

**CITY OF OAKLAND
COUNCIL/AGENCY AGENDA REPORT**

2004 SEP 16 AM 9:52

TO: Office of the City Administrator/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: September 28, 2004

RE: A RESOLUTION REALLOCATING \$400,358 FROM THE DOWNTOWN BUSINESS BRIEFING CENTER TO THE DOWNTOWN TENANT IMPROVEMENT PROGRAM AND FAÇADE IMPROVEMENT PROGRAM AND AUTHORIZING THE AGENCY ADMINISTRATOR TO NEGOTIATE AND EXECUTE ALL DESIGN CONTRACTS FOR THE COMMERCIAL FAÇADE IMPROVEMENT AND TENANT IMPROVEMENT PROGRAMS WITHOUT RETURNING TO THE AGENCY.

SUMMARY

The item is a request for Redevelopment Agency approval of a resolution authorizing the reallocation of \$400,358 of Central District Redevelopment Project funds from the Downtown Business Briefing Center to the Downtown Tenant Improvement Program and the Downtown Façade Improvement Program. Additionally, the resolution authorizes the Agency Administrator to negotiate and execute all third-party design contracts necessary to administer all of the Redevelopment Agency sponsored Façade Improvement and Tenant Improvement programs.

The additional funding is necessary to continue the programs since demand for the Façade Improvement and the Tenant Improvement programs exceeds the available funds budgeted for the programs in the Central District Redevelopment Area.

Consulting services in the form of architectural design services are a key component of the façade improvement program. Providing the Agency Administrator with authorization to execute third party design contracts using the programmed funds for these programs will facilitate the administration of the programs.

FISCAL IMPACTS

Staff is requesting that the \$400,358 in funding set aside for the Downtown Business Briefing Center (Fund 9526 Project P134710) be reallocated as follows: \$325,358 to the Downtown Tenant Improvement Program (Fund 9526, Project P128610) and \$75,000 to the Downtown Façade Improvement Program (Fund 9526, Project T295710). All third-party design contracts executed by the Agency Administrator for the Redevelopment-sponsored Façade Improvement and Tenant Improvement programs will be funded out of the approved budgets for these programs.

These expenditures will have no negative impact on the General Fund. Additionally funding for the Façade Improvement and the Tenant Improvement Programs may result in an increase in sales tax and business tax revenue for the City of Oakland which will augment the General Fund in future years.

BACKGROUND

Central District Tenant Improvement Program and Façade Improvement Program

The Downtown Tenant Improvement Program was approved by City Council on September 16, 2003. At that time of its inception, the Program identified 46 storefronts out of a total of 185 storefronts to be vacant within the program's project area. The goal of the program was to reduce the vacancy rate by 50% within the two year fiscal period of 2003-2005. The program has proven to be highly successful and is well ahead of schedule by reducing the retail vacancy rate by 50% in the first 11 months. To date, 22 businesses have moved into the Downtown. Of this total, 17 are complete or under construction and 5 have signed leases and are in the design phase. \$585,402 in grants has already been paid or encumbered and an additional \$600,000 is being negotiated.

The existing pipeline of projects will fill over 50,000 square feet of previously vacant retail space in the Downtown. One of the requirements for participation in the program is that the retail uses must be projected to generate sales revenues of at least \$200 per square foot per year. The pipeline projects are projected to assist retail projects that will produce \$10 million in annual sales, which would generate approximately \$100,000 in annual sales tax revenues for the City of Oakland. In addition, the program has funded tenant improvements in all five of the remaining retail suites in both the Dalziel and Wilson buildings which will generate \$175,000 in annual rent for the City.

The Downtown Façade Improvement Program was developed in May 1999 and has been incredibly successful to date. There are now 145 projects in Downtown, of which 90 have been completed and the remaining 65 are in the design or bidding phase. Approximately 42% of the total buildings Downtown are participating in the program with the highest concentration of projects in Old Oakland, City Center, and Uptown. The Downtown Façade Improvement Program has spent \$1.2 million to leverage over \$6 million in façade improvements. An additional \$1.1 million is currently being negotiated which will leverage roughly \$5 million in façade improvements.

Due to the success of the Downtown Tenant Improvement and Façade Improvement programs, additional funds are needed to continue both programs. Agency staff is requesting that the \$400,358 in funding set aside for the Business Development Center be reallocated to both the Downtown Tenant Improvement Program and Downtown Façade Improvement Program (\$325,358 and \$75,000 respectively). This money will be used to fill potential shortfalls for fiscal year 2004-05 for the existing pipeline of projects. Staff will likely request additional funds for these programs to be programmed in the Fiscal Year 2005-06 budget.

