

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

OFFICE OF THE CITY CLERK  
2007 MAR 13 PM 8:01

TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: March 20, 2007

RE: **A Supplemental Report to the Request for the City Council to Provide Direction Regarding Recommendations for the Allocation of CDBG Funds Between the Categories of Administration & Planning, Economic Development, Housing, Public Improvements, Public Services, and Repayment of Section 108 Loans.**

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**SUMMARY**

This report addresses additional questions and recommendations made by members of the Community and Economic Development (CED) and Life Enrichment Committees at their March 13, 2007 meeting regarding recommendations for the allocation of Community Development Block Grant (CDBG) Funds. The report provides answers to those questions and additional information to assist Council's direction to staff regarding allocation of CDBG funds.

**FISCAL IMPACT**

By providing direction of the allocation of CDBG funds, the City Council will determine the proportional allocation of funds for the 2007-08 fiscal year and the activities eligible for funding.

The allocations are an important part of the development of the City's CDBG budget and the FY 2007-08 Annual Action Plan due to HUD by May 15, 2007. The Action Plan is tentatively scheduled for the May 8, 2007 CED Committee.

**BACKGROUND**

Community and Economic Development (CED) Committee

The CED Committee requested additional information on the performance of those programs receiving CDBG funding under the HUD designated Economic Development activity. Functional CEDA units eligible to program using CDBG Economic Development funds include Business Development, Commercial Lending and Neighborhood Commercial Revitalization (NCR).

Item: \_\_\_\_\_  
City Council  
March 20, 2007

Economic Development Division

The Economic Development Division is housed within the Community and Economic Development Agency. The division's work is organized to meet City Council goals so that critical factors in the lives of Oakland citizens are improved.

The Economic Development Division is comprised of three units: Business Development Services, Neighborhood Commercial Revitalization Program, and Workforce Development Program. Additionally, while the Commercial Lending Program is housed within the Redevelopment Division, it is considered an economic development activity.

The total FY 2006-07 budget for CEDA Economic Development is \$12,651,411 of which, \$5,409,421 is dedicated to Workforce Investment Act Third Party Contracts and \$2,737,982 (22%) is funded by CDBG.

The **Business Development Services Unit** exists to facilitate the attraction, expansion, and retention of businesses. Business Development staff accomplishes these goals through four primary activities:

1. **Business environment:** improving the conditions that make Oakland an attractive place to do business (e.g. appropriately zoned land for industrial businesses; attractive sites for retail; good quality office space for office businesses); help property owners develop formerly contaminated sites through the administration of two Brownfields and Recycling Market Development Zone loan programs.
2. **Marketing:** marketing Oakland as a business location to new and existing businesses; represent Oakland in trade shows, business and government associations, etc.
3. **Sales:** acting as brokers/facilitators for individual businesses interested in moving to Oakland, expanding within Oakland, or relocating within Oakland, by working with brokers, providing information, facilitating deals, etc.
4. **Customer service:** keeping our existing businesses successful through citywide business development strategies including the Retail Attraction & Implementation Strategy, implementing a Business Retention Strategy which includes the development of industrial business protection and support services, creating a Vacant Downtown Office Space Strategy, developing a Green Industry Attraction Strategy, and developing an international trade plan and exploring emerging business sector opportunities.

All of these functions are critical to the attraction, expansion, and retention of businesses, which in turn are critical factors that affect revenue, employment, access to goods and services, and quality of life in Oakland.

The follow table lists businesses attracted to Oakland in 2005-2006 with the assistance of the Business Development Unit; numbers of employees in these businesses; and the role played by the Business Development unit in bringing them to Oakland.

