organization partners, offer a diversity of business resources and incentives to Oakland businesses. The City's primary challenge is marketing the diversity of programs available and targeting those businesses most in need of these services. The range of resources includes:

- Access to Capital
- Ease of Doing Business with the City
- Financial Incentives
- Infrastructure
- Site Availability
- Support Services
- Workforce Development

For more details, refer to *Attachment A*.

KEY ISSUES AND IMPACTS

The working group of Oakland business leaders generally agreed that the recent collapse of U.S. financial markets was a "game changer" for how businesses thrive and grow in the new economy, and that further changes were inevitable. The single most important service that the City can provide its businesses is a pathway to accessing existing tools and resources provided by the City and its public and private business services network. The observations and recommendations made to staff by the working group are listed in the following section of this report.

PROGRAM DESCRIPTION

The following recommendations, which are based on comments and suggestions made by the business working group, are supported by Economic Development staff. Implementation of these recommendations could commence upon direction from the City Administrator, after consultation with other affected City departments.

Recommendations to Improve Services for Existing Businesses

1. Businesses are most concerned about the City's fiscal health and the possibility of further cuts to core services such as public safety, cleanliness, etc. The City's need to balance its

Item: _____
CED Committee
February 9, 2010

budget through preservation of existing funding sources is obvious to the City's business community, and there is generally no expectation of significant financial incentives.

Recommendation: City officials must prioritize the continuance of core business services and communicate this priority through City actions and policies.

2. Of all core services, public safety continues to be identified as the number one issue that impacts Oakland's ability to attract, retain and grow businesses. Improving public safety is a critical economic development tool.

Recommendation: OPD should appoint a Business Liaison Officer (BLO) to ensure that a specific point of contact exists for City staff, real estate brokers and businesses regarding public safety concerns related to business attraction, retention and expansion. The City Administrator will consider this recommendation, and upon his direction Economic Development staff would contact OPD to assess the viability and any potential costs associated with this action.

3. The primary challenge facing businesses today is lack of access to capital, the life-blood of business retention and expansion.

Recommendation(s): (1) Protect the Enterprise Zone Program and expand this source of capital to more businesses; (2) Research and market City-wide the existing financing opportunities available to small business through local, state and federal public finance providers (SBA, OBDC, WIB, etc.); (3) City should use its lobbying powers to ensure that future federal stimulus funds are focused on homeowners and businesses, and that a substantial portion of these dollars comes to Oakland.

4. Improve access to Business Support Services. **Recommendations include:**

- **Centralize and Coordinate Business Support Services:** Accelerate coordination and tracking of small business services (internal and external) through the Business Assistance Center (BAC). This is especially critical as most businesses seeking services at the BAC are referred elsewhere, both internally to the City and externally to Business Service Organizations ("BSO"). Without proper tracking of outcomes after clients are referred to City departments and BSOs, it is difficult to ensure that businesses are actually receiving the assistance they seek. The BAC has begun to implement a Customer Survey process which could be expanded to track business services with providers.
- **Through the BAC, improve the City's coordination with the numerous BSOs that provide business support services for Oakland businesses.** The City should leverage these services through coordinated marketing of these

Item: _____
CED Committee
February 9, 2010

organizations: who they are, what they offer, how to access their services. The City should be the “glue” that holds the BSOs and their services together, hosting networking events that bring these organizations together and ensuring that both the City and the BSOs remain aware of each other’s challenges and opportunities. This ongoing communication can lead to development of problem-solving strategies for Oakland business needs.

- **Educate Business Owners Regarding Web-based Services and Marketing:** Basic business survival requires that Oakland businesses shift to web-based communications, both for operating their business and accessing customers. Failure to do so ultimately will eliminate them from effectively competing in the new global business environment. The City and its BSO partners must develop a strategic plan to train businesses City-wide to use the internet and other digital media resources to manage and market their businesses.

5. Increase outreach to Oakland businesses through implementation of an effective City-wide marketing program to ensure their awareness of available services and resources.

Recommendation: Develop an Aggressive Marketing Strategy that welcomes business: Oakland is a regional economic center, and should be marketed with this understanding. The discussion groups strongly recommend that the City aggressively market Oakland as a great place to do business. Implementation of a more robust marketing campaign could be directed by the City Administrator, within City and Agency budget constraints.

Recommendation for Future Businesses Incentives to Assist in the Expansion of Existing Oakland Businesses

As part of the discussion around potential financial incentives that could assist Oakland’s existing businesses, staff presented a Business Tax Credit Program (BTCP) to the business working group. An incentive for existing businesses would complement the recently adopted Business Tax Incentive Program and Sales Tax Incentive Program, which were designed to attract new businesses to Oakland.