Façade Improvement Programs in Other Redevelopment Project Areas

The façade improvement program in the Broadway/MacArthur/San Pablo Redevelopment Project Area was established in December 2002. The program currently offers façade grants for commercial properties on Telegraph Avenue, Broadway, West MacArthur Boulevard, and San Pablo Avenue within the Project Area Boundaries. Redevelopment staff has been working to actively market this program. Marketing efforts have included merchant informational meetings and mailings to all eligible property and business owners. These efforts have been extremely successful in stimulating interest in the program. To date, over 45 property owners have requested applications for the program, \$265,410 in grants have already been committed to projects, and inquiries have come in for an additional \$195,000 in grant funds.

Given the recent inquiries, the demand for the program will soon exceed the \$450,000 in available funds that have been earmarked for this program. Staff plans to increase the amount of funding available to the program in Fiscal Year 2004-05 by \$150,000. That would bring the total façade program funding up to \$600,000. The \$150,000 would come from the general operations and maintenance program budget for the Broadway/MacArthur/San Pablo Redevelopment Area. These funds are not currently earmarked for any specific use. Since these funds are already appropriated for projects in the Broadway/MacArthur/San Pablo Redevelopment Area, Agency authorization is not required for this action.

New Redevelopment-funded Façade Improvement Programs are proposed in the implementation plans for the newly adopted Central City East and West Oakland Redevelopment Project Areas. These programs will begin after tax increment funds are available in these areas. In addition, the Coliseum Redevelopment Area has used Redevelopment funds to supplement NCR funds for Façade Improvement Programs within its project area boundaries.

Third Party Contracts

As part of the Façade Improvement and Tenant Improvement program, participants are provided with free limited architectural services to develop designs for the planned improvements. City Council's approval of the Neighborhood Commercial Revitalization (NCR) Façade Improvement Program in September 1997 included authorization for the City Manager to execute third party design contracts necessary to administer the program. Under this authorization, NCR staff does not need to get Council approval to enter into contracts with design consultants to provide architectural services for the façade program using funds authorized by City Council explicitly for the façade program.

Redevelopment staff requests that the same authorization be provided to the City Administrator/Agency Administrator on behalf of the Redevelopment-sponsored Façade Improvement and Tenant Improvement programs, which includes the Central District, Broadway/ MacArthur/San Pablo, West Oakland, Coliseum, and Central City East Redevelopment Project Areas. This authority will make it easier for Agency staff to administer the Redevelopment-sponsored programs by expediting the contracting process.

KEY ISSUES AND IMPACTS

Downtown Business Briefing Center

The Downtown Business Briefing Center project was adopted by City Council as part of the 2001-03 adopted budget. The project would have provided a special meeting facility that would be used by City staff exclusively for presentations for business retention/attraction. Given the City's current budget constraints, no funding exists for staffing this center and the Agency staff does not recommend moving forward with the Business Briefing Center at this time. A commercial tenant has been identified for the space in the Dalziel building where the center would have been located. This tenant, an environmentally sensitive digital print shop, will provide both lease revenues and sales tax revenues to the City.

Third-Party Contracting Requirements

To administer the Redevelopment-sponsored Façade Improvement and Tenant Improvement programs, staff will need to enter into third-party contracts with local architects to complete the architectural designs for participants in the program. The design consultants will be selected through a competitive Request for Qualifications (RFQ) process and will be required to comply with the City's contracting requirements, including the SLBE/LBE requirement.

SUSTAINABLE OPPORTUNITIES

Economic

The Façade Improvement and Tenant Improvement programs improve the physical and economic health of the commercial districts by providing financial assistance to property and business owners to make improvements to their properties and by reducing retail vacancies.

Environmental

The Façade Improvement and Tenant Improvement programs help stimulate increased usage of underutilized properties in an urban environment.

Social Equity

The financial assistance provided by these programs provides an opportunity for participation by property and business owners in the revitalization of their properties.

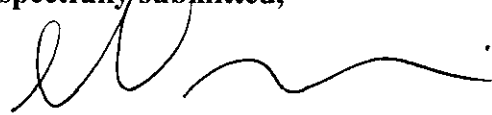
DISABILITY AND SENIOR CITIZEN ACCESS

Any new construction that occurs on the properties that participate in the Façade Improvement and the Tenant Improvement programs will be required to comply with city, state, and federal ADA requirements.

ACTION REQUESTED OF THE COUNCIL AND AGENCY MEMBERS

Staff recommends that the Agency approve the resolution authorizing the reallocation of \$400,358 of Central District Redevelopment Project funds from the Downtown Business Briefing Center to the Downtown Tenant Improvement Program and the Downtown Façade Improvement Program and authorizing the Agency Administrator to negotiate and execute all third-party design contracts necessary to administer the Redevelopment Façade Improvement and Tenant Improvement programs within the program budget.

