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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Economic & Workforce
Development Director

SUBJECT: Displacement Of Oakland's Non-Profit
Organizations Supplemental Report

DATE: June 19, 2017

City Administrator Approval

Date:

[Handwritten signature] *[Handwritten date: 6/29/17]*

RECOMMENDATION

Staff Recommends That The City Council Receive A Report From The City Administrator And Possible Action On The Impact Of The High Costs Of The Current Commercial Rental Market On Nonprofit And Community Based Organizations; An Analysis Of The Displacement Of Nonprofits From The City Of Oakland Between 2012 To The Present (Analysis To Include The Impact On The Delivery Of Services); And Recommendations On How To Retain A Vibrant Non-Profit Community In Oakland Through City Support To Ameliorate The Impact Of Rising Rental Costs.

REASON FOR SUPPLEMENTAL

An informational report regarding the status of the nonprofit sector and displacement risk was provided to the CED Committee on April 11, 2017. The report detailed best practices for cities in supporting local nonprofit organizations, the strategies, programs and practices underway in the City of Oakland, and recommendations for continuing and deepening those efforts. The Committee passed a motion to hold the report for further consideration.

A supplemental report was provided to CED on June 13, 2017. This report provided additional details on the City's prompt payment process for its nonprofit contracts. The Committee directed staff to return with answers to five questions distributed at the meeting by the Oakland Private Industry Council (PIC).

This report answers five follow-up questions about the City's current abilities to assist Oakland nonprofits who are facing displacement due to rising commercial rents. It includes staff contacts, the types of assistance available (site searches, technical, financial, and free use of City space), and, where applicable, any criteria used to select nonprofits that are receiving City support.

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ANALYSIS AND POLICY ALTERNATIVES

Staff was asked to answer five questions with regards to nonprofit assistance, as follows:

1. Identify a single point of contact for nonprofits in Oakland.

The Business Development division of the Economic and Workforce Development Department is a liaison for all for-profit and non-profit businesses in Oakland, including retention cases. The manager of the Business Development team is Aliza Gallo, agallo@oaklandnet.com, 510-238-7405.

2. Clarify criteria for selection of non-profits that have received free use of City space or have received other City assistance.

The Real Estate division currently has records on the following nonprofit no-rent tenants:

Family Bridges
Friends of Peralta Hacienda
Sequoia Nursery School
Peter Pan Nursery School
Scotlan Youth Center
Girls Inc.
Babe Ruth Little league
East Oakland Boxing Association
Camron-Stanford House Preservation Association
East Oakland Youth Development Center
Oakland Art Gallery (ProArts)
Junior Center of Art and Science
OPD - Police Action League
Oakland Chinatown Lions Foundation, Inc.
Lake Merritt Institute
East Bay Children's Theatre
Golden State Bonsai Federation
Chabot Observatory – Oakland Unified School District

Most of these leases are for buildings in Oakland parks. Leases will be reviewed and updated later this summer as part of the Real Estate Portfolio Asset Management Plan, in cooperation with Oakland Parks and Recreation.

All the no rent or below market rent leases fall under the City's In-kind lease – Real Estate Laws, which are codified in Ordinance 13287 2.42.110:

2.42.110 Rent.

Real property must be leased for a rent or fee, payable in cash or other consideration, equal to or exceeding the property's fair market rental value, unless the City Council has made a finding and determination that the lease of the property for less than its fair market rental value is in the best interests of the City. In the case of lessees who provide in-kind services in lieu of cash rent, the value of such in-kind services to the City or the community at large may be considered in making the required Council finding and determination. For purposes of this chapter, in-kind services include benefits or values the provider renders to the City or the community at large because of the tenancy in lieu of payment of cash. This may include, but not be limited to, property security and maintenance, social and cultural benefits to the community, or other appropriate services.

3. Identify the types of technical and/or the financial assistance available for non-profits impacted by displacement.

All Nonprofits can receive assistance from the Business Development division of the Economic & Workforce Development Department. Staff conduct site searches for nonprofits based on their space needs and financial capacity. Staff also provide referrals to brokers, lenders, potential partners, and to the Northern California Community Loan Fund (NCCLF) for longer-term real estate support.

As described above, the City also currently provides more than a dozen nonprofits with free use of City space to provide services. However, the City does not have immediate vacancies that could be used to assist additional nonprofits.

In the longer term, the City pursues opportunities with private partners and philanthropies to create new space options for nonprofit organizations as well as additional financial and technical assistance. As a result of the Task Force on Artist Space, Arts nonprofits in Oakland can now access a \$1.7 million philanthropic fund for technical and financial assistance through the Keeping Space-Oakland program.

Finally, the City directly funds many nonprofits; however, most of these have secure space and are not currently facing displacement pressure.

4. Have the City's previous actions to avert non-profit displacement received a Race and Equity analysis --- as would now be required by the City's Ordinance?

The City has begun, but not yet completed, a Race & Equity Analysis¹ on its work with nonprofits. The Race & Equity Analysis evaluates the race of the leadership (executive staff and Board, where applicable) of nonprofits who receive financial or space assistance from the City. For those organizations receiving financial assistance, the analysis includes only those who receive ongoing funding in the City budget and not one-time grant fund recipients.

5. Can the City participate in loan assistance for non-profits that need additional resources to remain in Oakland (i.e., loan guarantees, co-participation with the Northern California Community Loan Fund, etc.)?

The City has a commercial loan fund available for both small businesses and nonprofits who may be considered too high of a credit risk for a traditional bank loan. Loan amounts are between \$15,000 and \$249,000 and the City partners with Main Street Launch to administer the program. Historically funded through the Community Development Block Grant, staff is recommending the use of New Market Tax Credits to continue this program.

NEXT STEPS:

If the City Council wishes to pursue next steps, staff recommends:

- 1) Undertake a more in-depth engagement of the local nonprofit sector to gauge the extent of displacement pressure and offer aid. Individualized assistance has been found elsewhere to be more effective than a general program aimed at nonprofits, and equity considerations within the nonprofit sector suggest that public assistance should be targeted to those who serve low income residents and communities of color.
- 2) Seek more public-private partnership approaches to create more affordable space for nonprofits. A public-private partnership may include working with private companies and foundations to secure a building for long-term use at affordable rates, potentially for multiple organizations.
- 3) Identify any additional City spaces that could be leased to nonprofits in the near term, including through the Real Estate Portfolio Asset Management Plan.

In the interim, the City is encouraging nonprofits to secure long term leases, sponsoring real estate workshops, and referring organizations on a case-by-case basis to external providers for technical assistance in securing long term leases or purchasing real estate.

¹ The City Ordinance creating the Race & Equity Department (2.29.160) states that the City Administrator should apply equity and social justice foundational practices to City actions and endeavor to integrate these practices into the City's strategic, operational and business plans; management and reporting systems for accountability and performance; and budgets in order to eliminate inequities and create opportunities for all people and communities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive A Report From The City Administrator And Possible Action On The Impact Of The High Costs Of The Current Commercial Rental Market On Nonprofit And Community Based Organizations; An Analysis Of The Displacement Of Nonprofits From The City Of Oakland Between 2012 To The Present (Analysis To Include The Impact On The Delivery Of Services); And Recommendations On How To Retain A Vibrant Non-Profit Community In Oakland Through City Support To Ameliorate The Impact Of Rising Rental Costs

For questions regarding this report, please contact Marisa Raya, Special Projects, 510-238-6230.

Respectfully submitted,



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