

2009 MAY 14 PM 4:30

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND
AGENDA REPORT**

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: May 26, 2009

RE: **An Agency Resolution Amending Resolution No. 2007-0073 To Increase The Tenant Improvement Grant To Mandela Foods Cooperative For The Rehabilitation Of Its Grocery Store Site At 1420-1430 7th Street By An Amount Not To Exceed \$58,000, For A Total Grant Not To Exceed \$258,000, Allocating West Oakland Redevelopment Funds For This Purpose, And Authorizing the Agency Administrator to Amend The Existing Grant Agreement To Reflect The Increased Funding Amount**

SUMMARY

This item is a request for Redevelopment Agency approval of a resolution to increase the tenant improvement grant to Mandela Foods Cooperative by an amount not to exceed \$58,000 to help cover cost overruns incurred during the rehabilitation of its 7th Street grocery store. If approved, the funding will be allocated from the West Oakland Redevelopment fund, and added to an existing \$200,000 tenant improvement matching grant awarded by the Agency in 2007. Mandela Foods Cooperative is a locally owned and operated full service grocery store and health education center based in West Oakland. The grant amendment will enable the Cooperative to meet its construction expenses, which will allow the store to open and operate for the benefit of the West Oakland community,

FISCAL IMPACTS

If approved, a total of \$58,000 will be allocated from the West Oakland Redevelopment Operations Fund (9590), West Oakland Base Reuse Organization (88679), West Oakland Repayment Project (S233510) to the Mandela Foods Cooperative Project (Fund 9590, Org. 88679, Project T351910, Acct. 54912). This matching grant will augment a \$200,000 Tenant Improvement grant awarded to this project in 2007, and will help address cost overruns incurred in the completion of this project.

Item: _____
CED Committee
May 26, 2009

BACKGROUND

On September 18, 2007, the Redevelopment Agency adopted Resolution No. 2007-0073 C.M.S. authorizing a \$200,000 Tenant Improvement (TI) grant to the Mandela Foods Cooperative for rehabilitation of the property located at 1420-1430 7th Street (Fund 9590, Org. 88679, Account 57311, Project T351910). The tenant improvements are required to make the space suitable for use as a grocery store. The terms of the grant require the recipient to match the Agency's contribution dollar-for-dollar.

Project delays due primarily to inspectors' concerns regarding the mechanical systems, as well as unanticipated framing and project supervision costs, have resulted in budget overruns of approximately \$110,000 to date. The issues related to the mechanical systems have been resolved and the project is nearing completion, though additional unanticipated costs may still be incurred before the project is finished.

In December 2008, the West Oakland Project Area Committee (WOPAC) approved a request by Mr. Nathan Cheng, General Manager of Mandela Foods Cooperative, for additional matching funds of up to \$100,000 to use toward anticipated project cost overruns. Since that time, actual expenses have been trimmed and the grant amount requested for cost overruns is reduced to \$58,000.

Mandela Foods Cooperative is in compliance with the terms of its TI grant agreement. At present, \$100,000 (50%) has been drawn from the \$200,000 total grant, and documentation has been provided to support the remaining draw requests.

To date, the total City/Agency contributions or commitments to this project include:

- \$200,000 TI grant (discussed above)
- \$100,000 Pay-Go grant from Councilmember Nadel's office

KEY ISSUES AND IMPACTS

The WOPAC serves as an advisory committee to the Oakland Redevelopment Agency on policy matter which affect the residents and businesses of the Project Area. For many years the WOPAC and the larger West Oakland community have expressed the need for a grocery store that sells affordable quality food in West Oakland. Additionally, revitalizing the 7th Street corridor is a priority for the WOPAC. Mandela Foods Cooperative's proposed grocery store will support these goals.

Presently, there is no full-service grocery store in West Oakland, and the area suffers from an abundance of liquor stores, convenience stores and fast-food restaurants. Mandela Foods Cooperative seeks to address the long-standing need to improve access to healthy and affordable food in West Oakland. Mandela Foods will offer wholesome, fresh and affordable foods

including produce, meats/fish, dairy, frozen foods and prepared foods, as well as household goods and an assortment of specialty items. Mandela Foods Cooperative's health education center will include nutrition education resources, programs and events. In addition, Mandela Foods Cooperative will provide jobs and job training for local residents. The cooperative business model will recycle profits back into the hands of worker-owners recruited from the local community.

SUSTAINABLE OPPORTUNITIES

Environmental: The Mandela Foods Cooperative will promote sustainable business practices and utilize green building techniques. The project's proximity to BART will encourage public transit ridership and pedestrian activity along the 7th Street corridor.

Economic: Mandela Foods Cooperative will increase commercial activity and economic development along the 7th Street corridor in West Oakland. The store will provide much needed goods and services to this area of West Oakland. Grocery and product sales will increase sales tax revenue for the City of Oakland.

Social Equity: This project will provide existing low income West Oakland residents access to fresh and nutritious foods and nutrition education. Mandela Foods Cooperative will also provide employment and investment opportunities for West Oakland residents.

