

FILED
OFFICE OF THE CITY CLERK
CITY OF OAKLAND OAKLAND
AGENDA REPORT 2003 OCT 16 PM 3:19

TO: Office of the City Manager
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: October 28, 2003

RE: A RESOLUTION AUTHORIZING A HOME FUNDED OPERATING SUPPORT GRANT OF \$150,000 TO OAKLAND COMMUNITY HOUSING, INC.;

A RESOLUTION AUTHORIZING A HOME FUNDED OPERATING SUPPORT GRANT OF \$150,000 TO RESOURCES FOR COMMUNITY DEVELOPMENT;
AND

A RESOLUTION AUTHORIZING A HOME FUNDED OPERATING SUPPORT GRANT OF \$200,000 TO THE EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION

SUMMARY

For the past several years, the City Council has reserved five percent of each year's HOME allocation to provide operating support to Community Housing Development Organizations (CHDOs). Staff recommends that the City provide a grant of \$200,000 to East Bay Asian Local Development Corporation for a 24-month period (January 1, 2004-December 31, 2005), and grants in the amount of \$150,000 each to Oakland Community Housing, Inc. (OCHI) and Resources for Community Development (RCD) for an 18-month period (January 1, 2004-June 30, 2005). Funding for the three grants totaling \$500,000 is available from previously appropriated HOME program funds. The grants would be tied to the organizations' participation in the Local Initiatives Support Corporation's Durable CDCs Program to provide capacity building and technical assistance, thereby leveraging resources not available to the City. Three resolutions have been prepared for the City Council to authorize these grants.

FISCAL IMPACT

The funds for the ~~three~~ grants totaling \$500,000 have been appropriated, and are currently available in the HOME Investment Partnership Program (Fund 2109, Project G172121). A total of \$1,130,564 in HOME funds is available and appropriated specifically for CHDO operating support.

BACKGROUND

The National Affordable Housing Act of 1990 recognized the contribution of local non-profit developers in creating affordable housing. The Act encourages participating jurisdictions to develop relationships with and contribute to the development of local non-profit development corporations by designating experienced and potential developers as Community Housing Development Organizations (CHDOs). These are nonprofit developers that also meet certain HUD requirements for participation and involvement of low income program beneficiaries.

Participating jurisdictions may reserve up to 5% of their fiscal year HOME allocation to fund CHDOs' operating expenses. HUD requires that participating jurisdictions award CHDO operating support funding to organizations that have received HOME funds for a development project or are expected to receive HOME funds within 24 months of receipt of CHDO operating support funds.

The City has been setting aside the full 5% of its fiscal year HOME allocations to provide operating support to CHDOs, and to date has entered into eleven operating support contracts with six different CHDOs for a total of \$1,140,000.

In July 1997 the City Council passed Resolution No. 73739 authorizing operating support funding for CHDOs that were participating in the LISC Partners in Community Building Program. Under this program, City HOME funds were granted directly to City-designated CHDOs. LISC used this commitment to leverage private foundation funds to design and implement a three-year capacity building program for the CHDOs, covering the years 1999-2001. The program included funding and technical assistance from LISC. The cities of San Francisco and Richmond also participated in the program.

In 2002, LISC launched a second three year program (Partners II). On July 23, 2002, Council authorized operating support grants of \$150,000 each to RCD and OCHI for the first half of this new program, through December 2003.

KEY ISSUES AND IMPACTS

As non-profit, community-based organizations, CHDOs need funding for operating expenses and internal improvement. Although development fees earned from development projects provide funding for the staff and administrative costs associated with project development, nonprofits often face significant obstacles in securing funds for more general operating costs. As nonprofit development corporations mature, they face new challenges associated with expanding

organizations, a growing portfolio, and increasingly complex property and financial management issues. CHDOs must also maintain aging properties, refinance properties as they reach the end of their tax credit syndication period, and support residents and their communities by developing and integrating with childcare centers, recreation facilities, schools and commercial establishments and other community services. To manage their increased capacities they must learn to plan strategically, expand and improve their management and technical systems, hire and train new staff, and support and retain current staff.