<b>Business</b>	<b>Employees*</b>	<b>Business Development's role</b>
FitLight	10	permitting assistance
Industrielle	3	neighborhood, resource and regulatory information
Patrick & Company	7	neighborhood, resource and regulatory information
Urban Indigo	3	neighborhood, resource and regulatory information
The Reuse People	10	siting information and relocation grant assistance
eCullet	9	site research and permitting assistance, location of raw material, and packaging of \$850,000 Recycling Market Development Zone loan
Universal Waste Management	5	research and clarification of zoning
Serendipity Chocolates	8	location assistance, zoning, lending referral to OBDC for a \$75K EEC loan, referral to event opportunities and marketing
Crunchy Foods	12	directly referred to site and broker, assistance with zoning, interface with Bldg Permits
Youth Radio	10	location, coordination with city services, private financing. Organization received \$75,000 in Measure Y funds.
Adelante Capital Management	9	location, Enterprise Zone Tax Credit Benefits, introduction to city services
HT Supply (continued attraction, final lease negotiations)	50	location and facility review, zoning assistance, site plan guidance, landscaping / buffering, referral to Enterprise Zone, intro to Councilmember, education about West Oakland district trends
<b>Total</b>	<b>136**</b>	

\* Historically staff has not tracked the number of jobs produced or low and moderate income residents employed by businesses that the Unit assist with basic services, unless the level of assistance dictates the City enter into a formal agreement with the business..

\*\* This number includes projected jobs to be created by HT Supply.

Neighborhood Commercial Revitalization

The **Neighborhood Commercial Revitalization Program** exists to improve the physical, economic, and social conditions of targeted commercial corridors, primarily in low and moderate-income neighborhoods. NCR staff accomplishes these goals through four activities:

1. **Commercial Property Façade Improvement Program** - This program offers matching grants (one to one) up to \$10,000 per building, to businesses and property owners, for approved exterior renovations. Architectural services are provided at no cost to the applicant to ensure that every project improves the physical appearance of the commercial district.
2. **Merchant Association Assistance Program** - Assistance is available to merchant groups to develop and strengthen merchant associations. Assistance includes planning and attending monthly meetings, meeting facilitation and organizational development. This program also provides a maximum \$5,000 grant per year per district for projects and activities to promote shopping in the commercial district to local residents.
3. **Business Improvement District Assistance Program** - Assistance is available to merchant and property owners to establish Business Improvement Districts in NCR areas. A BID is a self-imposed assessment district that pays for maintenance, security, management and physical improvements beyond that which is normally provided by the city.
4. **Market Profiles** - This activity involves analyzing existing conditions to identify strengths, weaknesses and opportunities in the commercial district. This is accomplished through the collection and analysis of baseline data consisting of demographics, land usage/zoning, property ownership, vehicular traffic counts and retail sales taxes. This information is used to develop one-page market profile sheets that are used to promote and market the commercial district to potential investors.

The following is a breakdown of CDBG funds allocated to NCR in FY 2005/06 and FY 2006/07 and year to date program accomplishments:

Program/Activity	FY 2005/06	FY 2006/07 (year to date)
Façade Improvement Program (FIP)- Grants	21 project completed - \$366,896/grants and \$537,802/private (totaling \$904,698)	*23 projects completed- \$332,000/grants and \$538,760/private (totaling \$870,760)
FIP On-call Design Services (6 firms under contract)	\$300,000	\$120,000
Number of Merchant Association Assisted	15	12
**Merchant Association Assistance Program (MAAP)	\$57,036	\$41,095
Business Improvement District Assistance Program	\$24,000 (Fruitvale BID re-establishment and public noticing expenses)	0

\* Twenty-two (22) façade projects are under contract with a commitment of \$395,632 in CDBG funds, many of these projects will be completed by 6/30/07

\*\* FY 2006/07 activities funded under the Merchant Association Assistance Program (MAAP) include purchase and installation of holiday decorations in the Fruitvale Gateway, Diamond, Laurel, Foothill/Seminary, Foothill/Eastmont and Elmhurst/MacArthur Boulevard. MAAP grants were provided to support events in Temescal, Jack London Gateway Shopping Center and for design and printing of three business directories.

