

**CITY OF OAKLAND**  
**AGENDA REPORT**

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OFFICE OF THE CITY CLERK  
OAKLAND

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TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: July 13, 2004

**RE: Oakland Redevelopment Agency Consideration of a Proposal to Establish a West Oakland Community Fund (Community Trust)**

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**SUMMARY**

In June 1995, the Oakland Army Base (OARB) was recommended for closure by the Federal Base Realignment and Closure Act, providing an opportunity for the military base to be made available to the local jurisdiction for redevelopment. The Oakland Redevelopment Agency (Agency) decided to solicit proposals for a Master Developer for the Army Base. Because of the Agency's desire that development of the Base provide benefits to the adjacent West Oakland community, the Master Developer Request for Qualifications required all respondents to include a community participation component in their development proposal. The selected Master Developer Team proposed the establishment of a "Community Trust" that would provide *funding for activities that benefited the community*. Although the Master Developer approach has been postponed, subsequent actions have been taken by both the Oakland Base Reuse Authority (OBRA) and the Community and Economic Development Agency (CEDA) in accordance with directions given by former City administrators and representatives of the OBRA Governing Body, to pursue the development of a community trust. During the course of consideration for the community trust it was renamed the "West Oakland Community Fund" (WOCF) to better reflect a relationship to the West Oakland district. Following OBRA's recent review, the Agency (as the body responsible for implementing community revitalization efforts throughout Oakland's neighborhoods) is now being requested to consider the information and recommendations concerning the WOCF as contained in the attached report entitled "Conceptual Framework for the West Oakland Community Fund," June, 2004, attached.

The Community Fund proposal presents an ambitious vehicle for community revitalization. However, it also presents some significant funding and administrative concerns for the Agency. This staff report summarizes the major findings of the Conceptual Framework document and presents staff's recommendations for the project. The key issue now before the Agency is whether or not the WOCF should be pursued at this time and under what conditions and requirements. Accordingly, staff has identified five options for the Agency to consider:

- (1) Delay action on the proposal at this time and require any forthcoming OARB Master Developer to carry out a community trust model. *Financial support for the Community Fund would be transmitted directly to the Fund by the Master Developer, in accordance with the timing and funding provisions specified in the OARB Memorandum of*

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Agreement (MOA). The Master Developer would be responsible for instituting a WOCF model that could either be similar to that proposed in the Conceptual Framework Report or an alternate model that would provide a similar level of community benefits;

- (2) Decide to implement the proposal and fund it through OARB Redevelopment Project tax increment over a specified period (i.e., 3-5 years);
- (3) Accept the Conceptual Framework Report but take no further action to establish the WOCF at this time until details regarding development of the Oakland Army Base are finalized;
- (4) Incorporate the WOCF concept as a program within the OARB Redevelopment Plan and establish a special community committee to establish funding priorities and programs. This model would be similar to projects administered through the Community Development Block Grant program, where proposals are solicited in certain categories and under specific criteria as established by the community committee; or
- (5) Elect not to implement the proposal.

Given the previous, current and projected funding commitments for the OARB and the fact that there is not a Master Developer at this time, staff recommends that the Agency accept the report and take no further action at this time.

### **FISCAL IMPACT**

Under the provisions of the OARB MOA (or “City-Port” MOA), four million dollars (\$4,000,000)--shared equally between City of Oakland<sup>1</sup> and the Port of Oakland--has been identified for the Community Fund. Specifically, the City’s \$2.0 million contribution to the Community Trust Fund is intended to be made by the Redevelopment Agency’s OARB Master Developer when that entity is selected. There were no provisions identifying a particular source of funds for the Port’s Community Fund contribution. The \$4.0 million represents the total funds targeted for this project to date. Draft amendments to the MOA have been proposed by City and Port representatives to clarify that after the City and/or OARB developer and the Port have made their 50% payment (up to \$2 million), the parties shall have no further obligation to make contributions to the Community Fund. A key fiscal issue in this effort is whether the targeted \$4 million is intended to cover WOCF projects only, or whether total WOCF operating costs would also be covered by this amount. Additional funding would be required to provide personnel, operating and monitoring services for the WOCF if the \$ 4.0 million does not include administrative costs. Preliminary information from the National Economic Development and

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<sup>1</sup> The “City” as used in the MOA refers to the City, Agency and /or OBRA.