The City has an additional interest in improving the long-term capacity of non-profit, community-based housing organizations. Affordable housing developed with HOME funds has a 30-year affordability term. Should the housing fail to meet HOME standards during this term, for lack of careful management or other reason, the City would be required to return the HOME funds. Thus, the City has an interest in improving the financial management and asset management capacity of CHDOs to protect its investment of HOME and other housing funds.

The City does not have the staff resources and expertise to provide direct capacity building and technical assistance to nonprofit development organizations. These types of activities are more appropriately performed by third-party intermediary organizations such as LISC that specialize in assistance to nonprofits.

PROJECT DESCRIPTION

Durable CDCs

Building upon the success of the Partners program, LISC is managing a second performance-based program – the Durable CDC Initiative. The Durable CDCs program is specifically designed to help CHDOs handle the challenges they face as they expand their size and scope. The new program works on the issues that were identified and addressed through the first Partners program. The Durable CDCs program offers improved capacity assessment tools, as well as technical and training assistance. Training programs and forums are offered for executive directors, finance managers, mixed-use development managers, program managers, housing developers, and Mainstreet commercial development program coordinators. LISC has also formed working groups, and maintains a website and a listserv network to facilitate the exchange of ideas among community development corporations.

Partnership in the LISC Durable CDCs program will leverage City of Oakland funding to assist East Bay Asian Local Development Corporation, Oakland Community Housing, Inc and Resources for Community Development further expand their capacity, address new challenges,

and continue with the development of affordable housing projects already underway. Operating support funds will be used for operating expenses such as organizational staffing and overhead, improvements to business systems, and staff training. In combination with the capacity building and technical assistance components provided by LISC, the funding enhances the ability of nonprofits to develop more and better affordable housing projects and to manage the projects and the organizations into the future. The linkage between the City of Oakland and LISC allows for joint approval of work plans and performance reports from EBALDC, OCHI and RCD, reducing bureaucracy and streamlining the delivery of these services.

A more detailed description of the Durable CDCs Initiative is contained in Attachment 1.

Developer Information

EBALDC has developed a total of 829 units in 15 projects. 717 of these units are located in Oakland, in 14 projects, which include: Frank G. Mar; Hismen Hin-nu Terrace; Bayporte; and Swans Market Housing. Currently EBALDC is developing a 350-unit transit oriented affordable housing project located near the Coliseum Bart Station. EBALDC's major priorities for the Partners Program are:

- Strengthen organizational capacity to effectively manage a HOME-funded project
- Establish a well-defined process for adoption of commercial services plan for mixed use developments
- Promote best practices in asset management

OCHI has built more than 1,000 units of affordable housing over a period of 28 years and is currently applying for HOME funds for a 40-unit family rental project in Western Oakland and a 30-unit senior project in North Oakland. OCHI has developed initial priority uses for the desired funding that will help with the completion of these projects. These priorities include:

- Staff development in the areas of fundraising, community participation and real estate development
- Board governance

RCD is a growing CHDO that has become increasingly active in Oakland. Founded in 1984, it worked first in the South Berkeley area, and later expanded to other East Bay locations. To date, RCD has completed 178 units in 6 projects in Oakland, and has another 61 units under development in 2 projects, including the 42-unit Northgate Apartments project and Eastmont Court both of which have been awarded HOME funds by the City. RCD's priorities for the Partners Program are:

- **Staff** development in the areas of fundraising and human resources
- Board governance
- Management information systems

Proposed Program

Staff proposes to provide EBALDC with \$200,000 over a 24-month period and \$150,000 each to RCD and OCHI over an 18-month period. This amount is consistent with operating support allocations approved by the City Council in the past, which have provided \$100,000 for 12-month terms while developing HOME-assisted projects. The Durable CDCs program identify key areas in need of improvement. Specific outcome-based performance targets and milestones will be established and measured. Disbursement of the City's funds will be contingent on the groups' continued participation in the Durable CDCs program and satisfactory performance in achieving program goals.

SUSTAINABLE OPPORTUNITIES

Economic: The programs promote economic sustainability for the CHDOs as well as their property residents and community members. Training and technical assistance provided to the CHDOs will help their operations become more cost-effective and self-sustaining. Affordable housing and community development programs offered by the CHDOs will help community members become more self-sufficient and will help to create more desirable and sustainable neighborhoods.