The NCR Program is staffed with six FTEs; a Program Manager to manage the program and supervise staff, four Urban Economic Analysts III and one Administrative Analyst II which is currently a vacant position. Of the three UEA IIIs, one staff person manages the Business Improvement District (BID) Assistance Program and three coordinate revitalization activities in neighborhood commercial districts including:

- Fruitvale (Foothill Blvd., Fruitvale Gateway, Laurel and Dimond),
- Central East Oakland (Millsmont, Foothill/Seminary, Foothill/Havenscourt and MacArthur/Eastmont) and
- Elmhurst (MacArthur Blvd. and International Blvd., 82<sup>nd</sup> to the City of San Leandro border).

NCR staff assigned to Central East Oakland also coordinates Façade Improvement Program activity in the Temescal district along Telegraph Avenue in North Oakland.

In FY 2006/07, NCR staff provided technical assistance to 12- 15 merchant associations and BIDs that represents more than 3,000 small neighborhood businesses that generates approximately \$5 million annually in retail sales taxes. Assistance included the provision of information on City programs and services and referrals to small business service providers. NCR assisted merchants to resolve problems and to access City services.

NCR manages the Business Improvement District (BID) Assistance Program and successfully facilitated the establishment of six BIDs in the past six years. Oakland's six BIDs collectively generate more than \$1 million in assessments which funds services including maintenance, security, and promotion in the districts. BID assessments are also used to provide management services for the districts. The BID Assistance Program has an annual budget of \$50,000; \$30,000 of which is used to establish districts and \$20,000 to pay assessments on City owned property located in the BIDs. The City's General Purpose Fund (1010) funds NCR's BID Assistance Program.

#### Workforce Development Program

The **Workforce Development Program** exists to increase the percentage and improve the quality of employment among Oakland residents. Workforce Development staff accomplish these goals through six primary activities:

- managing Workforce Investment Act funds
- staffing the Oakland Workforce Investment Board
- administering the Enterprise Zone program and other business services initiatives
- monitoring city-funded job training programs
- developing city-wide job training initiatives
- coordinating the Mayor's Summer Jobs Program

Workforce Development Activities are not funded by CDBG. However, Workforce Development is an integral part of the overall Economic Development program in Oakland.

### Commercial Lending

The Commercial Lending program provides tools and resources for Oakland's business owners and entrepreneurs. These resources promote business attraction, retention and expansion leading to the creation of jobs and economic development primarily in Oakland's low-and moderate-income communities. Programs contribute to Oakland's economic revitalization by expanding the City's tax base by focusing lending activity in the City's economic development target industries; placing low-moderate income residents into sustainable jobs created by loan recipients; leveraging private investment through participation loans and abating blight through financing commercial and mixed-use developments. These services are provided to Oakland's small business community through professional service contracts were awarded based on the success these organizations have experienced in administering several City funded loan programs, lending outreach, servicing of the City's loan portfolio and recruitment for job placement.

For the fiscal year reporting period, July 2005 – June 2006, the Commercial Lending staff, consisting of one part-time manager and two FTEs working with contract partners accomplished the following:

- Collected approximately \$384,615 in delinquent and defaulted loans  
Delinquent loan -3J's & BH Enterprise (Commercial Property only) 12/9/05
- Received \$80,348 in loan payoffs (CEDA staff)
  1. La Loma Medical Center 10/27/05 - \$ 4,135
  2. MVP Sports & Recreation - \$76,213
- Underwrote 11 new loans to 11 loan clients  
EEC Loans (OBDC staff)
  1. 9/23/05 MVP Sports & Recreation \$ 75,000
  2. 2/28/06 Serendipity Chocolate \$ 75,000  
Broadway Corridor Loans
  3. 10/31/05 Moler Barber College \$135,000
  4. 4/4/06 Gills Electric \$249,500  
Neighborhood Revitalization Dev. Loans (NEDF)
  5. 9/23/05 MVP Sports & Recreation \$ 25,000
  6. 12/21/05 17<sup>th</sup> St. Studios \$ 15,000
  7. 4/20/06 Chef Edwards Barbecue \$ 25,000
  8. 4/27/06 Dolce Vita Pastries \$ 10,000

MICRO Loans

9. 11/28/05	Each One-Teach Family Center	\$ 10,000
10. 11/21/05	Castro's Designs	\$ 5,000
11. 11/18/05	IPA Planning Solutions	\$ 5,000
Total amount of loans made		\$629,500

- Created opportunities for 4 new jobs to target EEC areas (as of 7/06)
- Placed 1 Oakland resident in a new job created from loan proceeds (as of 7/06)
- Identified availability of CDBG Program Income funds for the recapitalization of Oakland Business Development Corporation (OBDC) administered CDBG loan programs Neighborhood Economic Development Fund and Micro Loan Program.