Law Center (NEDLC) the consulting team that prepared the Conceptual Framework, estimates the annual operating costs for the project at \$125,000 to \$150,000 for the first year, and then approximately \$7,500 to \$10,000 in additional administrative costs the following year as WOCF projects are initiated. This estimate is predicated on only one mid-level employee and minimal legal assistance for the first year. Following years would require no full time or part-time staff and only minimal legal and accounting support. Funding the City share of \$ 2.0 million will either result in the City receiving \$2.0 million less from land sale proceeds if the developer is required to fund the contribution, or will result in the City allocating the \$2.0 million to the Community Trust. Such an allocation from land sale proceeds, or reduction in sale price may hinder OARB's ability to provide infrastructure needed to fully develop the OARB. Payment over time would reduce this impact.

## **BACKGROUND**

### **OBRA and CEDA Actions Leading to the Establishment of the Community Trust**

Although there has been no specific direction to establish the Community Fund, the notion of the Fund has been endorsed through three key actions by OBRA and CEDA, as follows:

1. Direction by CEDA in early 2002 to identify the logistics for forming a Trust and initiate a community input process;
2. Action by the OBRA in September 2002 to commission NEDLC to prepare a conceptual framework document that would identify said logistics and facilitate decisions regarding the Trust's eventual establishment. The initial draft of the document was completed the following year in September 2003; and
3. Inclusion of the community trust concept in the OARB MOA among the Agency, OBRA, City of Oakland and the Port of Oakland (Port) that was signed by all parties in July 2003. The MOA contains very specific provisions regarding the targeted funding for the proposed Trust Fund.

The Conceptual Framework document was initially presented to the OBRA on September 22, 2003 and again on December 15, 2003. At that meeting, OBRA members determined that additional information was needed in the document to better inform the OBRA and the Agency of key issues, including limitations on the use of certain funds. This additional information was incorporated into the document by March, 2004. Thereafter, a request was made by the CEDA Directors and the Oakland City Manager for additional review of the document. Thus OBRA scheduled the Conceptual Framework document for its June 30, 2004 meeting. Its recommendations and comments will be presented orally at the CED Committee meeting.

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### **Purpose of the Proposed WOCF and Conceptual Framework Document**

The intent of the fund is to provide a vehicle for West Oakland to benefit from development of the former Army Base since West Oakland was impacted by closure of the Base. It presents a unique opportunity to leverage local economic development opportunities in a way that builds partnerships among community residents and the public, private and nonprofit sectors. It can serve the City of Oakland as another tool for West Oakland revitalization activities, and represents one component of OARB-related community benefits committed specifically to the West Oakland community.

The Conceptual Framework document was commissioned to facilitate the Agency's consideration of establishing a Community Fund and to channel community concerns and interests in the project. It essentially provides a "blue-print" for establishing the WOCF. It provides information on the recommended purpose, governance, operational characteristics, funding, timing, and other critical features of the proposed WOCF. It reflects over a year of effort involving a number of community and townhall meetings, West Oakland Community Advisory Group (WOCAG) discussion, and interaction with a variety of Agency, Port, and other entities that would have some bearing on the establishment of the WOCF. The Conceptual Framework document represents essential information, to date, relevant to any potential establishment of a West Oakland Community Fund.

It is anticipated that Agency decision-makers will use the information contained in this document as a reference for actions related to the establishment and operation of the WOCF. The Agency must approve the recommendations for subsequent actions in the report prior to implementation.

### **Key Features of the West Oakland Community Fund**

The specific provisions of the WOCF are described in detail in the Conceptual Framework document. A summary of its major provisions is presented below.

#### **a) Recommended Model**

Two approaches to asset building of "place"-- the **Community Development Investment Model** -- and of "people"-- the **Family Asset Building Model** -- are recommended. The former provides loans, grants and/or equity investments for West Oakland community economic development projects while the latter provides matching funds to support individual savings and investments. Additional information on these and the other models evaluated for this project is presented in Chapter II of the document.

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**b) WOCF Funding Sources & Timing of Funds**

On July 8, 2003 the OBRA, Redevelopment Agency, City Council, and Port of Oakland entered into an MOA<sup>2</sup> (“City-Port” MOA) that referenced the establishment of a Community Trust:

