



AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Sara Bedford
Director, Human Services

SUBJECT: Ordinance Authorizing A Lease Agreement For City Property July 1, 2019 through June 30, 2024

DATE: May 20, 2019

City Administrator Approval

Date:

5/29/19

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance (1) Authorizing A Lease Agreement With Bay Area Community Services (BACS) For Lease Of The City-Owned Real Property Located At 641 West Grand Avenue For A Term Of Five Years For Zero Rent In Exchange For In-Kind Services To Provide Housing And Supportive Services To Homeless Individuals; and (2) Finding And Determining That The Lease Of The City- Owned Real Property Located At 641 West Grand Avenue To BACS For Less Than Its Fair Market Value Is In The Best Interest Of The City.

EXECUTIVE SUMMARY

This ordinance authorizes a lease agreement between the City and Bay Area Community Services ("BACS") for the use of the City-owned real property at 641 West Grand Avenue (the "Property"). BACS has leased the Property and operated it as an interim housing program (The Holland) for homeless adults since the City acquired it for this purpose in 2018. The current lease has an eight-month term through June 30, 2019, is eligible for several short-term extensions by mutual agreement between the City and BACS, and was designed to support the early stage growth of this new interim housing program. This ordinance, if approved, would authorize a five year lease agreement with BACS through June 30, 2024, for zero rent in exchange for in-kind services.

Adoption of this ordinance will also allow the City Council to make a finding and determination that the lease of the Property for less than its fair market value for the operation of a transitional housing program for homeless individuals is in the best interest of the City.

Item: _____
Life Enrichment Committee
June 11, 2019

BACKGROUND / LEGISLATIVE HISTORY

The Holland provides transitional housing, supportive services and rental assistance to homeless adults. The program provides short term housing and supportive services (with a goal of exits after 6 months), and additionally up to six months of aftercare services and rental subsidy once participants transition out of residency and into permanent housing. The Property contains seventy (70) units sufficient for providing needed housing for eighty individuals.

BACS is a stable, experienced, and well-respected Oakland-based nonprofit that provides housing and services for homeless people. BACS currently manages interim housing programs funded by HUD through the City, including the Housing Fast Support Network (“HFSN”) program operated out of The Henry Robinson Hotel (The Tourraine Hotel) located at 559 16th Street, which is unique across the country for its scale and outcomes. BACS’s main office is located at 390 40th Street.

In 2018, the City desired to create a new program in the model of the successful Henry Robinson program, and utilized over \$7M from Measure KK to acquire a seventy (70) unit Single Room Occupancy style building to house it. The City passed Resolution No. 87399 C.M.S. on October 11, 2018, which authorized a lease between The City and BACS for the Property, and provided BACS with funding to operate the Property as a transitional housing program called “The Holland.”

The impact on the City’s services to the homeless has been enhanced by The Holland and the additional interim housing opportunities, support services, and rental assistance funds the program has made available to literally homeless adults in Oakland.

ANALYSIS AND POLICY ALTERNATIVES

The proposed lease with BACS will enable BACS to continue its management of the Property and allow the City to continue to offer the Property as housing for homeless individuals. The program provides short term transitional housing and supportive services for up to 24 months for homeless individuals in addition to services and rental assistance while participants transition to permanent housing. If the lease were not approved, a new, vital part of the City’s homeless response system would be lost.

BACS is an Oakland-based nonprofit with significant experience in managing and operating emergency and transitional housing facilities and programs, and providing services including property management, credit repair, life skills support, and assistance identifying and securing permanent housing for program participants. The program operates with funding from U.S. Department of Housing and Urban Development, the Alameda County Probation Department, the Alameda County MediCal waiver program, and the Kaiser Permanente to provide said services. The City desires to continue leasing the Property to BACS for a five-year term, commencing on July 1, 2019, and expiring on June 30, 2024, to provide interim housing and supportive services for up to eighty homeless individuals who participate in “The Holland” program.

BACS does not pay rent to the City for use of the Property. Instead, BACS provides in-kind services to the City of Oakland and the community at large by providing case management, intake assessment, benefits advocacy, alcohol and drug counseling, health education, educational services, money management, vocational counseling, job development, assistance with tuition and training materials, transportation and emergency food assistance, and security deposit assistance, rental assistance, and aftercare support services to literally homeless individuals. The value of BACS in-kind services is valued at approximately \$145,000 and augments the HUD funding in order to fully fund the support services offered to the participants of The Holland, i.e. food, client travel, utilities, security, and staffing costs. The participants pay a program fee to BACS that is 30% of their monthly income. These funds are used to support the rapid rehousing subsidies that clients receive when they exit.

Oakland Municipal Code ("OMC") Section 2.42.100 provides that leases of City-owned real property require City Council approval by ordinance. OMC Section 2.42.110 provides that City-owned real property must be leased for a rent equal to or exceeding the property's fair market value, unless the City Council finds and determines that the lease of the property for less than its fair market value is in the best interests of the City. OMC Section 2.42.110 provides that the value of in-kind services in lieu of cash rent provided by lessees to the City or the community at large, including property security and maintenance, and social and cultural benefits to the community, may be considered by the Council in making the required finding and determination that the lease of property for less than its fair market rental value is in the best interests of the City.