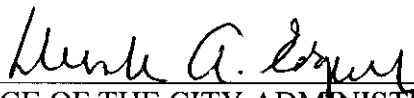
Respectfully submitted,



Dan Vanderprie, Director of
Redevelopment, Economic Development,
and Housing and Community Development

Prepared by:
Kathy Kleinbaum
Urban Economic Analyst III
CEDA, Redevelopment Division

**APPROVED FOR FORWARDING TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE**



OFFICE OF THE CITY ADMINISTRATOR/
AGENCY ADMINISTRATOR

FILED
OFFICE OF THE CITY CLERK
APPROVED AS TO FORM AND LEGALITY:
2004 SEP 15 AM 10:02
AGENCY COUNSEL

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C.M.S.

A RESOLUTION REALLOCATING \$400,358 FROM THE DOWNTOWN BUSINESS BRIEFING CENTER TO THE DOWNTOWN TENANT IMPROVEMENT PROGRAM AND FAÇADE IMPROVEMENT PROGRAM AND AUTHORIZING THE AGENCY ADMINISTRATOR TO NEGOTIATE AND EXECUTE ALL DESIGN CONTRACTS FOR THE COMMERCIAL FAÇADE IMPROVEMENT AND TENANT IMPROVEMENT PROGRAMS WITHOUT RETURNING TO THE AGENCY

WHEREAS, the Central District Redevelopment Project Area of Oakland contains many commercial buildings in need of revitalization and physical improvement and vacant storefronts in need of tenants; and

WHEREAS, the commercial corridors of the other Redevelopment Project Areas of Oakland also contain many buildings in need of revitalization and physical improvement; and

WHEREAS, the Agency has previously approved the establishment of a Downtown Façade Improvement Program (Resolution No. 1999-37 C.M.S.), the Downtown Tenant Improvement Program (Resolution No. 2003-69 C.M.S.), and a Façade Improvement Program in the Broadway/MacArthur/San Pablo Redevelopment Project Area (Resolution No. 2002-01 C.M.S.) and Redevelopment-funded Façade Improvement Programs are proposed for the Coliseum, West Oakland, and Central City East Redevelopment Project Areas; and

WHEREAS, the Façade Improvement and Tenant Improvement programs assist in the elimination of blight, help retain and attract businesses within the program boundaries, create job opportunities, and increase sales tax revenues for the City of Oakland; and

WHEREAS, the programs are consistent with and further the purposes of the Redevelopment Plans and the Five-Year Implementation Plans for the Central District, West Oakland, Central City East, Coliseum, and Broadway/MacArthur/San Pablo Redevelopment Projects; and

WHEREAS, demand for the Central District Façade Improvement and Tenant Improvement programs exceeds the funding currently budgeted for them; and

WHEREAS, design consulting service are needed to implement the Façade Improvement and Tenant Improvement programs for all Oakland Redevelopment Project Areas; and

WHEREAS, the Agency's standard procurement process for third party contracts requires excessive time to obtain Agency authorization that may lead to potential delays in the implementation of the Façade Improvement and Tenant Improvement programs; and

WHEREAS, the Agency seeks to avoid such potential delays by authorizing the Agency Administrator to approve and execute all third party design contracts within the available budgets of the Façade Improvement and Tenant Improvement programs; and

WHEREAS, the Agency finds that these services are of a professional nature and will be temporary in duration; and

WHEREAS, the Agency finds that these contracts will not result in the loss of employment or salary by any person having permanent status in the competitive service; and

WHEREAS, the City Council has previously approved the authorization for the City Administrator to approve and execute all third party design contracts within the available budget for the City's Façade Improvement Program (Resolution No. 73818 C.M.S.); now, therefore, be it

RESOLVED: That \$400,358 from the Downtown Business Briefing Center (Fund 9526, Project P134710) is hereby reallocated as follows: \$325,358 to the Downtown Tenant Improvement Program (Fund 9526, Project P128610) and \$75,000 to the Downtown Façade Improvement Program (Fund 9526, Project T295710); and be it

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or her designee to negotiate and execute all third-party design contracts necessary to carry out the Agency-sponsored Façade Improvement and Tenant Improvement Programs within the available budget without having to obtain further Agency authorization; and be it

FURTHER RESOLVED: That all agreements executed pursuant to the Resolution shall be approved as to form and legality by Agency Counsel and filed with the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2004

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

CEDA FLOYD

Secretary of the Redevelopment Agency
of the City of Oakland, California