

CITY OF OAKLAND
Agenda Report

OFFICE OF THE CITY CLERK
2003 NOV 25 AM 9:10

TO: Office of the City Manager
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 9, 2003

RE: REPORT AND RESOLUTION AMENDING RESOLUTION NO. 777823 C.M.S. TO INCREASE THE AMOUNT OF THE CONTRACT WITH THE OAKLAND SMALL BUSINESS GROWTH CENTER BY \$60,000 FROM THE NEIGHBORHOOD COMMERCIAL REVITALIZATION PROJECT DEVELOPMENT THIRD PARTY FUND FOR A TOTAL CONTRACT AMOUNT OF \$175,000 DURING FISCAL YEAR 2003-04 TO COVER OPERATIONAL COSTS THROUGH THE REMAINDER OF THE 2003-04 FISCAL YEAR

SUMMARY

The purpose of this report is to request approval of \$60,000 to supplement the current appropriation of \$115,000 Community Development Block Grant (CDBG) funds to the Oakland Small Business Growth Center (OSBGC). The requested funds are intended to supplement the Growth Center's operations budget and to be utilized to cover rent payments through the remainder of FY 03-04. The OSBGC facilitates the growth and development of Oakland's small/local business community by providing technical assistance, growth seminars, business networking and general office services.

The businesses housed in the Growth Center create jobs for local residents, and strengthen and diversify the City's tax base. For example, the aggregate gross receipts of the business partners in the Growth Center for the period January 2002 to December 2002 were \$24.5 million. In addition, the business partners in the Center currently contribute approximately \$6,000 to the City annually for Business Tax Certificates. The Community and Economic Development Agency (CEDA) has identified funds that were previously appropriated, but unexpended. These CDBG program monies were originally allocated for technical assistance contracts and currently are budgeted in the FY 03-04 Commercial Lending carry-forward balances.

The Center continues to provide exemplary services to small businesses within Oakland's three Enhanced Enterprise Community areas, and it has also been instrumental in attracting corporate sponsors for various small business training seminars.

Staff and the Community Development District Board supported the Growth Center's initial FY 2003-04 CDBG funding request of \$225,000. The Growth Center's recommended allocation was reduced due to reductions in the U.S. Department of Housing and Urban Development's

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(HUD) appropriation to the City. This reduction of \$110,000 was communicated to the Management of the Growth Center very late in the CDBG proposal evaluation process, not providing sufficient time for the Growth Center to solicit funding from alternative resources.

The Growth Center anticipates enhancing its FY 03-04 budget through the solicitation of grant awards from other government entities and the private sector.

Because of the demand for its services and the increases in basic program expense resulting from OSBGC's compliance with the scope of work approved by the City Council in Resolution No. 69193 on March 9, 1993, the OSBGC requires this supplement to sustain itself until additional funds are obtained. In recognition of this funding shortfall the organization will have to raise additional funds while simultaneously cutting back on services currently provided to its partners in the Center.

FISCAL IMPACTS

This requested allocation represents a one-time cost. The proposed funding source for this amended contract is CDBG FY 03-04 carry forward. The project name is Neighborhood Commercial Revitalization Project Development (requisite account codes are: Fund 2108, Organization 88579 and Project G83200.SC04). It is anticipated that additional funds will be raised by the Executive Director and the Center's Board of Directors. The Center has been recommended to receive \$115,000 from FY 03-04 CDBG funds.

The Growth Center's Executive Director is pursuing funding from other public and private resources to supplement the balance of the \$110,000 shortfall.

BACKGROUND

The Oakland Small Business Growth Center was originally located at 1919 Market Street in West Oakland as part of the city's overall strategy to stimulate job creation, job retention and new business formation. To meet the needs of small business owners attempting to open and maintain new businesses in Oakland, the City Council, on April 21, 1992, passed Resolution No. 68856 authorizing the creation of a Small Business Incubator Center. The Resolution also approved the allocation of \$1,714,500 for the acquisition and rehabilitation of such a center. Subsequently, Resolution No. 69193 approved by the City Council March 9, 1993 authorized the City Manager to enter into an agreement with the OSBGC to manage the City's Small Business Incubator Center. The Growth Center has continued to manage the City's Small Business Incubator Center under contract since that time and the Center continues to serve as an important extension of the City's business support services.

OSBGC currently houses 28 business tenants at 475 Hegenberger Road, which is in the East Oakland Enhanced Enterprise Community and within the Coliseum Redevelopment Area. The goal of the Business Incubator is to nurture the growth and development of these businesses for approximately three years, and assist them to expand into market rate facilities. The City of Oakland has expanded its role in working with incubator clients prior to graduation to ensure that these businesses remain Oakland business residents.