Staff recommends that the City lease the Property to BACS for zero dollars, less than its fair market value, to continue to operate "The Holland" program and provide interim housing, services, and rental assistance for homeless individuals. The HUD funding to the City includes a budget line for lease payments of only \$12, or one dollar per month. The rationale for negligible HUD funding for lease payments to the City is that HUD regulations generally prohibit lease/rental funds to be used for units or structures owned by the HUD grantee (City of Oakland).

FISCAL IMPACT

Approval of this ordinance would authorize the City Administrator to enter into a five-year lease agreement with BACS commencing July 1, 2019, and expiring June 30, 2024. Under the agreement, BACS will not pay rent to the City. As the property owner and recipient of HUD CoC funding, the City's costs associated with this lease are limited to keeping the Property compliant with HUD's Housing Quality Standards.

The City will not receive any revenues from leasing the Property. To date, the City has not received any revenue from the Property. This type of housing, which has been assigned to homeless individuals, is not structured to generate net positive income. Rather, the intention is to provide decent, safe and sanitary housing with crucial support services, and rental assistance to support the transition of homeless individuals in Oakland to permanent housing. The nominal rental fee to BACS paid by participants, which is 30% of their monthly income, is reinvested back into "The Holland" program to provide services to homeless individuals.

PUBLIC OUTREACH / INTEREST

This report did not require public outreach other than the posting of this report on the website.

COORDINATION

Coordination has occurred between the Human Services Department, Real Estate Asset Management, the Office of the City Attorney, and the Budget Bureau in the preparation of this report and ordinance.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

BACS has performed well under its contracts with the City, and has done well with the property management of the City owned site at 559 16th Street (The Henry Robinson Program). BACS works closely with the City to ensure that the 641 West Grand Avenue property meets the HUD Housing Quality Standards for habitability, and provides the City with monthly housing feedback on any property management concerns.

Outcomes cannot be evaluated, since "The Holland" is a new program and enrolled participants for the first time in the winter of 2018. However, the Housing Fast Support Network ("HFSN") program is the template for "The Holland," since it is also operated by BACS within a City owned property, serves the same target population, and utilizes the same program model. The most recent outcomes for the HFSN program are provided here for reference:

- 276 individual households received transitional housing and support services from March 2017- February 2018.
- 86 percent (131 individual households) of all individuals exiting the HFSN were placed into permanent housing.
- 65 percent (95 households of 145 households that transitioned to permanent housing) of the transitions to permanent housing did so without on-going subsidy.
- The average length of stay in the HFSN was 8.1 months

SUSTAINABLE OPPORTUNITIES

Economic: As noted in the report, all funds identified in this report are for the purpose of providing housing and services to eliminate homelessness.

Environmental: The provision of housing and services for at-risk and homeless individuals is intended to address the environmental degradation caused by homeless individuals precariously housed or living on the streets.

Social Equity: The extension of the lease is targeted to the most vulnerable and at-risk populations in this City and is providing essential and basic human services, housing and support.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt An Ordinance (1) Authorizing A Lease Agreement With Bay Area Community Services (BACS) For Lease Of The City-Owned Real Property Located At 641 West Grand Avenue For A Term Of Five Years For Zero Rent In Exchange For In-Kind Services To Provide Housing And Supportive Services To Homeless Individuals; and (2) Finding And Determining That The Lease Of The City- Owned Real Property Located At 641 West Grand Avenue To BACS For Less Than Its Fair Market Value Is In The Best Interest Of The City.

For questions regarding this report, please contact Lara Tannenbaum, Community Housing Services Manager, at 510-238-6187.

Respectfully submitted,


SARA BEDFORD
Director, Human Services Department

Community Housing Services Division

Reviewed by: Myisha Steward, Acting Planner

Prepared by: Anthony Federico, Program Analyst

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 MAY 29 PM 3:59

APPROVED AS TO FORM AND LEGALITY


CITY ATTORNEY'S OFFICE

OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

AN ORDINANCE (1) AUTHORIZING A LEASE AGREEMENT WITH BAY AREA COMMUNITY SERVICES (BACS) FOR LEASE OF THE CITY-OWNED REAL PROPERTY LOCATED AT 641 WEST GRAND AVENUE FOR A TERM OF FIVE YEARS FOR ZERO RENT IN EXCHANGE FOR IN-KIND SERVICES TO PROVIDE HOUSING AND SUPPORTIVE SERVICES TO HOMELESS INDIVIDUALS; AND (2) FINDING AND DETERMINING THAT THE LEASE OF THE CITY- OWNED REAL PROPERTY LOCATED AT 641 WEST GRAND AVENUE TO BACS FOR LESS THAN ITS FAIR MARKET VALUE IS IN THE BEST INTEREST OF THE CITY.