The BTCP that would provide an incentive for Oakland businesses to build, upgrade and expand their businesses by investing in new machinery and equipment. Under the BTCP, Oakland businesses could generate a business tax credit when they purchase eligible machines and equipment from other Oakland businesses. The credit would equal five percent of the purchase price – excluding sales taxes – and could be applied toward companies’ business tax payments.

Item: _____
CED Committee
February 9, 2010

The BTCP would help stimulate Oakland's economy and be instrumental in assisting many individual businesses wishing to modernize or grow their operations. The buy-local requirement of the BTCP would be a catalyst for business activity in Oakland. By requiring companies to buy from other Oakland businesses in order to qualify for the tax credit, the BTCP will drive up demand for products that are manufactured and distributed by Oakland-based companies. Therefore, many Oakland businesses that do not use the tax credit will indirectly benefit from the program.

The fiscal impact of the BTCP would depend on the program's eligibility requirements. For example, a minimum annual investment in eligible machines and equipment could be required for individual businesses to qualify for the tax credit. In addition, total eligible purchases could be capped for individual businesses.

While the working group responded favorably to the concept of the BTCP, they also questioned whether now is an appropriate point in time to implement any incentive program that would reduce general fund revenue for the city. The working group and Economic Development staff jointly recommend against the implementation of the BTCP at the current time. However, staff believe that the BTCP should be revisited when national economic conditions improve and/or when the City's revenue streams begin to recover.

SUSTAINABLE OPPORTUNITIES

Economic: This purpose of the recommendations would be to support existing Oakland businesses and promote a robust Oakland economy.

Environmental: Enhancing and growing businesses in a dense urban center such as Oakland means more residents can work closer to home, reducing vehicle miles travelled.

Social Equity: Retaining and growing Oakland businesses creates sustainable jobs and business opportunities for Oakland residents. In addition, more businesses and jobs in Oakland will generate more revenue for city services.

DISABILITY AND SENIOR CITIZEN ACCESS

This report does not provide specific benefits or programs for disabled or senior citizens.

RECOMMENDATION(S) AND RATIONALE

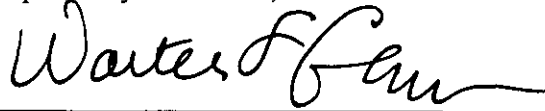
Staff requests that the City Council accept this report and its recommendations that staff continue to assess the viability of the policies and strategies outlined in this report, in order to facilitate the City's business retention and expansion activities.

Item: _____
CED Committee
February 9, 2010

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council accept this report.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Gregory Hunter, Deputy Director
Economic Development & Redevelopment

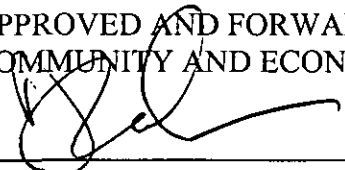
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APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE



Office of the City Administrator

Attachment A: Business Resources for Existing Oakland Businesses

Item: _____
CED Committee
February 9, 2010

ATTACHMENT A

EXISTING BUSINESS RESOURCES FOR OAKLAND BUSINESSES

The following list includes the most significant resources currently available to assist Oakland businesses.

A. Access to Capital

- **Oakland Business Development Corp. (OBDC):** OBDC is a direct-provider of business loans on behalf of the City of Oakland, including the City's Coliseum, Central City East, Enhanced Enterprise Community (EEC-RLF) and Broadway Corridor Revolving Loan Funds. OBDC provides business assistance to entrepreneurs who may not qualify for traditional bank financing.
- **Oakland Municipal Lending Program:** City staff provides oversight for the City of Oakland's commercial loan programs, including the City's contract with OBDC.
- **Business Service Organizations:** Through a variety of non-profit lending partners, Oakland businesses are provided access to commercial loans for retention and expansion purposes. These organizations include the California Economic Development Lending Initiative (CEDLI), Lenders for Community Development, Northern California Community Loan Fund, Nor-Cal Small Business Development Corporation, the U.S. Small Business Administration (SBA).

B. Ease of Doing Business with the City

- **Oakland Business Assistance Center (BAC):** Opened in May 2009, the BAC assists entrepreneurs and businesses in navigating City and Business Service Organization resources at its location in Frank Ogawa Plaza, and through its web site at www.oaklandbusinesscenter.com.
- **Economic Development Staff:** Complimenting the role of the BAC for larger businesses requiring assistance and for businesses within Oakland's targeted growth industries, Economic Development staff facilitate the ease of doing business with Oakland through providing direct business attraction, retention and expansion services. Services are tailored to address the needs of each business, and include (not exclusively):
 1. Liaison and coordination with other government agencies
 2. Welcome and business marketing services
 3. Site selection assistance
 4. Market and demographic information

5. Workforce Development services: training, job fairs, recruit screening, CA Guidance ETP coordination, Rapid Response Team
6. Guidance in navigating business regulatory requirements
7. Information about current market climate to prospective tenants and developers