Economic Development Administration

The following chart depicts the allocation of CDBG funding within the Economic Development Division for July 2005-July 2006, including both program and staff expenses.

	Project Dev. \$	Bus Dev \$	NCR \$	Com Lending \$	Total
<b>Economic Development Division by Work Units:</b>					
Econ Dev Dir Ofc (staff costs)	146,432	33,374	54,886		234,692
Business Dev (staff costs)	79,444		16,550		95,994
Business Dev (O & M)	4,250	8,041			12,291
NCR (staff costs)		144,107	779,569		923,676
NCR (O & M)			773,575		773,575
Commercial Lending (staff costs)		88,340			88,340
Commercial Lending (O&M)		18,079			18,079
OBDC				372,750	372,750
NDC				10,000	10,000
Growth Center				119,738	119,738
Redevelopment Dir (staff costs)	35,566		53,281		88,847
<b>Total</b>	<b>\$265,692</b>	<b>\$291,941</b>	<b>\$1,677,861</b>	<b>\$502,488</b>	<b>\$2,737,982</b>

<b>Total Cost by ED Units</b> (staff costs and O&M)	
ED Dir	\$234,692
Bus Dev	\$108,285
NCR	\$1,697,251
Com Lend	\$608,907
Redev	\$88,847
<b>Total</b>	<b>\$2,737,982</b>

### Life Enrichment Committee

The Life Enrichment Committee requested additional information on the utilization of CDBG funds to increase the level of Homeless and Homeownership Services. The Committee also made recommendation to not use CDBG funds to make the Section 108 Loan repayments and to allocate those funds to Homeless Programs. Additionally, the Committee requested information on a timeline and implications of making recommendations to allocate CDBG funds in different categories from previous year's allocations.

### **Homeless Programs**

Currently Homeless Programs receive a CDBG allocation in the amount of \$1,521,000. These funds help pay for the operation of the Homeless Winter Relief Shelter (\$225,000); the lease/mortgage payments of the East Oakland Community Project (EOCP) Shelter (\$296,000) and a one time cost in the construction of the new EOCP Shelter (\$1,000,000). CEDA staff recommends that City Council consider the allocation of Economic Development CDBG funds for the improvement of existing Homeless Program sites or for the funding of new construction or land acquisition for new sites. Use of CDBG to fund Homeless programs is eligible as a Public Service activity. CDBG Public Service funds are currently allocated exclusively for District programs.

Homeless Programs currently receive and expend the following funds on Homeless Services:

### **Emergency Shelter Grant**

This Federal program provides funding for the essential services, homeless prevention, maintenance and operations of existing shelters and transitional housing units, and rehabilitation of existing shelters/transitional housing units. During the 2006/07 fiscal year, the City has been awarded \$365,836 by HUD and requires the City to provide 100% matching funds from non-federal sources. The City exceeded this match requirement of non-federal sources with the following allocations from the City's General Purpose Fund.



<b>Purpose</b>	<b>Match Amount</b>
Emergency Housing Program	\$115,000
Homeless Mobile Outreach Program	\$179,310
Oakland Army Base Temporary Winter Shelter	\$100,000
<b>Total Match</b>	<b>\$394,310</b>

**Families In Transition/Scattered Sites Transitional Housing Program**

During the 2006/07 fiscal year, the City was awarded \$245,146 by HUD for the Families In Transition (FIT) program under HUD’s Supportive Housing Program. This HUD grant requires a 25% match of funds for operations costs and 20% match of funds for support services costs. The total match requirement of \$50,735 (\$38,163 for Support Services and \$20,203 for Operations) for this program was exceeded by 204% with following fund sources:

<b>Purpose</b>	<b>Match Amount</b>
General Purpose Fund	\$133,000
THP/FIT Tenant Rents	\$21,000
<b>Total Match</b>	<b>\$154,000</b>

**Homeless Families Support Network/Supportive Housing Program**

The City is administering the eleventh year (2006/07) of the Homeless Families Support Network/Supportive Housing Program (HFSN). This program requires a 25% match of funds for operations costs and 20% match for support services costs awarded by HUD. The City received an award of \$1,825,155. The total match requirement for this grant will be \$351,579 (\$220,329-Support Services and \$131,250 Operations). Match requirements were met and exceeded as follows with non-Federal funds:

<b>Purpose</b>	<b>Match Amount</b>
Funds Awarded to the City by Alameda County	\$250,000
Excess Cash Value of Monthly Lease	\$122,558
<b>Total Match</b>	<b>\$372,558</b>

**Matilda Cleveland Transitional Housing Program**

For the 2006/07 program year, the City received an award of \$259,432 under the Supportive Housing Program grant for the Matilda Cleveland Transitional Housing Program (MCTHP). This program requires a 25% match of funds for operations costs and 20% match for support services costs awarded by HUD. Match requirements (total of \$53,642.90) were met and exceeded through the following:

<b>Purpose</b>	<b>Match Amount</b>
Community Promotions Program for Service Organizations (General Purpose Funds)	\$50,000
MCTHP Tenant Rents	\$25,250
Contractor Match Dollars	\$20,000
<b>Total Match</b>	<b>\$95,250</b>

**Oakland Homeless Youth Collaborative**

For the 2006/07 program year, the City received \$696,000 to maintain Oakland’s inventory of youth housing and services, providing coordinated housing preparation, transitional housing, and supportive services that help homeless young adults, ages 18-25, move toward self-sufficiency and permanent housing. This program requires a 25% match of funds for operations costs and 20% match for support services costs awarded by HUD. Matching funds in the amount of \$166,000 were provided through the Grant Project Sponsors of the grant as follows:

<b>Grant Project Sponsor</b>	<b>Match Amount</b>
Covenant House	\$102,000
East Oakland Community Project	\$34,000
First Place Fund For Youth	\$30,000
<b>Total Match</b>	<b>\$166,000</b>

**Homeownership Programs**

The City currently utilizes low-mod housing set aside funds to provide financial assistance to First time homebuyers and provide development loans under the City’s annual Notice of Funding Availability (NOFA) process. Federal HOME program funds are also utilized to fund affordable housing development projects as part of the NOFA process.

CDBG funds have been utilized to fund a number of ownership rehabilitation programs contained under the Home Maintenance and Improvement Program. These programs include single family rehabilitation, Lead Safe Hazard Paint program, the Access Improvement program, the Minor Home Repair program and the Emergency Repair program. These programs have typically assisted a majority of families at or below 50% of area median income (AMI).

Over the last year and a half the Home Maintenance and Improvement Program (HMIP) revised a number of loan programs to increase the available assistance to low to moderate (< 80AMI) income homeowners. This has included increasing the amount of assistance to cover rising construction costs, changing loan terms, streamlining the application and construction process and increasing the marketing of the programs.

From July 2006- January 2007, the HMIP program has accomplished the following:

- Completed the rehabilitation of 33 homes (\$75,000 per home) with 20 projects currently under construction. This program addresses major health and safety issues and includes retrofitting homes for earthquake preparedness.
- The Lead Safe Hazard Paint Program (LSHPP) completed lead based paint mitigation and paint of 96 homes with 57 homes under remediation.
- The Access Improvement Program (AIP) completed rehabilitation of 19 homes with 6 under going access improvement.
- The Minor Home Repair Program (MHRP) repaired 163 homes with an additional 108 expected to be completed this year.
- The Emergency Repair program has completed single system repairs to roofs, heating systems, water heaters and sewer drains on 18 homes.

Through January 2007, the HMIP program had over 175 projects under construction with applications being processed weekly to provide assistance to very low and low income seniors and families who own their homes.