Environment: EBALDC, OCHI and RCD's development of housing on urban in-fill sites is consistent with the City's goals for sustainable development.

Social Equity: Services provided by these organizations benefit the neighborhoods, the low to moderate-income community, elderly and disabled persons, and contribute to the safety, security and well being of homeowners.

DISABILITY AND SENIOR CITIZEN ACCESS

OCHI's Senior project and RCD's Eastmont Court are being developed specifically for seniors and disabled individuals. In addition, all three organizations manage projects that provide housing and supportive services for seniors and persons with disabilities.

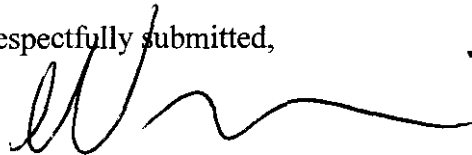
RECOMMENDATION AND RATIONALE

Staff recommends that Council allocate HOME CHDO Operating Expense funds in the amount of \$200,000 to provide a 24-month operating support grant to EBALDC and in the amount of \$150,000 each to provide 18-month operating support grants to both OCHI and RCD to assist them in building internal staff capacity and systems while completing the senior and family housing projects. Staff also recommends that participation in the LISC Durable CDCs program be a condition of the grants. Staff recommends that Council authorize the City Manager to negotiate and execute the grant contracts.

ACTION REQUESTED OF THE CITY COUNCIL

Approve the attached resolutions

Respectfully submitted,



**DANIEL VANDERPRIEM, Director
Economic Development, Redevelopment and
Housing**

Prepared by:

Roy L. Schweyer, Director
Housing and Community Development
and
Jeffrey P. Levin
Housing Policy and Programs Coordinator
Catherine J. Firpo
Housing Development Coordinator

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:


OFFICE OF THE CITY MANAGER

Item: 5
Community and Economic Development Committee
October 28, 2003

Attachment I



THE DURABLE CDCs INITIATIVE

Bay Area Local Initiatives Support Corporation (LISC) provides an integrated set of programs to strengthen community organizations and enhance the ability of nonprofit staff to renew their neighborhoods. The two major components of LISC's Durable CDCs Initiative are:

1) Training and technical assistance. LISC works with 30 – 40 Bay Area housing and community development organizations to build the capacity of management systems and individual staff members. In the coming year, LISC is planning:

- ***Training and Issues Forums***, including the 2003 Advanced Rental Finance Training; the Affordable Housing Property Management Training Series; the Commercial Development Training and Seminar Series; the 2003 Durable CDCs Conference; and the 2004 Housing Development Training Institute.
- ***Peer Networks***. LISC convenes several peer networks which meet on a bi-monthly or quarterly basis. LISC currently supports five networks: finance managers; mixed-use and commercial project managers; Main Street program managers; asset managers; and human resources managers. The expert-supported peer networks serve to build skills and build the social capital necessary for a healthy and productive interchange of ideas and experience. The ***Community Development Exchange*** (www.cdexchange.org) provides resource materials and listserve support to the peer network members and other practitioners.
- ***Consulting Services***. LISC facilitates nonprofit organizations' ability to obtain high quality technical assistance by identifying common unmet needs; screening and orienting potential consultants; and subsidizing the cost of their services. Through LISC, Bay Area community development organizations are currently able to obtain subsidized assistance on succession planning, real estate development, neighborhood planning, and other special needs.

2) Performance-based operating support. Nine organizations are currently participating in the 2002-2005 *Partners in Community Building* program. The *Partners* grant program is designed for established nonprofit community development organizations which focus on a geographically limited low-income community, pursue affordable housing development as a core business (but which also pursue other community service work), and have community representation on their board of directors. The goal of the program is to increase the capacity and effectiveness of these organizations to serve their low-income constituents over the long-term.