C. Financial Incentives

- **Enterprise Zone Tax Incentives:** Oakland businesses in the Zone - from large manufacturing companies to small neighborhood restaurants - can reduce their state taxes by taking advantage of Enterprise Zone Tax Credits and benefits available to companies located in enterprise zones.
- **Commercial Property Façade and Tenant Improvement Programs:** Free architectural assistance and 50% matching grants are available to property and business owners for eligible capital improvement projects in designated areas of the City. Grant funds can be used to rehabilitate historic façades, exterior repairs, windows, painting, cleaning, removal of old signs and installation of new signs, awnings, exterior lighting, improvement or removal of safety grilles and guards, fencing, and landscaping.
- **State of California Industrial Development Bond Program:** The program targets small and medium-sized manufacturing companies which are normally shut out of national credit markets and provides low-cost, long-term financing for real estate and equipment projects that retain or create employment in Oakland.
- **Business Incentive Program:** Recently approved by the City Council, this program provides business and sales tax incentives for businesses with 20 or more employees and those within targeted, high-growth industry sectors. Business Incentive Agreements are negotiated on a case-by-case basis.
- **Oakland Foreign Trade Zone #56:** Operated by Matson Integrated Services, Inc., under a license granted to them by the City of Oakland, the Oakland FTZ offers companies engaged in international commerce with U.S Custom duty deferral, reduction and/or elimination and other import/export services that lower inventory costs and improve cash flow.

D. Infrastructure

- **Cal ReUSE Environmental Site Assessment Loan Program:** Provides loans for site assessments of brownfields parcels. The program allows for loan terms of up to five years and maximum loan amounts of \$300,000. Loans may be used for site assessments and characterization costs, technical assistance, and other costs necessary to provide an understanding of the extent of contamination, and to assist in the remediation planning and regulatory process.

- **Oakland Brownfields Revolving Loan Fund:** Funds provided by the U.S. Environmental Protection Agency for the cleanup of brownfield sites. The goal of the program is to put these sites back to beneficial use, thereby regenerating sections of the city, creating jobs, and enhancing tax revenues. Allowable uses include removing, mitigating, or preventing the release or threat of release of a hazardous substance, pollutant, or contaminant.
- **Urban Land Redevelopment (ULR) Program:** A well-defined process for addressing contamination at development sites, the ULR Program provides consultants that take a pragmatic approach towards site cleanup, giving common sense, scientifically sound solutions that base cleanup standards on the actual risk posed to current and future site users. This approach can save time and money.
- **Neighborhood Projects Initiative Program:** This community grant program funds one time, small-scale, community-initiated physical improvement projects that benefit the community and currently have no other funding source. Projects must be located within the West Oakland redevelopment project area boundaries. The program is designed to support existing blight reduction and beautification efforts in the redevelopment project area and to encourage community participation in the revitalization of West Oakland.

E. Site Availability

- **Business Attraction and Expansion Site Services:** Through staff's knowledge of Oakland's real estate inventory and connections with its real estate brokerage community, businesses are connected with real estate sites that best suit the identified requirements of each business seeking assistance.

F. Support Services

- **Internal Business Support Services:** As previously identified, staff is available throughout CEDA's various divisions to provide business support, including Economic Development, Redevelopment, and Planning and Building.
- **External Business Support Services:** Oakland houses a rich diversity of BSO's that work to support the needs of entrepreneurs and businesses. These include the various Chambers of Commerce; Green Business (East Bay Green Corridor, Alameda County Green Business Program, SBA Sustainable Business Alliance); Growth (Inner City Advisors); Immigrant Business Services (AnewAmerica, C.E.O. Women, EBALDC); Retail Merchant Services (Black Wall Street District, Oakland Merchants Leadership Forum, Oakland Unwrapped); Startup (Oakland Entrepreneurship Institute, Operation Hope, East Bay SCORE); General Technical Assistance (Alliance for Community Development, California Resources and Training/CARAT, Alameda County Small Business Development Center/SBDC, Small Business

Technology Institute, Unity Council, Wardrobe for Opportunity);
International (Center for International Trade Development/CITD).

G. Workforce Development

- **Alameda County Social Services Subsidized Employment Program**
80% wage and benefits subsidy for up to six months (expires
9/30/2010)
- **Eastbay Works:** Oakland's One Stop Career Center System includes
six centers conveniently located throughout the City. Partners include
the State of California Employment Development Division, the
Oakland Private Industry Council, the Green Jobs Corp., Youth
Employment Partnership, Peralta Colleges.
- **The Oakland Workforce Investment Board (WIB):** Offers a roster
of comprehensive business services designed to assist employers in
recruiting qualified employees, and includes the services of Eastbay
Works partners