The OSBGC is a mixed-use center and the tenants cover a wide range of business types. Included in this mix is a biotechnology lab, a web-site design firm, a bookkeeping company and a para-legal firm, to name a few. In addition, the Center has a construction contractor's assistance program and the Center houses six construction contractors. This program serves in the capacity of a "Plan Holder", in that it keeps copies of plans that are available for contractors review prior to bidding on a contract. It collaborates with Laney College offering a ten week course covering courses in insurance and bonding, accounting, estimating and many other subject areas that are helpful to construction contractors.

The existing businesses located at the Center are as follows:

Current OSBGC Tenants

Sunny BioDiscovery, Inc.	Willie Electric
KGM Painting	Lawson Logic
Bryco Construction, Inc.	Simco Construction, Inc.
Valley Tech, Inc.	Hannah & Associates
Equity Legal Services	Oakland Banshees
Coyote Construction	Falcon Industrial Distributions
VirtCom Enterprises	McDowell Consulting, Inc.
Diversified Data Management	R & R Electric
Hutchinson & Hutchinson Electrical	Computer Techs
Andree Driskell & Associates	Earth Electric Co.
Universal Finance, Inc.	Ventum Elysian
Deer Mentoring Inc.	Global California Trading Co.
Willie Phillips	Ball & Associates
Harris and Associates	American Nursing Institute, Inc.

The center has graduated more than eighteen businesses in the past five years. Three highly successful businesses were graduated in 2002, and 2 additional businesses are scheduled to graduate this year, Valley Tech, Inc. and Equity Legal Services. Three of the current businesses, Sunny BioDiscovery, Inc. Bryco Construction, Inc., and Earth Electric Company, now occupy substantial space in the same building that houses the center.

KEY ISSUES AND IMPACTS

As a result of their success, these businesses generated more than \$24.5 million in annual gross sales, and have employed 110 full time employees. There are several significant impacts that would be felt in several areas if the Center is not granted the requested additional allocation, one of which would be the loss of a valuable service to a large segment of the City's small business community. In addition there would be the loss of tax revenue, and the loss of jobs to EEC residents. Because of the prevailing economic climate these tenants would be hard pressed to continue operating.

With the infusion of this additional financial assistance, the Center will be able to continue operating and offering services and assistance to its current and future tenants. The Center serves

as another economic development tool that enhances the overall economic development strategy of the City.

SUSTAINABLE OPPORTUNITIES

Economic: The Growth Center's tenants provide jobs in construction, electronic industry, legal assistance field, web site design, and management consulting. Based on current employee statistics, a significant number of the tenant's employees reside in Oakland. In addition, as a result of CDBG funds involved in this program, the Center will be working closely with the City of Oakland's Workforce Development unit in the Community and Economic Development Agency to fill employment vacancies.

Environmental: There are no environmental issues or impacts related to this program.

Social Equity: The social equity aspect of the program has been historically, and will continue to be, realized through the services and products available to disadvantaged areas, the immediate community and the City as a whole. Such services include, but are not limited to, paralegal services, website design, accounting and bookkeeping and other service that accommodate the needs of residents in the immediate area and the city as a whole.

DISABILITY AND SENIOR CITIZEN ACCESS

There are no disability and senior citizen access issues related to this program.

RECOMMENDATIONS AND RATIONALE

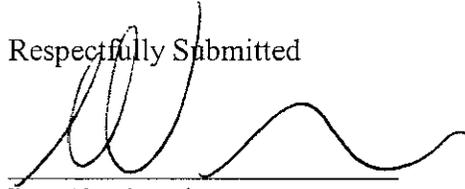
Staff recommends that Council adopt the attached resolution increasing the funding of the Oakland Small Business Growth Center by \$60,000 because it provides a significant benefit to Oakland's small business community. The cost per job created by businesses located in the center is substantially less than most job creation programs in the area. In comparison for example, HUD standards require a job placement for every \$35,000 loaned, whereas the Center's Center one job placement rate is 1:\$1,045 based on the \$115,000 allocation received from CDBG. In addition, the businesses in the center produce business taxes for the City that helps to off-set the financial assistance being provided. The combined efforts of the OSBGC's partners such as the City of Oakland's Commercial Lending Unit One Stop Capital Shop, the Neighborhood Commercial Revitalization unit, the Oakland Business Development Corporation and the East Bay Small Business Development Center will substantially increase the opportunities for businesses in Oakland to thrive in a highly competitive environment.

Businesses housed in the incubator and those participating in their "virtual" tenants program will benefit from the comprehensive service package offered through the Growth Center by this program that should lead to their greater profitability and success. The success of businesses participating in this program will expand job (approximately 3.6 employees per tenant) and business opportunities, and increase tax revenues which support other city services.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve the resolution appropriating \$60,000 to the OSBGC for operational cost through the remainder of the 03-04 fiscal years.

