

OAKLAND REDEVELOPMENT AGENCY

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

To: Office of the Agency Administrator
Attn: Deborah Edgerly
From: Cultural Arts and Marketing Division
Date: September 13, 2005

2005 SEP -1 PM 12: 04

Re: A RESOLUTION (1) RESCINDING RESOLUTION NUMBER 94-43 C.M.S., AND TERMINATING THE CULTURAL ARTS REVOLVING LOAN PROGRAM, AND (2) AUTHORIZING THE AGENCY'S PARTICIPATION IN THE ARTS LOAN FUND MANAGED BY THE NORTHERN CALIFORNIA GRANTMAKERS

SUMMARY

This report and resolution seek the dissolution of the Oakland Business Development Corporation's (OBDC) Cultural Arts Revolving Loan Program, authorized under Oakland Redevelopment Agency Resolution Number 94-43 C.M.S., in favor of a new resolution establishing participation in the Arts Loan Fund managed by the Northern California Grantmakers (NCG).

As with the Cultural Arts Revolving Loan Program, the Arts Loan Fund would be linked to the Cultural Funding Program of the Cultural Arts and Marketing Division, aiding Oakland organizations in search of "bridge" loans by using their Cultural Funding Program awards as guaranteed collateral. The City's Cultural Funding Program Coordinator will sit on the Arts Loan Fund Steering Committee as the representative for Oakland's arts organizations. All loan requests are reviewed for authorization through this board, with loans collateralized by funding agencies having a guaranteed priority.

The proposal allows that an amount equivalent to the balance remaining in the existing loan fund will be for Oakland arts organizations through the new loan fund, and the proposed change has the additional advantage of making even more money available to arts organizations.

FISCAL IMPACT

Funds for the Cultural Arts Revolving Loan Fund were allocated from the Oakland Redevelopment Agency's Central District Operating Fund (#9510) and administered by the Oakland Business Development Corporation (OBDC). The original amount of ORA funds contributed to this program in its inception in 1994 was \$250,000. There has been no negative impact on the General Fund in running this program.

Total funds available from the Oakland Redevelopment Agency (ORA) monies that established the Cultural Arts Revolving Loan Program is \$75,478.60, comprised of \$43,449.89 in outstanding loans and a \$32,028.71 balance returned from OBDC. The first three years, or

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\$30,000, of initial participation monies for the Arts Loan Fund would be taken from the returned OBDC balance. During this period there would be no negative impact on the General Fund in running this program.

Participation in the Arts Loan Fund managed by the Northern California Grantmakers is recommended to be \$10,000 per year for the first three years. Thereafter annual participation contribution amounts would be recommended to the Oakland Redevelopment Agency as part of the Cultural Arts and Marketing Division budget during the City's/ORAs biannual budget process in an amount not to exceed \$10,000 annually, and may be off-set by future installments of any currently outstanding loans.

In the years thereafter, participation contributions would be based on a) the health of the Oakland Redevelopment Agency's overall budget, b) the health of the Cultural Arts and Marketing Division budget, and c) use of the program by Oakland-based organizations. Future contribution amounts would be recommended to the ORA as part of the Cultural Arts and Marketing Division's two-year budget in amounts ranging from \$0 to \$10,000, depending on the factors listed above.

BACKGROUND

The Oakland Redevelopment Agency's Cultural Arts Revolving Loan Fund was established in 1994 (Resolution No. 94-43 C.M.S.) with the intended purpose of reducing deficits, bridging funding gaps, meeting up-front expenses to produce and market programs in Oakland, and fund capital expenses when those expenses are critical to the ability of the organizations to generate income and produce programs in Oakland.

To be eligible for a loan, arts organizations must be Oakland-based, nonprofit, have received funding from the City, and have a track record of providing services in Oakland for at least three years. In addition, organizations must demonstrate the ability to repay the loan, provide a sound plan to reduce the organization's deficit and reorganize or restructure to bring program expenses in line with revenues, or to demonstrate a successful plan to increase revenues. The arts organization's board must guarantee loan repayment, or, in the event of non-repayment or delayed repayment, the loan amount plus interest, plus penalty would be deducted from future year grants to the organization. The amount of the loan may not exceed 50% of the annual City funding to the recipient, based on ability to repay the loan plus interest. Loan terms may not exceed two years, with interest payable monthly.