WHEREAS, the City of Oakland owns several properties that it leases for use as interim housing for homeless individuals and families; and

WHEREAS, on May 1, 2018, the City Council added to this inventory by approving Ordinance No. 13484 C.M.S., which authorized the purchase of a 70-unit SRO residential hotel located at 641 West Grand Avenue for \$7 million for use as transitional housing; and

WHEREAS, on October 11, 2018, the City Council passed Resolution No. 87399 C.M.S., authorizing the City to lease the City-owned real property located at 641 West Grand Avenue (the "Property") to Bay Area Community Services ("BACS"); and

WHEREAS, the lease authorized by the City Council has a term of eight months, commencing on November 1, 2018, through June 30, 2019, and is eligible for extension by up to four additional annual terms upon mutual agreement of the City and BACS; and

WHEREAS, the City desires to establish a five-year lease term upon the expiration of the existing eight month lease term, that expires on June 30, 2019, in order to allow BACS to continue to help mitigate the ongoing homeless crises through the provision of interim housing, supportive services and rental assistance for up to eighty homeless individuals participating in The Holland program and to provide security to BACS and its 90 program participants while new interim housing programs are being established;

WHEREAS, BACS does not pay rent to the City for use of the Property, instead BACS provides in-kind services to the City and the community at large in the form of supportive services, case management, intake assessment, benefits advocacy, alcohol and drug counseling, health education, educational services, money management, vocational counseling, job development, transportation and emergency food assistance, and rental and security deposit assistance; and

WHEREAS, BACS' in-kind services are valued at approximately \$145,000 annually to augment the HUD funding and fully fund the support services offered to homeless individuals; and

WHEREAS, through a grant from the City, BACS receives approximately \$557,586 of HUD CoC funding annually to provide these services; and

WHEREAS, program participants pay a nominal rental fee to BACS that is 30% of their annual income, which is a HUD requirement and can only be used to support The Holland program; and

WHEREAS, Oakland Municipal Code ("OMC") Section 2.42.100 provides that leases of City-owned real property require City Council approval by ordinance; and

WHEREAS, OMC Section 2.42.110 provides that City-owned real property must be leased for a rent equal to or exceeding the property's fair market value, unless the City Council has made a finding and determination that the lease of the property for less than its fair market value is in the best interests of the City; and

WHEREAS, OMC Section 2.42.110 provides that the value of in-kind services in lieu of cash rent provided by lessees to the City or the community at large, including property security and maintenance, and social and cultural benefits to the community, may be considered by the City Council in making a finding and determination that the lease of property for less than its fair market rental value is in the best interests of the City; and

NOW, THEREFORE, THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The City Council finds and determines the foregoing recitals to be true and correct and hereby makes them a part of this Ordinance.

Section 2. The City Administrator is authorized to execute a lease agreement with Bay Area Community Services for a term of five (5) years, commencing on July 1, 2019 and expiring on June 30, 2024 for use of the Property for the provision of interim housing and supportive services to participants in the HUD CoC "The Holland" program.

Section 3. Pursuant to OMC Section 2.42.110, and based on the value of the in-kind services provided by BACS discussed above and in the City Administrator's report

accompanying this Ordinance, the City Council hereby finds and determines that leasing the City-owned real property located at 641 West Grand Avenue to BACS for less than its fair market rental value is in the best interest of the City.

Section 4. The City Attorney shall review and approve the proposed lease agreement as to form and legality, and a copy shall be placed on file with the City Clerk.

Section 5. Effective Date. This ordinance shall become effective immediately on final adoption if it receives six or more affirmative votes; otherwise it shall become effective upon the seventh day after final adoption.

Section 6. Severability. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Chapter. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, clause or phrase thereof irrespective of the fact that one or more other sections, subsections, clauses or phrases may be declared invalid or unconstitutional.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES – FORTUNADO BAS, GALLO, GIBSON-MCELHANEY, KALB, REID, THAO, TAYLOR, AND
COUNCIL PRESIDENT KAPLAN

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

Date of Attestation: _____

NOTICE AND DIGEST

AN ORDINANCE (1) AUTHORIZING A LEASE AGREEMENT WITH BAY AREA COMMUNITY SERVICES (BACS) FOR LEASE OF THE CITY-OWNED REAL PROPERTY LOCATED AT 641 WEST GRAND AVENUE FOR A TERM OF FIVE YEARS FOR ZERO RENT IN EXCHANGE FOR IN-KIND SERVICES TO PROVIDE HOUSING AND SUPPORTIVE SERVICES TO HOMELESS INDIVIDUALS; AND (2) FINDING AND DETERMINING THAT THE LEASE OF THE CITY- OWNED REAL PROPERTY LOCATED AT 641 WEST GRAND AVENUE TO BACS FOR LESS THAN ITS FAIR MARKET VALUE IS IN THE BEST INTEREST OF THE CITY.

This Ordinance would authorize the City Administrator to negotiate and execute a lease agreement with Bay Area Community Services for lease of the City-owned real property located at 641 Grand Avenue in Oakland for a term of five years commencing on July 1, 2019, through July 30, 2024. This ordinance would make a finding and determination of the City Council that the lease of the City-owned real property located at 641 Grand Avenue in Oakland to BACS for less than its fair market value in exchange for in-kind services to the City and the community at large in the form of housing and supportive services to homeless individuals is in the best interest of the City.