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CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: July 10, 2007

RE: **Ordinance Authorizing The City Administrator To Negotiate And Execute A New Lease With The East Oakland Boxing Association For City Property Located At 816-828 98th Avenue For Zero Rent In Exchange For In-Kind Services As Authorized By Ordinance No. 11722 C.M.S., For A Term Of Five (5) Years, With The City Having The Option To Grant One Additional Five Year Term Lease Under The Same Terms And Conditions.**

SUMMARY

An ordinance has been prepared authorizing the City of Oakland (City) to enter into a new lease with the East Oakland Boxing Association (EOBA) for property located at 816-828 98th Avenue (APN: 045-5237-008-01, 045-5237-0070-02 and 045-5237-001-01) ("Property") for a term of five (5) years for no rent subject to a mutual 90 day right of termination.

The City and EOBA entered into a Rental Agreement on October 30, 1987. EOBA continues to rent the Property from the City under a month-to-month tenancy requiring EOBA to pay the monthly rental payment of \$1 per month in exchange for in-kind services to the City.

EOBA proposes to lease the Property for five (5) years to ensure its ability to provide youth programs. According to EOBA, the cost of the services to EOBA is expected to exceed \$7,500 per month. The Office of Parks and Recreation (OPR) has confirmed that the service cost estimate from EOBA is consistent with their costs for similar type of City services. If the City were to provide the same services, the City would be expected to incur at least \$7,500 per month in comparable service costs. The City is unable to provide the same services for less than \$7,500 per month. The fair market rental value of the Property is \$3,750 per month. Staff recommends that EOBA pay no rent for the Property, as authorized by Ordinance No. 11722 C.M.S., and further recommends accepting the proposal from EOBA subject to the following terms and conditions:

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July 10, 2007

1. Lease Term: Five (5) years
2. Monthly Rental: No rent shall be paid to the City provided that EOBA provides the services or comparable services valued in Table I of this report.
3. Right of Termination: Either the City or EOBA may terminate the Lease at its own discretion with ninety (90) days notice.
4. EOBA's obligations: EOBA shall be responsible for the building maintenance, repair and security and the payment of all utilities, insurance premiums, possessory interest taxes and other related expenses over the term of occupancy.

Staff recommends the adoption of this ordinance authorizing the City to lease the Property to EOBA for another five years to enable them to continue providing youth services and to help them with their efforts to secure program funding and potential acquisition funding.

FISCAL IMPACT

The estimated cost for EOBA to provide the youth services described in Table I is expected to exceed \$7,500 per month (\$90,000 per year). If the City were to provide the same services, the City is expected to incur at least the same costs. If EOBA provides the youth services, the City is expected to save \$7,500 per month (\$90,000 per year) less the estimated fair market rental value of the Property, or \$3,750 per month (\$45,000 per year). The estimated net savings in costs to the City is \$45,000 per year.

The estimated fair market rental value of the Property is \$3,750 per month (\$45,000 per year). If the Property is leased to EOBA for zero rent, the City will lose the opportunity to collect \$45,000 per year in rent; however, the estimated net benefits or cost saving to the City is expected to equal \$45,000 per year (\$90,000 less \$45,000). As a result, staff recommends that EOBA pay no rental for the term of the lease so long as EOBA service levels are equal to or exceed the fair market rental value of the property as determined annually by the City. The Office of Parks and Recreation is responsible for monitoring EOBA's programs.

EOBA shall be responsible for the maintenance, repair, and security of the property and the payment of all utilities, insurance premiums, possessory interest taxes and other related expenses.

BACKGROUND

Established in 1987 as an after school recreational and tutoring program for youth in the Castlemont Corridor of East Oakland, the East Oakland Boxing Association Smartmoves Program is a non-profit youth development organization. EOBA provides free year round services to children and youth ages 5-20, including academic tutoring, mentoring, arts and crafts, computers, health and nutrition classes (taught by a certified chef and registered

dietician), organic gardening, camping, field trips, and physical education to the neighboring community (“Youth Services”). EOBA also offers a career and college-counseling center and provides a work and learning environment for college students, community members, and high school youth. The Youth Services program is more specifically described below in Table I.