The charge by OBDC to administer the fund, paid from the trust, is \$10,000 per year. The most recent service agreement between the City and OBDC began on August 31, 2001, and was to be completed by August 31, 2003. However, the agreement was automatically extended for an additional one-year period, through August 31, 2004, because no new agreement was issued, nor was the agreement terminated in writing by the required date of July 15, 2003.

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In 2002, at the request of City Council, the Craft & Cultural Arts Division reviewed the activity of the Cultural Arts Revolving Loan Fund to assess the effective utilization of funds. It was determined that loan activity never exceeded 35% of total funds available, with the highest disbursement having been made in 1997 for a total of \$85,000. As a result of the 2002 Fund review, and with the approval of the Redevelopment Agency (ORA Resolution No. 02-70 C.M.S.), a reallocation of \$150,000 was made from the Cultural Arts Revolving Loan Fund to the FY 2002-2003 Parades, Runs and Street Festivals account for use on the City-sponsored Art and Soul Festival. With this reduction to the Fund, and with OBDC's annual fee of \$10,000 since 1994, and the outstanding loan balances, there is no longer enough money available to provide a meaningful number of loans to the community.

KEY ISSUES AND IMPACTS

The Cultural Arts Revolving Loan Program is being whittled away by administrative fees disproportionate to the size of the existing loans. As it stands, with no new loans on the horizon, the administrative fees are 23% of the two outstanding loan balances, and 13% of all funds combined.

In January 2004, the Cultural Arts and Marketing Division was presented with the opportunity to participate in the Northern California Grantmaker's Arts Loan Fund. By making a contribution to the general pool of loan funds already established, the Agency would be buying into a sustainable service for the organizations of Oakland. All Cultural Funding Program grant recipients will be guaranteed a loan through the Arts Loan Fund. To date two Oakland organizations are planning to submit loan requests pending the results of this report. It is anticipated that by the end of three years more than the \$30,000 initially contributed by the Agency will have been disbursed to Oakland organizations.

Fees paid to Northern California Grantmakers (NCG) for the administration of the fund are nominal and covered collectively by the funding organizations participating in the program. Annual flexible contributions by sitting members (represented on the board by staff members of the contributing organizations), make the loan fund sustainable in that no one organization is responsible for maintaining available monies throughout the years. Additionally, there is no maximum or minimum amount required for contribution to the Arts Loan Fund on an annual basis, and therefore, once the Agency's \$30,000 initial contribution over three years runs out, future contributions can fluctuate based on the availability of City or ORA resources.

PROGRAM DESCRIPTION

The Arts Loan Fund (the Fund) is a collaborative program of the Northern California Grantmakers, a regional association of funders. The purpose of the Fund is to provide quick turnaround, low-cost financial assistance to Bay Area arts organizations experiencing cash flow

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problems. The Fund is not designed to replace contributed or earned income, but to help organizations manage their cash flow needs.

The Arts Loan Fund was started in 1981 in response to the demonstrated cash flow needs of arts organizations. While large nonprofit institutions and businesses can use commercial lenders, community arts groups generally cannot draw upon such resources or may pay high interest rates to do so. The Fund works to fill this gap and to provide a useful financial tool for small and mid-sized arts organizations. From 1981 until the end of 2002, the Fund provided more than 1,075 loans totaling almost \$12 million.

The Fund is independently funded by its members, which include foundations, corporations, and local city government programs. The Arts Loan Fund Steering Committee sets policy, develops programs, and makes decisions on loan applications with recommendations provided by Northern California Grantmakers staff. Through monthly meetings, the Steering Committee also shares and learns about trends in arts and culture funding.

The Arts Loan fund provides four types of loans:

1. Secured Loans: Collateralized by a government contract, grant or other guaranteed income, these loans are available up to \$50,000. The average loan in this category is between \$20,000 - \$25,000.
2. Benefit or Performance Loans: Secured with benefit proceeds or box office returns, loans in this category are available up to \$20,000.
3. Opportunity Loans: Loans up to \$30,000 are available for new revenue streams or cost-savings opportunities.
4. Quick Qualifier Loans: are available up to \$5,000.