*(d) Community Trust Contribution*

*If a Community Trust Fund is established by the City on or before the end of the Trust Period,<sup>3</sup> at the time the Community Trust Fund is fully funded (whether such funding occurs before or after the end of the Trust Period), the Port shall pay fifty percent (50%) of the funds contributed to the Community Trust Fund, up to a maximum contribution from the Port of Two Million Dollars (\$2,000,000). Subject to the final sentence of this Section 2.2(d), the developer(s) of the Gateway Development Area,<sup>4</sup> or the City, will contribute the balance of the funding. If no Community Trust Fund is so established on or before the end of the Trust Period, or subject to the last sentence of this Section 2.2(d), if it is not funded within one (1) year after the end of the Trust Period, the Port shall have no obligation to pay the contribution described herein. If the Community Trust Fund is established on or before the end of the Trust Period, and the City exercises the City Cash-Out Remedy, the Port shall be obligated to pay an aggregate of Four Million Dollars (\$4,000,000) into the Community Trust Fund as the Port and non-Port contributions to such Fund. If and to the extent required by the SLC,<sup>5</sup> funds contributed by the Port to the Community Trust Fund shall be spent and accounted for in the manner required for funds encumbered by the State public trust.*

Staff representatives of the Port, Agency, City and OBRA are now in negotiations and have agreed to proposed amendments that clarify the provisions relating to the Community Trust. Specifically, the amendments would clearly indicate that (a) the term “fully funded” is removed and replaced with “fifty percent funded;” (b) the City’s funding can occur in increments or in a one-time payment; (c) after the City’s total contribution is made, the City would then advise the Port and the Port would make a one-time payment of the remaining fifty percent of funds (up to a maximum contribution of \$2 million); (d) the Port is

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<sup>2</sup> The MOA identifies the terms, conditions and responsibilities of the OBRA, Redevelopment Agency, City of Oakland and Port of Oakland for the Base upon conveyance of the property from the Department of the Army.

<sup>3</sup> “Trust Period” means the period of three (3) years commencing with the OARB Transfer Date (August, 2003), during which the East Maritime Quitclaim Deed and the Port Sliver Properties Quitclaim Deed are held in trust pursuant to the Trust Agreements, provided, that the three (3) year period may be extended for up to two (2) additional years if elected by the City under certain specified circumstances.

<sup>4</sup> “Gateway Development Area” means the West Maritime Property, Port Sliver Properties (if the City elects to delete them from the Port Area, as referenced in Section 1.1(19) of the MOA), West Maritime Army Reserve Property, as more specifically described in Schedule 1.1(40) of the MOA and other property and property rights acquired by the City under the CalTrans I-880 Settlement.

<sup>5</sup> “SLC” means the California State Lands Commission.

responsible for the full \$4 million payment to the Community Trust if the Community Trust is established prior to the termination of the trust period and the City exercises the cash-out remedy; and (e) after the City and/or OARB developer, and the Port have made their 50% payment (up to \$2 million), the parties shall have no further obligation to make contributions to the Community Trust.

**c) Intended Activities**

Examples of potential uses of funds under the Community Development Investment component of the WOCF include:

- Investing in mixed-use/ commercial real estate development projects.
- Investing in projects that offer opportunities for resident/community ownership.
- Investing in affordable housing development projects.

Examples of potential uses of funds under the Family Asset Building component of the WOCF include:

- Enabling more West Oakland residents to save and invest in homes and businesses in the community through matched savings opportunities and targeted technical assistance and specific asset building strategies.
- Providing matched savings to help people to save for education or training.
- Enhancing prospects for local residents to access home ownership opportunities emerging from affordable housing developments in the community.

These activities are proposed to be funded through the Agency/OARB Master Developer's contribution. However, these funds may be restricted to reflect provisions typically applying to use of Agency funds as well as requirements of the *Economic Development Conveyance (EDC)*, the method by which ownership of the Base was transmitted from the Army to the OBRA for reuse purposes.

It is also important to note that projects funded by any of the Port's contribution would also be subject to certain restrictions. The Port has informed OBRA staff that all Port revenues are generated from lands subject to the public trust for navigation, fisheries and commerce ("tidelands trust"). The use of Port funds, therefore, must be for activities that are consistent with the tidelands trust. While Tidelands Trust uses are intended to benefit the public on a regional and state-wide level, there are a number of projects and other uses that would serve these interests and at the same time provide local economic development opportunities and public amenities that benefit the local community and further the goals and objectives of the WOCF. As examples, subject to the review and approval of the State Lands Commission, the Port's WOCF contribution could be used to:

- Invest in locally-owned businesses and development projects supporting port-related activities (such as maritime warehousing, trucking).

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- Invest in locally-owned businesses and development projects serving visitors to the waterfront (such as restaurants, visitor retail, water-oriented recreational services).
- Develop waterfront recreational amenities of interest to the local community, including park and trail improvements, boat and canoe launches.