Respectfully Submitted



Dan Vanderpriem
Director of Redevelopment, Economic
Development and Housing

Prepared by:

Gregory D. Hunter,
Manager, Commercial Lending

H. Mahlon Harmon, Outreach Coordinator
One Stop Capital Shop

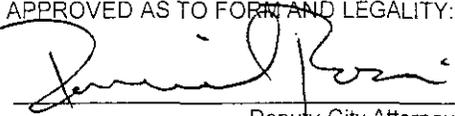
APPROVED AND FORWARD TO THE
FINANCE AND MANAGEMENT COMMITTEE:


OFFICE OF THE CITY MANAGER

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APPROVED AS TO FORM AND LEGALITY:

Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER _____

A RESOLUTION AMENDING RESOLUTION NO. 77823 C.M.S. TO INCREASE THE AMOUNT OF THE CONTRACT WITH THE OAKLAND SMALL BUSINESS GROWTH CENTER BY \$60,000 FROM THE NEIGHBORHOOD COMMERCIAL REVITALIZATION PROJECT DEVELOPMENT THIRD PARTY GRANT FUND FOR A TOTAL CONTRACT OF \$175,000 DURING FISCAL YEAR 2003-04 TO COVER OPERATIONAL COSTS THROUGH THE REMAINDER OF THE 2003-04 FISCAL YEAR

WHEREAS, the City of Oakland has entered into a contract with the Oakland Small Business Growth Center (OSBGC) since 1992, authorized through City of Oakland Resolution No. 77823 C.M.S. dated May 20, 2003, to operate a small business incubator, currently located at 675 Hegenberger Road in Oakland, within the boundaries of the East Oakland Enhanced Enterprise Community and Coliseum Redevelopment Area, and adjacent to the Central East Oakland and Elmhurst Community Development Districts; and

WHEREAS, it is the mission of the OSBGC to provide a nurturing environment for small businesses, offering attractive rents, on-site technical assistance, loan packaging assistance, and reduced cost business services to small businesses to strengthen their growth and development into self-sustaining, expanding businesses; and

WHEREAS, it is the goal of OSBGC under this program to work with the City of Oakland's Commercial Lending Unit to provide outreach to small businesses located within the subject areas of the City of Oakland (1) to identify businesses with expansion, job creation and growth potential, (2) to assess the financial stability and expansion potential of selected businesses, (3) to provide one-on-one technical assistance to individual business owners as needed to complete a comprehensive business plan, (4) to provide loan packaging assistance, (5) to provide post-loan technical assistance for all clients receiving infusions of capital, (6) to require that all program participants enter into the City's First Source Hiring program for business location; and

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WHEREAS, these goals work to support achievement of Mayor and City Council priority objectives to attract, help startup, retain and expand environmentally sound and sustainable businesses throughout Oakland's neighborhoods and to create opportunities for job creation and retention for Oakland residents; and

WHEREAS, specific and quantifiable performance measures have been developed around the stated goals and objectives in the contractor's contract, that will form the base evaluation standards against which OSBGC's performance during the contract period will be measured; and

WHEREAS, although the OSBGC received a recommendation of funding for \$225,000 from staff and the Community Development District Board, the Growth Center's recommended allocation was reduced by \$110,000 due to reductions in the U.S. Department of Housing and Urban Development's appropriation to the City; and

WHEREAS, the OSBGC currently receives an allocation of \$115,000 of CDBG funds for FY 2003-04 and the additional \$60,000 (Neighborhood Commercial Revitalization Project Development) will bring the total allocation of CDBG funds to \$175,000; and

NOW THEREFORE BE IT RESOLVED: That the City Council does hereby authorize a one time allocation of Commercial Lending carry-forward funds in the amount of \$60,000 from the Neighborhood Commercial Revitalization Project Development project (requisite account codes are: Fund 2108, Organization 88579 and Project G83200.SCO4) to OSBGC to maintain operational cost through the remainder of the 03-04 fiscal year; and be it

FURTHER RESOLVED: That the City Council hereby amends Resolution No. 77823 C.M.S. to authorize an amendment to the contract with OSBGC to increase the funding by \$60,000 for FY 2003-04; and be it

FURTHER RESOLVED: That the amendment of this contract shall be upon and subject to such appropriate terms and conditions as the City Manager or his or her designee may determine; and be it

FURTHER RESOLVED: That the City Manager or his or designee is hereby authorized to negotiate and execute documents, administer the contract, extend or modify contract terms, and take whatever other action with respect to the contract or the amendment consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That any such documents shall be approved by the Office of the City Attorney and filed with the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, 2003

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST:

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

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