First time homebuyer programs and affordable housing development programs are eligible CDBG activities, but any shift of funds from the housing rehabilitation programs would have a significant impact on the number of people currently served.

#### Reallocation of Section 108 Loan Repayment

On January 10, 2006, the City Council was informed that funds that were set aside for Section 108 loan payments would be exhausted after fiscal year 2005-06, and the City would be required to make future payments from its CDBG allocation or face a reduction in its CDBG grant, which would necessitate further program cuts. For the FY 2006-07 payments, staff was able to use accumulated program income that had not yet been budgeted. HUD representatives informed staff Federal funds other than CDBG were not an allowable source for repayment of the Section 108 Loans. Therefore, there has not been another source of funding identified to make the payments; therefore, HUD 108 Loan Repayments are included in the allocation of CDBG funds for FY 07-08. Life Enrichment Committee recommends the utilization of general funds as the source of repayment for the Section 108 Loan Repayment and the CDBG funds be reallocated to fund Homeless Projects. Council should be aware if there is no allocation of general funds to make the payment the CDBG grant award to the City of Oakland will be reduced to cover the payment.

#### Implications of Changing Allocations

As indicated in the original report, if FY 07-08 CDBG funds are not allocated as submitted in the proposed budget, there will be a reduction in staff which will result in a reduction in the level of services provided to low-moderate residents of the City of Oakland.

A change in the allocation of CDBG funds, should be planned for over a time period of at least two years to allow staff the opportunity to identify other sources of funding for the program or to strategize the reduction of staff while maintaining an acceptable service level of programs. This will ensure proper notice is given to the impacted staff, as well as the consumers of the services.

## **SUSTAINABLE OPPORTUNITIES**

Economic: As noted in this report, a significant portion of CDBG funds are used to promote economic development, employment, public facilities and infrastructure for the benefit of low and moderate income communities.

Environment: Many activities funded by federal housing and community development grants address such issues as removal of blight and the abatement of environmental hazards such as lead-based paint and other hazardous building conditions. Housing rehabilitation and new construction programs encourage contractors to use green building techniques, including energy-efficient design, use of recycled building materials, and water-conserving fixtures and landscaping.

Social Equity: By definition, these programs are targeted to improving conditions for low and moderate income communities.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

Many of the grants and loans funded by federal housing and community development grant funds are used to provide housing, facilities and services for senior citizens and persons with disabilities. All new housing constructed with federal funds must provide accessibility features for persons with disabilities.

## **RECOMMENDATION**

As discussed at the January 16, 2007 City Council Meeting and updated to reflect the City's confirmed HUD allocation, staff recommends the following proportional allocation submitted in the proposed FY 07-09 budget and based on the FY 2007-08 CDBG grant of \$8,649,893.

<u>Program Type</u>	<u>Percentage</u>	<u>Anticipated Allocation</u>
Administration & Fair Housing	20%	\$1,702,208
Economic Development	23%	\$1,996,669
Housing	24%	\$2,072,776
HUD 108 Loan Repayment	10%	\$ 900,000
Neighborhood Programs	23%	\$1,978,240

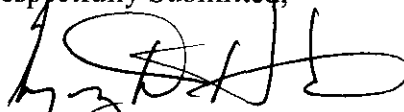
In addition to this allocation, \$2,500,000 in program income is anticipated to be generated from repayment of housing rehabilitation loans. Per Council Resolution 79191 C.M.S., program

income generated from the repayment of housing rehabilitation loans is to be allocated to a revolving loan fund for housing rehabilitation activities.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council accept this report as a supplemental to the report of March 13, 2007 and approve staff's recommendations for the allocation of CDBG funds and include those recommendations as part of the 2007-2008 Annual Action Plan that will come before the CED Committee on May 8th and the City Council on May 15<sup>th</sup>.

Respectfully Submitted,

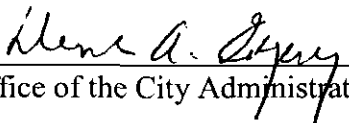


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APPROVED AND FORWARDED TO  
THE CITY COUNCIL

  
Office of the City Administrator