The above is not an exclusive list of proposed WOCF activities that can be funded by the port contribution. Greater detail on the prospective WOCF activities and the requirements governing use of funds is presented in Chapter III of the document.

**d) Governance Structure**

The Conceptual Framework report recommends a hybrid structure and governance model that combines (1) **Categorical Representation** (in which the governing body consists of persons--from the community, business, foundation and public sector--who fulfill selected criteria designed to achieve broad support for the WOCF) and (2) **Community/Member Elected** in which the governing body consists of persons elected by the members of the WOCF. Membership of the WOCF should include persons living and working in West Oakland as well as businesses, organizations and associations located in or serving West Oakland. This concept is described in greater detail in Chapter IV of the document.

**e) Seven Key Findings**

The consultant study resulted in identification of the following findings:

- Capitalize the WOCF in a prompt and expeditious manner.
- Continue active community outreach and engagement activities with residents.
- Move steadily forward with the establishment of a new non-profit entity with a Board structure based on a hybrid of categorical representation and member election.
- Provide resources for community development investment and family asset building projects.
- Provide for an effective capacity building program.<sup>6</sup>
- Provide for an effective monitoring and evaluation program.<sup>7</sup>
- Identify and garner additional sources of funding with the goal of creating an endowment fund.

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<sup>6</sup> The document proposes one mechanism—a multifaceted capacity building program titled the West Oakland Empowerment Center. It is discussed in detail in Chapter VII.

<sup>7</sup> The above referenced West Oakland Empowerment Center would also include a WOCF program monitoring and evaluation mechanism also discussed in Chapter VII.

These findings with recommendations are described in Chapter VIII of the document.

## **KEY ISSUES AND IMPACTS**

Staff believes that the proposed WOCF could be an important, additional supplement to the Agency's current West Oakland revitalization efforts. There is, however, a major issue that must be addressed initially: the Agency's inability to provide funding to this project. This issue and five options for addressing it, is presented below. The Agency must review, consider and provide direction to staff on this issue before any action to establish the fund is taken. Thereafter, once the Agency has rendered a determination on the funding issue that allows the Community Fund proposal to go forward, then it must address the several ancillary Community Fund operational issues delineated in this report.

### **Major Issue: Agency's Financial Challenge in Meeting the Stipulations of the OARB MOA**

The primary issue affecting this proposal relates to funding it. Specifically, the OARB MOA stipulations concerning funding cited earlier in this report were approved (through the Agency's, City Council's, OBRA's and the Port's signing of the MOA) in July 2003. Since that time, the financial condition of the City has been severely impacted by, among other factors, a weak economy and State actions to garner fiscal resources that would have ordinarily been available to cities and redevelopment agencies. In a period where financing basic City services continues to be a challenge, the City must carefully consider whether and when to direct \$2 million in proceeds from the sale of the OARB site to the Community Fund effort. Specific findings to consider are summarized as follows:

- (a) There are significant infrastructure improvements required to prepare the OARB site for future redevelopment. The cost for these improvements is estimated to be \$80 million. The improvements must be funded in order to implement the Agency's Gateway Development Area Program. Although some of these costs could be borne by the forthcoming OARB Master Developer, it is conceivable that the City (and/or Agency) will need to supplement these costs through revenues from the eventual sale the OARB site and OARB Redevelopment Project Area tax increment financing.
- (b) In absence of the forthcoming OARB master developer, the City's General Fund and the Agency's resources are not a practical substitute for financing the Community Fund because those funding mechanisms are already stretched in providing basic City services and in meeting previously-identified obligations.



- (c) Similarly, OBRA is not in a position to finance the City's WOCF share because its funds are already committed to various required post-OARB conveyance activities over the next two years. These activities include: implementing the OARB Environmental Remediation Program required by the Department of the Army and the State Department of Toxic Substances Control; addressing outstanding Homeless Assistance accommodation issues which will require financial outlays to the Homeless Collaborative as part of resolution of the issue; purchasing the OARB's Subaru parcel from the Army Reserve Enclaves for future use in the Agency's overall OARB Gateway Area Development program; and funding various technical, legal and other required specialized support for completing the State Lands Commission Public Trust Exchange process in 2005, and the various real estate deed transfers that are set to occur in August 2006.