LISC uses an outcomes-based framework to shape annual grant agreements with participating nonprofit organizations. Working with each Partner, LISC uses CapMap, an interactive assessment tool to establish baseline capacity, determine a path for growth, and measure achievement along the way. This targeted plan helps Partner groups build the strong management systems necessary to sustain their successes in affordable housing, commercial revitalization, and community services. In addition to reviewing quarterly written reports, LISC program staff meets at least once a year with the board of directors of the Partner CDCs, and more frequently with staff to discuss progress. LISC also convenes quarterly group meetings of all the Partners.

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Attachment I

LISC also helps these organizations achieve their goals by providing training and technical assistance services offered through LISC's broader Durable CDCs Initiative, and informing the groups about other useful resources.

Expected Results: Bay Area LISC expects to increase the effectiveness and achievements of the region's nonprofit community development organizations, specifically those engaged in part or in whole in affordable housing and commercial real estate development and economic development programming. The specific results LISC expects to achieve through the 2002-2005 Durable CDCs Initiative include:

For the 30 – 40 housing and community development organizations that access LISC's training, peer networks and consulting services:

- **Over 400** students to attend approximately 300 hours in these training courses and forums.
- **130** staff members will participate in the five peer networks annually. (Many more will access assistance through our website.)
- At least five organizations will engage in executive director transition planning, and will adopt policies to develop leadership skills of subordinate staff.
- As a result of increased management and fund development capacity, **six** organizations will be able to increase their non-revenue producing activities, such as tenant services, neighborhood organizing, and youth programs.
- The number of organizations which incorporate commercial revitalization or development into their work will increase from seven to at least twelve organizations.

For the nine Partners organizations that also access LISC's capacity-building grants:

- At least **four** of the of the nine Partners CDCs will strengthen their management systems, which may include written procedures manuals where none existed before or implementing new automated systems for financial management, property management, human resources and/or fund development.
- Because of improvements in management and capacity, five of the nine Partner CDCs will achieve significant programmatic growth, as measured by increased size of operating budget, productivity (larger scale or new types of projects) and a broader scope of services to constituents.

Primary Geographic Service Area: The Durable CDCs Initiative supports organizations operating throughout the nine-county Bay Area, including Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara counties. Within these counties, we work primarily in the cities of Oakland, San Francisco, Richmond, East Palo Alto, and San Jose (our newest geographic area).

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[Signature]
DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

OFFICE OF THE CITY CLERK
2003 OCT 16 PM 3:

A RESOLUTION AUTHORIZING A GRANT OF \$150,000 IN FEDERAL HOME FUNDS TO PROVIDE OPERATING SUPPORT AND TECHNICAL ASSISTANCE TO OAKLAND COMMUNITY HOUSING, INC.

WHEREAS, for the past several years, the City of Oakland has set aside five percent of its HUD HOME grant to provide operating support grants to City-designated Community Housing Development Organizations (“CHDOs”); and

WHEREAS, the City would like use this funding to assist Oakland’s CHDOs in improving their capacity to develop and manage affordable housing in the City; and

WHEREAS, the Local Initiatives Support Corporation (“LISC”) is sponsoring a capacity-building program for experienced nonprofits, known as the Durable CDC’s Initiative, which will include qualified Oakland CHDOs; and

WHEREAS, Oakland Community Housing, Inc. (“OCHI”) has been designated a CHDO by the City; and

WHEREAS, OCHI is applying for HOME funds through the Notice of Funding Availability; and

WHEREAS, funds are available in Fund 2109, Organization 88919, Project G172121; now, therefore, be it

RESOLVED: That the City Council authorizes the appropriation of \$150,000 in HOME funds to be granted to OCHI to assist it in completing work on its HOME-funded project in Oakland, as well as pursuing other affordable housing projects and enhancing its capacity to continue to develop and manage affordable housing projects; and be it

FURTHER RESOLVED: That the authorization of funding to OCHI is on condition that it participate in LISC’s Durable CDC’s program; and be it

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FURTHER RESOLVED: That the City Council hereby appoints the City Manager and his or her designee as agent of the City to conduct negotiations with OCHI, execute grant documents with OCHI, modify the grant documents, and take any other action with respect to the grant consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That the grant contracts shall be reviewed and approved by the Office of the City Attorney for form and legality prior to execution, and copies will be placed on file with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

S - |
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OCT 28 2003

ATTEST:

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

[Signature]
OFFICE OF DEPUTY CITY ATTORNEY
CITY CLERK
OAKLAND

2003 OCT 16 PM 3: 19

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCIL MEMBER _____

A RESOLUTION AUTHORIZING A GRANT OF \$150,000 IN FEDERAL HOME FUNDS TO PROVIDE OPERATING SUPPORT AND TECHNICAL ASSISTANCE TO RESOURCES FOR COMMUNITY DEVELOPMENT

WHEREAS, for the past several years, the City of Oakland has set aside five percent of its HUD HOME grant to provide operating support grants to City designated Community Housing Development Organizations (“CHDOs”); and

WHEREAS, the City would like use this funding to assist Oakland’s CHDOs in improving their capacity to develop and manage affordable housing in the City; and

WHEREAS, the Local Initiatives Support Corporation (“LISC”) is sponsoring a capacity-building program for experienced nonprofits, known as the Durable CDC’s Initiative, which will include qualified Oakland CHDOs; and

WHEREAS, Resources for Community Development (“RCD”) has been designated a CHDO by the City; and

WHEREAS, RCD is currently developing a HOME-funded affordable housing project along Foothill Boulevard; and

WHEREAS, funds are available in Fund 2109, Organization 88919, Project G172121; now, therefore, be it

RESOLVED: That the City Council authorizes the appropriation of \$150,000 in HOME funds to be granted to RCD to assist them in completing work on its HOME-funded project in Oakland as well as pursuing other affordable housing projects and improving its project management of projects located in Oakland; and be it

FURTHER RESOLVED: That the authorization of funding to RCD is on condition that it participate in LISC’s Durable CDC’s program; and be it

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FURTHER RESOLVED: That the City Council hereby appoints the City Manager and his or her designee as agent of the City to conduct negotiations with RCD, execute grant documents with RCD, modify the grant documents, and take any other action with respect to the grant consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That the grant contracts shall be reviewed and approved by the Office of the City Attorney for form and legality prior to execution, and copies will be placed on file with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES-- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE

NOES--

ABSENT--

ABSTENTION--

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**COMMUNITY & ECONOMIC
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GCT 2 8 2003

ATTEST:

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

[Signature]
DEPUTY CITY ATTORNEY
OFFICE OF THE CITY CLERK
OAKLAND

2003 OCT 16 PM 3:19

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION AUTHORIZING A GRANT OF \$200,000 IN FEDERAL HOME FUNDS TO PROVIDE OPERATING SUPPORT AND TECHNICAL ASSISTANCE TO EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION

WHEREAS, for the past several years, the City of Oakland has set aside five percent of its HUD HOME grant to provide operating support grants to City designated Community Housing Development Organizations ("CHDOs"); and

WHEREAS, the City would like use this funding to assist Oakland's CHDOs in improving their capacity to develop and manage affordable housing in the City; and

WHEREAS, the Local Initiatives Support Corporation ("LISC") is sponsoring a capacity-building program for experienced nonprofits, known as the Durable CDC's Initiative, which will include qualified Oakland CHDOs; and

WHEREAS, East Bay Asian Local Development Corporation ("EBALDC) has been designated a CHDO by the City; and

WHEREAS, EBALDC is currently developing a HOME-funded affordable housing project in Central East Oakland; and

WHEREAS, funds are available in Fund 2109, Organization 88919, Project G172121; now, therefore, be it

RESOLVED: That the City Council authorizes the appropriation of \$200,000 in HOME funds to be granted to EBALDC to assist them in completing work on its HOME-funded project in Oakland as well as pursuing other affordable housing projects and improving its project management of projects located in Oakland; and be it

FURTHER RESOLVED: That the authorization of funding to EBALDC is on condition that it participate in LISC's Durable CDC's program; and be it

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FURTHER RESOLVED: That the City Council hereby appoints the City Manager and his or her designee as agent of the City to conduct negotiations with EBALDC, execute grant documents with EBALDC, modify the grant documents, and take any other action with respect to the grant consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That the grant contracts shall be reviewed and approved by the Office of the City Attorney for form and legality prior to execution, and copies will be placed on file with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

5-3

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GCT 2 8 2003

ATTEST:

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California