Non-profit arts organizations located in the counties of Alameda, Contra Costa, Marin, San Francisco, San Mateo and Santa Clara are eligible to apply to the Fund, though only those receiving grants from participating funders who have an agreement to use the awards as collateral are guaranteed loans. Applications are reviewed by the Art Loan Fund Committee, which meets monthly; there are no application fees.

Should the Oakland Redevelopment Agency approve the move to join the Northern California Grantmakers' Arts Loan Fund, the City would join the following foundations, corporations, and government agency:

- Bank of America Foundation
- Bothin Foundation
- Chevron Corporation
- Columbia Foundation
- Community Foundation of Silicon Valley
- East Bay Community Foundation
- Fleishhacker Foundation
- Wallace Alexander Gerbode Foundation
- Richard and Rhoda Goldman Fund
- San Francisco Grants for the Arts

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- Walter and Elise Haas Fund
- William Randolph Hearst Foundation
- The William and Flora Hewlett Foundation
- The James Irvine Foundation
- George Frederic Jewett Foundation
- JP Morgan Chase
- Koret Foundation
- Levi Strauss Foundation
- Marin Community Foundation
- The David and Lucile Packard Foundation
- Peninsula Community Foundation
- The San Francisco Foundation
- U.S. Leasing
- Van Lobensels/RembeRock Foundation
- Vodafone US Foundation
- Wells Fargo Foundation
- Zellerbach Family Foundation

SUSTAINABLE OPPORTUNITIES

- Environmental:** There are no environmental opportunities or benefits resulting from any action outlined in this report.
- Economic:** Sustaining community-oriented arts activities bolsters the cultural arts identity of Oakland, fortifying the city as a destination, and creating positive publicity resulting in varying levels of economic return. These loans will help stabilize the finances of the participating organizations, thereby stabilizing the services provided to Oakland residents.
- Social Equity:** The organizations and activities could benefit from the Arts Loan Fund outlined in this report contribute to economic and educational opportunities, thereby increasing the quality of life for all Oaklanders and visitors to the city.

DISABILITY AND SENIOR CITIZEN ACCESS

The only impacts and benefits to the disabled and senior citizen communities resulting from actions outlined in this report would be from the proposed activities of the applicants receiving loans.

RECOMMENDATIONS AND RATIONALE

Staff recommends that the Agency accept this report and approve the resolution to rescind Resolution Number 94-43, authorizing the Oakland Business Development Corporation's (OBDC) Cultural Arts Revolving Loan Program, in favor of a new resolution establishing participation in the Arts Loan Fund managed by the Northern California Grantmakers (NCG).

Approval of this action would allow the Agency to participate in a sustainable, well managed, well marketed, and in the long run less costly loan program geared specifically toward non-profit arts organizations. Oakland organizations awarded grants through the Cultural Funding Program would be guaranteed to receive a loan due to the increase in available money. Additionally, the

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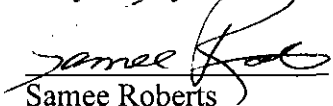
Agency's participation in the Arts Loan Fund would elevate the awareness of Oakland-based organizations among the foundations and corporations that participate in the Arts Loan Fund, potentially increasing their chances of obtaining additional grants. Lastly, through Oakland City staff representation at the monthly Arts Loan Fund Steering Committee meetings, Oakland's cultural agenda will be represented and will have more direct access to the Bay Area's funding community.

Staff further recommends that the two outstanding loans through the OBDC program, for Oakland Ballet and Dance for Power, be managed by the Cultural Arts and Marketing Division and remain payable in full. The Oakland Ballet has garnered an agreement with the City Administrator to place its outstanding loan balance of \$37, 276.00 on hold with no payments and no interest for two years. Dance for Power will be expected to make monthly cash payments until its \$6, 173.89 loan is retired, or, in the event of non-payment, any outstanding amount due will be deducted from any future grant awarded through the Cultural Funding Program. Monies paid to retire these outstanding debts would be placed in an account managed by the Cultural Arts and Marketing Division and used for future contributions for the Agency's participation in the Arts Loan Fund, further reducing any future budgetary impact (starting in FY 2007-2008).