In short, neither the Agency and/or City Council, nor its affiliate bodies such as the OBRA, has a viable, readily accessible and non-committed source of funds in either the short- or long-term horizon for contributing to the Community Fund. In light of these circumstances, the Agency may wish to consider the following options:

Option One: *Delay action on the proposal at this time and make a requirement of any forthcoming OARB Master Developer the responsibility to carry out a community trust model. Financial support for the Community Fund would be transmitted directly to the Fund by the Master Developer in accordance with the timing and funding provisions specified in the OARB MOA.*

In this scenario, the Master Developer assumes all responsibility for establishing a Community Fund. He/she would be responsible for instituting a Community Fund model that could be similar to that proposed in the Conceptual Framework report, or an alternate approach. This option would relieve the Agency of any immediate as well as long-term financial responsibility for the Community Fund, and performance standards incorporated in the Agency's development agreement with the selected Master Developer could provide the Agency with a level of assurance that community benefits would result from the project.

Option Two: *Decide to implement the proposal, yet fund it through OARB Redevelopment Project tax increments over a specified period (i.e., 3-5 years)*

This option allows the Agency to establish the Community Fund as a project now, but provide funding for the project over an extended time period. This option would distribute financial responsibility over a longer time period, while allowing organizational tasks to proceed. For example, interested community representatives could use the Agency's commitment to fund the project at a time certain to solicit and leverage contributions from non-Agency sources, in an effort to augment the Fund.

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Option Three: *Accept the Conceptual Framework report but take no action on establishing the Community Fund at this time until details regarding development of the OARB project are finalized.*

This scenario allows the Agency to have an extended timeframe to evaluate the proposal, during which time more information on available financial resources and the Agency's actual financial commitments and requirements for the OARB project would be known. This option would allow the Agency to be in a more informed position regarding the extent to which its funds will be needed for the OARB project and whether additional resources can be garnered to supplement the Community Fund.

Option Four: *Forgo establishing a Community Fund altogether and instead incorporate the WOCF concept as a program within the OARB Redevelopment Plan and establish a special community committee to establish funding priorities and programs. This model would be similar to projects administered through the Community Development Block Grant program, where proposals are solicited in certain categories and under specific criteria as established by the community committee.*

This option replaces the need for the organizational structure and other administrative elements defined in the WOCF proposal with a "projects-driven" effort organized through the City's existing community revitalization programs. In this scenario, the City department responsible for the project could direct resources to the types of projects indicated in the Conceptual Framework report to produce the community benefits previously identified in the document. A special community group could be established to review programs and establish priorities, much like a Project Area Committee does in a redevelopment planning effort.

Option Five: *Elect to not implement the West Oakland Community Fund proposal.*

Under this scenario, no new Community Fund would be established. Instead, the existing and previously programmed West Oakland-based projects and programs would operate to deliver benefits and services to the community.

### **Related Key Issues Pertaining to the WOCF**

Should the Agency select any option that would result in establishing the Community Fund, the following related issues arise and warrant resolution prior to initiation of the project.

### **The Preferred Model for WOCF Grants making Activities**

A hybrid of the "Community Development Investment" and "Family Asset Building" models has resulted from the community input process. The former would support the physical (i.e., "brick

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and mortar”) activities that are consistent with other Agency-sponsored developments, and would result in critical, physical improvements to the West Oakland district. The latter would directly support wealth-building among West Oakland residents through matched savings accounts, known as Individual Development Accounts or “IDAs.” IDAs are specialized savings accounts, similar in structure to Individual Retirement Accounts (IRAs). Every dollar saved by an individual or family in the community--deposited in a local financial institution--could be matched by \$1–\$3 (or more) from the WOCF. Typically, IDA savings can be withdrawn to buy a house, to cover education or job training expenses, or to start a small business. These benefits, while important to community members, are less visible on a district-wide basis. In addition, the measures of whether such an approach is successful are much harder to delineate. Staff’s communications with legal counsel experienced in Tidelands Trust issues has already revealed that the Port’s \$2 million dollar contribution could not be used for these purposes; hence--subject to the legal restrictions on use of Agency funds and OARB EDC provisions described below--these activities would have to be funded through the portion of the remaining \$2 million that was not committed to the Fund’s Community Development Investment activities. If the finite amount of funding now anticipated is dispersed per capita to the eligible West Oakland community, staff questions the efficacy of the long-term results and whether the limited amount of funding would create significant community improvements. Hence, staff would recommend operation of the Community Development Investment model only, for this proposal. If the Agency still believes that the Family Asset Building approach is the best option, staff strongly urges that specific performance and eligibility criteria be defined as part of this effort.