Program Month	Average Daily Attendance	Number of Hours per Day	Average Number of Days (with weekend Field Trips open per Month)	Total Cost of Service per Month
After School (September-June)	50 youths	3	20 with weekend field trips	\$7,500
Summer Program (July-September)	55 youths	6	25 with weekend field trips	\$10,312 - \$20,625

EOBA provides the Youth Services from the City-owned property located at 816 and 828 98th Avenue. The Property consists of a parcel of land (about 17,150 square feet) improved with the following:

1. Building (about 3,000 square feet) including a boxing ring with locker rooms.
2. Building (about 2,500 square feet) including homework space, library, and computer rooms.
3. Enclosed garden, basketball court, and parking area.

The estimated fair market rental value of the Property is \$3,750 per month based on a market survey of rents for comparable properties as of June 1, 2007.

Under the Rental Agreement, EOBA is renting the Property under a month-to-month tenancy. In exchange for the in-kind services to the City, EOBA is paying the monthly rent of \$1 per month.

EOBA proposes to lease the Property for five years at no rent. In exchange, EOBA will provide the Youth Services for the term of the lease.

KEY ISSUES AND IMPACTS

The key issue is whether the City should continue to lease the Property to EOBA for another five years at no rent, subject to a mutual ninety-day right to terminate the lease. The EOBA program has been in existence since 1987 on excess land from the 98th Avenue Roadway Widening Project. The program has been a benefit to the City since its inception. Over the years, EOBA has tried to purchase the property. The last appraisal conducted on the property in December 2006, estimated the fair market value of the property to be \$850,000.

Because of their limited funding, they have not been able to secure financing to purchase the property. They have put significant equity into the property. EOBA is hoping that a longer-term lease will afford them the opportunity to identify and secure sufficient funding from grants / donor(s) to purchase the property for its fair market value.

Based upon EOBA's long-standing programs at the site and the type of services they have provided the community, City staff recommends continuance of this relationship.

PROJECT DESCRIPTION

The Property is now leased to EOBA under a month-to-month tenancy. The new lease of the Property will enable EOBA to continue to use the Property to offer Youth Services in the community.

SUSTAINABLE OPPORTUNITIES

Economic: The Property will continue to be used as a youth center.

Environmental: The new lease will not change the environmental impacts. Because the use of the Property will not change under the new lease, the lease is exempt under the California Environmental Quality Act (CEQA).

Social Equity: The Property will continue to be accessible to the public.

DISABILITY AND SENIOR CITIZEN ACCESS

Disabled and senior citizens will have access to the Property in accordance with any existing ordinance.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council approve this Ordinance authorizing the City to lease the Property for the following reasons:

1. Promote youth guidance: EOBA offers a valuable service to the youths of Oakland.
2. Cost savings to the City of Oakland: If EOBA provides the Youth Services, the City will save \$7,500 per month (\$90,000 per year), less the fair market rental value of \$3,750 per month (\$45,000 per year). The net benefits or costs saving to the City are expected to equal \$45,000 per year.
3. In-kind value to the City: In exchange for the EOBA Youth Services, EOBA will not be required to pay any rent. The in-kind net value to the City (assuming that the cost is equal to the value) is about \$45,000 per year.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends the City Council approve the ordinance.

Respectfully submitted,



for **GREGORY HUNTER**

Interim Director of Redevelopment, Economic
Development, Housing and Community Development

Reviewed by:
Frank Fanelli, Manager Real Estate Services

Prepared by:
Ed Kawamoto, Real Estate Agent

APPROVED AND FORWARDED
TO THE FINANCE AND MANAGEMENT COMMITTEE

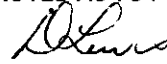


Office of the City Administrator

NOTICE AND DIGEST

ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND EXECUTE A NEW LEASE WITH THE EAST OAKLAND BOXING ASSOCIATION FOR CITY PROPERTY LOCATED AT 816-828 98TH AVENUE FOR ZERO RENT IN EXCHANGE FOR IN-KIND SERVICES AS AUTHORIZED BY ORDINANCE NO. 11722 C.M.S., FOR A TERM OF FIVE (5) YEARS, WITH THE CITY HAVING THE OPTION TO GRANT ONE ADDITIONAL FIVE YEAR TERM UNDER THE SAME TERMS AND CONDITIONS

This Ordinance authorizes the City Administrator to negotiate and execute a new lease with a five year lease for zero rent, in exchange for in-kind services and an option to grant one additional five year extension at 816-828 98th Avenue, Oakland.



OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND EXECUTE A NEW LEASE WITH THE EAST OAKLAND BOXING ASSOCIATION FOR CITY PROPERTY LOCATED AT 816-828 98TH AVENUE FOR ZERO RENT IN EXCHANGE FOR IN-KIND SERVICES AS AUTHORIZED BY ORDINANCE NO. 11722 C.M.S., FOR A TERM OF FIVE (5) YEARS, WITH THE CITY HAVING THE OPTION TO GRANT ONE ADDITIONAL FIVE YEAR TERM UNDER THE SAME TERMS AND CONDITIONS.

WHEREAS, the East Oakland Boxing Association (“EOBA”) is a non-profit youth development organization that provides free year round services to children and youth ages 5-20 including academic tutoring, mentoring, arts and crafts, computers, health and nutrition classes (taught by a certified chef and registered dietician), organic gardening, camping, field trips and physical education (“Youth Services”) at an estimated cost that exceeds \$7,500 per month or \$90,000 per year; and

WHEREAS, the City owns 816 98th Avenue, Oakland, California (“Property”), consisting of about 17,150 square feet, improved with the following:

- a. Building (about 3,000 square feet) including a boxing ring with locker rooms,
- b. Building (about 2,500 square feet) including homework space, library, and computer rooms,
- c. Enclosed garden, basketball court, and parking area,

with an estimated fair market rental value of \$3,750 per month or \$45,000 per year as of June 1, 2007; and

WHEREAS, Ordinance No. 11722 C.M.S. established a policy that permits rental of City-owned property for fair market rent with recognition for in-kind services; and

WHEREAS, pursuant to City Council Resolution No. 64956 C.M.S., passed on October 27, 1987, authorizing a two-year lease, the City and EOBA entered into a Rental Agreement (“Rental Agreement”) as of October 30, 1987, and EOBA continues to lease the Property under a month-to-month tenancy for the rental payment of \$1 per month in exchange for EOBA providing the Youth Services; and

WHEREAS, the in-kind value to the City of the services provided by EOBA results in a benefit or cost savings to the City of \$7,500 per month or \$90,000 per year which exceeds the

fair market value of the Property, estimated at \$3,750 per month or \$45,000 per year, resulting in a net benefit or net saving of \$45,000 per year to the City; and

WHEREAS, EOBA proposes to lease the Property for five (5) years at zero rent with a mutual ninety-day right of termination, and at City's option, the Lease may be extended for an additional 5-year term; and

WHEREAS, the requirements of the California Environmental Quality Act ("CEQA") the CEQA guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulation of the City of Oakland have been satisfied; now, therefore

THE CITY COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Administrator, or her designee, is hereby authorized to enter into a five-year Lease Agreement, with a five-year option for City renewal, with EOBA for zero rent in exchange for service, consistent with this Ordinance.

SECTION 2. The Manager of Real Estate Services or other City Administrator Designee, is hereby authorized and directed to take all necessary actions to negotiate and complete the Lease and any amendments, modifications and extensions thereto, and to exercise the option at her discretion, consistent with the intent of this Ordinance.

SECTION 3. The City Council has independently reviewed and considered this environmental determination, and the Council finds and determines that this action complies with CEQA because this action on the part of the City is exempt from CEQA pursuant to Section 15301 (existing facilities) of the CEQA guidelines, and Council directs the City Administrator to file a Notice of Exemption and an Environmental Declaration (CA Fish and Game Code Sec. 711.4) with the County of Alameda.

SECTION 4. The Lease shall be approved as to form and legality by the City Attorney's Office and a copy shall be filed with the Office of the City Clerk.

SECTION 5. This Ordinance shall become effective immediately on the final adoption if it receives six or more affirmative votes; otherwise, it shall become effective upon the seventh day after final adoption.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2007

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California