DISABILITY AND SENIOR CITIZEN ACCESS

This project will provide existing low income West Oakland residents access to fresh and nutritious foods and nutrition education. The project will comply with City, State and Federal ADA requirements.

RECOMMENDATIONS AND RATIONALE

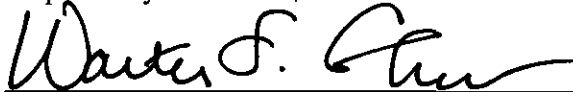
Staff recommends the Agency authorize an amendment to the Mandela Foods Cooperative tenant improvement grant by an amount not to exceed \$58,000 to help address cost overruns incurred during the construction of tenant improvements to its new grocery store in West Oakland. Mandela Foods has remained in compliance with the terms of its existing tenant improvement grant.

This project will provide a much needed source of healthy food and nutrition education to area residents. It will catalyze commercial activity along 7th Street, and encourage economic development in the Project Area. This project is a high priority for the WOPAC.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY/CITY COUNCIL

It is requested that the attached resolution be approved to amend Resolution No. 2007-0073 to increase the Mandela Foods Cooperative tenant improvement grant by an amount not to exceed \$58,000, for a total grant not to exceed \$258,000, allocating West Oakland Redevelopment funds for this purpose. The resolution also authorizes the Agency Administrator to amend the existing tenant improvement grant agreement to reflect the increase in funding.

Respectfully submitted,

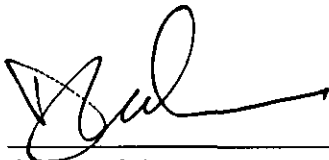


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed By: Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by:
Hui-Chang Li,
Urban Economic Analyst I

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:

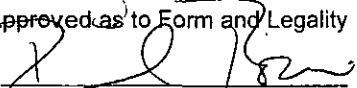


Office of the Agency Administrator

Item: _____
CED Committee
May 26, 2009

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 MAY 14 PM 4:30

Approved as to Form and Legality

Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

AGENCY RESOLUTION AMENDING RESOLUTION NO. 2007-0073 TO INCREASE THE TENANT IMPROVEMENT GRANT TO MANDELA FOODS COOPERATIVE FOR THE REHABILITATION OF ITS GROCERY STORE SITE AT 1420-1430 7TH STREET BY AN AMOUNT NOT TO EXCEED \$58,000, FOR A TOTAL GRANT NOT TO EXCEED \$258,000, ALLOCATING WEST OAKLAND REDEVELOPMENT FUNDS FOR THIS PURPOSE, AND AUTHORIZING THE AGENCY ADMINISTRATOR TO AMEND THE EXISTING GRANT AGREEMENT TO REFLECT THE INCREASED FUNDING AMOUNT

WHEREAS, in September 2007 the Redevelopment Agency adopted Resolution No. 2007-0073 C.M.S. authorizing a \$200,000 tenant improvement matching grant to Mandela Foods Cooperative for rehabilitation of the property located at 1420-1430 7th Street for use as a grocery store; and

WHEREAS, Mandela Foods Cooperative has remained in compliance with the terms of the tenant improvement grant; and

WHEREAS, the West Oakland Project Area Committee (WOPAC) has identified the establishment of a grocery store to serve area residents, and the revitalization of 7th Street as priorities for redevelopment activities; and

WHEREAS, Mandela Foods Cooperative seeks to fill a need in the West Oakland community by becoming the only grocery store in the area, offering inexpensive fresh produce, meats, dairy products and other grocery items to its customers at the 7th Street location, as well as offer nutrition education programs; and

WHEREAS, Mandela Foods Cooperative has incurred cost overruns of \$110,000 in the rehabilitation of its grocery store site to date, and may face additional overruns before the project is complete; and

WHEREAS, in December 2008 the West Oakland Project Area Committee (WOPAC) approved a request by representatives of Mandela Foods Cooperative for a matching grant of up to \$100,000 to cover anticipated cost overruns; and

WHEREAS, Mandela Foods Cooperative's funding needs have been scaled back as expenses were trimmed and actual costs for some construction items are less than anticipated; now, therefore, be it

RESOLVED: That Resolution No. 2007-0073 is hereby amended to increase the tenant improvement matching grant by an amount not to exceed \$58,000, allocated from the West Oakland Redevelopment Operations Fund (Fund 9590), West Oakland Base Reuse Org. (88679), West Oakland Repayment Project (S233510), to Mandela Foods Cooperative to assist in meeting project cost overruns incurred during the rehabilitation of its grocery store site located at 1420-1430 7th Street; and be it

FURTHER RESOLVED: That the Agency Administrator is hereby authorized to amend the existing tenant improvement grant agreement with Mandela Foods Cooperative to reflect the increased funding amount.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - KERNIGHAN, NADEL, QUAN, DE LA FUENTE, BROOKS, REID, KAPLAN, AND
CHAIRPERSON BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California