### **OARB MOA Provisions Regarding Community Trust Funding Sources & Timing of Funds**

As previously noted, the MOA identifies the Agency’s Master Developer as the source of the City’s Community Trust contribution. The Master Developer has not yet been selected and the timeframe for beginning the selection process is estimated to be mid-2005. This schedule results in WOCF monies not being available, in practical terms, until after the developer is selected and a development scheme, approval and agreement are completed. This process may take up to two years, thereby delaying funding the WOCF until at least 2007.

Another timing issue results from the Agency’s/Master Developer’s WOCF contribution being a trigger for the Port’s contribution. As currently indicated in the MOA, the City must make the initial fifty percent WOCF contribution before the Port’s contribution can be transmitted to the WOCF. A third timing issue is that there is a deadline for receipt of WOCF funds from the Port of Oakland and the MOA currently states that if no Community Fund is established on or before the end of the trust period, or subject to Section 2.2d(d)(4) if it is not funded within one year after the Trust period, the Port shall have no obligation to contribute to the WOCF. Hence the Agency must fund the proposal within a specified time period in order for the Port’s contribution to be transmitted.

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It is critical that these timing implications be factored into the consideration of and decisions about the implementation of the WOCF.

As an aside, although the MOA was signed by the OBRA, Agency, City of Oakland and Port of Oakland in July, 2003, representatives of these agencies have met in the interim to further clarify the responsibilities of each party in relation to the Community Trust concept, as well as other activities discussed in the MOA. A “Restated and Amended” MOA is in progress, but has not been signed. The Agency may want to expedite approval of the amendment language as a means of providing staff clearer direction in proceeding with the Community Fund proposal, among other activities. As a part of that effort, the Agency may wish to reconsider the role of the Port vis-à-vis the Community Fund and incorporate language as appropriate into the amended MOA. Currently, the MOA does not identify any responsibilities for the Port in relation to the actual operation of the Trust. Particularly given the restrictions on use of Port funds, it may be beneficial and efficient for the Port to share responsibility in the orchestration of the project, and for this new role to be codified in the amended MOA.

### **Restrictions on Funds Stemming from the Potential OARB Gateway Development**

There are legal implications for the WOCF stemming from both the Agency’s/Master Developer’s and the Port’s contribution. These are outlined below:

(a) The City’s contribution to the Community Trust Fund is intended to be made by the Redevelopment Agency’s selected Master Developer as a requirement of the Disposition and Development Agreement (DDA) or other type of agreement (such as a Development Agreement) for portions of the Gateway Development Area (GDA) of the OARB. If the developer’s contribution to the trust fund is not considered a deduction from the value of the GDA land area to be transferred to the Master Developer, then the contribution would be characterized as a private payment free of the restrictions attached to Redevelopment Agency funds and to proceeds generated by the sale of the former Army Base property. If, however, the trust fund contribution results in the Master Developer paying the Agency less than the fair market value for the Army Base property, then the contribution could be subject to restrictions imposed on Redevelopment Agency funds and Army Base property sale proceeds.

(b) Redevelopment Agency funds received from the sale of property must be expended for redevelopment purposes. Redevelopment purposes are activities aimed at eliminating physical and economic blight. The conditions causing physical and economic blight are set forth in California Health & Safety Code section 33031 and include, among other things, unsafe and unhealthy buildings, abnormally high business vacancies, depreciated or stagnant property values, high crime rates, and a lack of necessary commercial facilities.

Redevelopment funds have been used for low-income housing assistance, small business loans and similar uses that address blight.

(c) The restrictions on the use of Army Base property sale proceeds are contained in the Economic Development Conveyance Memorandum of Agreement between the Department of the Army and the OBRA and Agency (EDC MOA) which is the vehicle by which the Army conveyed title of the OARB to the OBRA and Agency. The EDC MOA provides that the proceeds from the sale of Army Base property must, for the period of August 2003 to August 2010, be used on specific activities related to the redevelopment of the former Army Base property.

(d) The Port's WOCF contribution will be subject to tidelands trust restrictions. Tidelands trust lands and funds are administered by the State (through the State Lands Commission or SLC) or by local governmental entities to which the State has delegated its trustee authority. These trustee agencies are responsible for ensuring that trust lands and funds are used in a manner that is consistent with the public trust.