ACTION REQUESTED OF THE OAKLAND REDEVELOPMENT AGENCY

Staff requests that the Oakland Redevelopment Agency approve this report and resolution authorizing the dissolution of the Oakland Business Development Corporation's Cultural Arts Revolving Loan Program, authorized under City of Oakland Resolution Number 94-43 C.M.S., in favor of a new resolution establishing participation in the Arts Loan Fund managed by the Northern California Grantmakers.

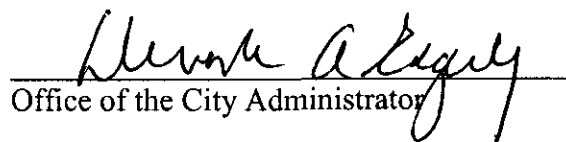
Respectfully submitted,



Samee Roberts
Manager, Cultural Arts and Marketing

Prepared by:
Andrea Leal
Acting Cultural Funding Program Coordinator

APPROVED AND FORWARDED TO THE
LIFE ENRICHMENT COMMITTEE:

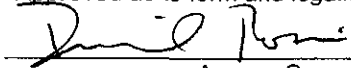

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Approved as to form and legality:


Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

**A RESOLUTION (1) RESCINDING RESOLUTION NUMBER 94-43 C.M.S.,
AND TERMINATING THE CULTURAL ARTS REVOLVING LOAN
PROGRAM, AND (2) AUTHORIZING THE AGENCY'S PARTICIPATION
IN THE ARTS LOAN FUND MANAGED BY THE NORTHERN
CALIFORNIA GRANTMAKERS**

WHEREAS, the Redevelopment Agency adopted Resolution Number 94-43 C.M.S on June 28, 1994, establishing a the Cultural Arts Revolving Loan Program and appropriating \$250,000 in tax increments funds for the program; and

WHEREAS, the Cultural Arts and Marketing Division, which has overseen the Oakland Business Development Corporation's administration of the program since its inception, has determined after careful consideration that the current program model is unsustainable; and

WHEREAS, the Agency has the opportunity to participate in a collaborative program of a regional association of funders called the Arts Loan Fund, administered by the Northern California Grantmakers; and

WHEREAS, the purpose of the Arts Loan Fund is to provide quick turnaround, low-cost financial assistance to Bay Area arts organizations experiencing cash flow problems; and

WHEREAS, the Arts Loan Fund is not designed to replace contributed or earned income, but to help organizations manage their cash flow needs; and

WHEREAS, the Arts Loan Fund is independently funded by its members, which include foundations, corporations, and local city government programs; and

WHEREAS, participation in the Arts Loan Fund will be \$10,000 each year for the first three years, and thereafter annual participation contribution amounts will be recommended to the Redevelopment Agency as part of the Cultural Arts and Marketing Division budget during the Agency's biannual budget process in an amounts ranging from \$0 to \$10,000 annually; and

WHEREAS, after the first three years, participation contributions will be based on a) the health of the Agency's overall budget, b) the health of the Cultural Arts and Marketing Division budget, and c) use of the program by Oakland-based organizations; now, therefore, be it

RESOLVED: That Resolution Number 94-43 C.M.S., is hereby rescinded, and the Cultural Arts Revolving Loan Program is hereby terminated; and be it

FURTHER RESOLVED: That the cash balance and loan repayments from the Cultural Arts Revolving Loan Program shall be used toward participation in the collaboratively sustainable Arts Loan Fund administered by the Northern California Grantmakers in the amount

of \$10,000 each year for the first three years, and thereafter annual participation contribution amounts will be recommended to the Redevelopment Agency as part of the Cultural Arts and Marketing Division budget during the Agency's biannual budget process in an amounts ranging from \$0 to \$10,000 annually; and be it

FURTHER RESOLVED: That all other cash balances and loan repayments from the Cultural Arts Revolving Loan Program shall be allocated to Central District Operating Fund (#9510); and be it

FURTHER RESOLVED: That the Redevelopment Agency hereby appoints the Agency Administrator or her designated representative as agent of the Agency to determine the specific oversight of this program, and to take whatever action is necessary with respect to the Agency's participation in this program consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
Secretary of the Redevelopment
Agency of the City of Oakland