(e) The SLC is responsible for overseeing local trustee agencies. Because trust-encumbered funds may only be used for trust-consistent purposes, they are required by law to be accounted for separately from other, non-trust funds. Accordingly, any Port contribution to the WOCF would need to be placed in a separate account. Expenditures from this account on WOCF projects would be supervised by the appropriate trustee (e.g., OBRA or Agency). The proposed 2004 legislation (SB 1435) would require the supervising trustee to submit a list of potential projects funded by Port monies to the SLC for review and approval, to separately account for, and provide the SLC an annual statement of, all monies received from the Port and expenditures of those monies. No Port monies shall be spent on community trust fund projects unless (1) the Executive Officer of the SLC has concurred in the list of potential projects and (2) the expenditures are for projects that are on the list. Within ninety (90) days of the submittal of the list to Commission staff, the Executive Officer shall either concur with the list or notify the supervisory trustee which projects on the list are not consistent with the public trust. The supervisory trustee may appeal to the SLC any decision by the Executive Officer to disapprove some or all of the projects on the list. The establishment and operation of the WOCF must account for these procedural issues and funding limitations.

### **Proposed WOCF Activities**

The issue of note is that prior to commencing operations of the WOCF, the list of acceptable activities must necessarily be refined to reflect provisions typically applying to use of Agency funds, EDC requirements, and/or Tidelands Trust restrictions as appropriate.

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### **Proposed WOCF Governance Structure**

The recommended hybrid of Categorical Representation (where the governing body consists of persons from the community, business, foundation and public sector) and Community/Member Elected (where the governing body consists of persons elected by the members of the WOCF) will assure community broad support and accountability for the WOCF project. The issue is that because of the financial reporting, auditing and other administrative requirements resulting from the source of funds, the designated SLC trustee and a representative of the Agency might also be on the WOCF governing body. Additionally, to ensure the governing body collectively has expertise in an array of skills appropriate for managing this effort, the Agency may want to appoint some individuals that have specific technical skills and/or backgrounds, such as accounting and legal experience. As previously noted in the Fiscal Impact section of this report, there are important considerations about the long-term Agency support of administrative functions that must be reviewed as part of the implementation of the WOCF.

### **Use of the Proposed West Oakland Empowerment Center Approach for WOCF Monitoring and Evaluation**

In order to maximize the potential benefits of the WOCF, it is imperative that there be a systematic and efficient program for monitoring and evaluating its operations. The Conceptual Framework document proposes that a monitoring and evaluation component of the WOCF be housed in a newly-formed technical assistance entity--the West Oakland Empowerment Center. Details of the Empowerment Center Model are provided Chapter VII of the document.

Before rendering a decision on approval of the Empowerment Center proposal as a component of the Community Fund, the Agency must first clarify whether the funds initially targeted for the effort are to be used for projects only, or for projects and administration/operation activities. If the targeted funding is intended to be applied to both WOCF projects and administration purposes, the costs of operating the Empowerment Center to the degree described in the Conceptual Framework report will reduce the extent of grants-making activities as a whole. A related issue is the level of involvement of additional personnel that will be required to implement Empowerment Center activities. In addition to a Program Coordinator, Administrative Assistant, and Board of Directors that would be required to operate the Community Fund program, the proposed monitoring component would require (1) independent, qualified professionals to conduct both program and financial audits on an annual basis; (2) an Evaluation Advisory Group comprised of multiple constituents (including residents, community leaders, and investors) to guide the evaluation; and (3) a third party evaluation team that would staff the Evaluation Advisory Group. Some of the sub-tasks associated with this effort include facilitating active participation and training of Board, staff and community residents in the monitoring and fine-tuning of WOCF organizational and programmatic activities; and initial capacity-building support for Board, staff and community residents in areas such as project-related policies, grant-making systems, investments and fund development, community

benefits, financial literacy, etc. Preliminary costs for operation of the Community Fund project and the evaluation/monitoring system is estimated to be between \$125,000 to \$150,000 the first year, with the additional increase of \$7,500 to \$10,000 annually. It is likely that the estimated costs do not include all of annual consultant fee costs, such as financial professionals, which might easily result in a higher administrative budget.

Staff agrees that an evaluating and monitoring component is required for effective operation of the Community Fund. The issue is that the proposed vehicle appears too elaborate for the finite amount of funding potentially available to the project. Staff would therefore recommend against the use of the proposed Empowerment Center approach and instead assign evaluation responsibilities to an existing, established program either already operating in the City, or use of a non-City entity with a proven track record that can be contracted to perform the necessary functions.

#### **Proposed Role of the West Oakland Community Advisory Group (WOCAG) as an Interim Body Pending Formation of the Community Fund Governing Body**

The Conceptual Framework document recommends that the WOCAG serve the interim transition entity for outreach and other Community Fund tasks until such time as a Board of Directors assumes the ongoing management of the Fund. The WOCAG has been a major stakeholder in the formation of the Community Fund proposal to date. WOCAG's purpose as a community advisory body is to advise the OBRA on issues relating to the Oakland Army Base project. As the proposed Community Fund would have a geographic interest much broader than the Base, the Agency may wish to establish a more broadly based group that includes not only WOCAG members but other members of the West Oakland community.

#### **CONCLUSION**

In accordance with the direction provided over the past two years, staff has brought forward a document that provides recommendations for establishment of a Community Trust for the West Oakland community. The proposed program--the Conceptual Framework--is ambitious; and, as stated in its Executive Summary, provides an opportunity to leverage local economic development opportunities in a way that builds partnerships among community residents and the public, private and nonprofit sectors. It can serve as another of the City's tools for West Oakland revitalization activities. As proposed, the WOCF also poses some serious challenges. Past, current and projected financial constraints have resulted in the Agency not being able to dedicate significant funding to many projects, thus this proposal comes on the heels of the Agency's need to exercise greater discretion in deciding on programs and incurring additional future financial responsibilities. Staff believes that the Agency should carefully consider the the proposal in light of other, approved funding obligations. Accordingly, this staff report has presented options that provide the Agency with a range of approaches for this proposal in an effort to meet the

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objective of providing benefits to the West Oakland community within a practical framework. Consistent with current limitations. Staff recommends that the Agency accept the report and take no further action at this time.

### **SUSTAINABLE OPPORTUNITIES**

This report does not include approval of any specific projects addressing sustainable opportunities; however, as individual proposals are submitted for WOCF financing, specific sustainable opportunities can be identified and incorporated into the proposals as a requirement for funding.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

This report does not include the approval of any specific projects or programs. Disability and senior access issues will be addressed when specific development plans are submitted for WOCF financing, and can be identified and incorporated into the proposals as a requirement for funding.

### **RECOMMENDATION(S) AND RATIONALE**

This issue is important to the West Oakland community. Staff recommends that the Agency review and consider the West Oakland Community Fund Report and then review the five options outlined in this staff report. Staff recommends that the Agency accept the report and take no further action.

Chapter VIII of the Conceptual Framework document identifies a number of specific recommendations regarding the proposed Community Fund. They are presented as an attachment to this report along with a staff recommendation should the Agency elect to establish the Fund. There no action requested of the Agency about these recommendations; they are for informational purposes only.

### **ACTION REQUESTED OF THE CITY COUNCIL**

- a) To review and consider the information and analysis contained in the report entitled "Conceptual Framework for the West Oakland Community Fund."
- b) To review and consider the following five options:
  - 1) Delay action on the proposal at this time and make a requirement of any forthcoming OARB Master Developer, the responsibility to carry out a community trust model. Financial support for the Community Fund would be transmitted directly to the Fund by the Master Developer, in accordance with the timing and funding provisions specified in the OARB MOA. He/she would be responsible for instituting WOCF model that could

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- either be similar to that proposed in the Conceptual Framework Report, or an alternate model that would provide a similar level of community benefits;
- 2) Decide to implement the proposal and fund it through OARB Redevelopment Project tax increment over a specified period (i.e., 3-5 years);
  - 3) Accept the Conceptual Framework Report but take no further action to establish the WOCF at this time until details regarding development of the Oakland Army Base are finalized;
  - 4) Incorporate the WOCF concept as a program within the OARB Redevelopment Plan and establish a special community committee to establish funding priorities and programs. This model would be similar to projects administered through the Community Development Block Grant program, where proposals are solicited in certain categories and under specific criteria as established by the community committee; or
  - 5) Elect not to implement the proposal.
- c) To accept the Conceptual Framework Report and take no further action at this time.

Respectfully submitted,



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**CLAUDIA CAPPIO**

Development Director, Community and  
Economic Development Agency

Reviewed by:

Aliza Gallo, Executive Director  
Oakland Base Reuse Authority

Prepared by:

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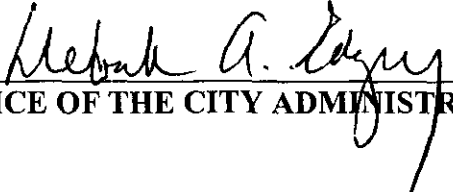
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APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:

  
\_\_\_\_\_  
OFFICE OF THE CITY ADMINISTRATOR

Attachments: 1) Report entitled "Conceptual Framework for the West Oakland Community Fund  
2) Staff responses to recommendations in the report

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**ATTACHMENT 1:**

Conceptual Framework for the West Oakland Community Fund Report

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