



# AGENDA REPORT


**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Joe Devries  
Deputy City Administrator  
and Chief Resilience Officer

**SUBJECT:** Arroyo Viejo Recreation Center Food  
Hub Lease

**DATE:** February 14, 2024

City Administrator Approval

  
Jestin Johnson (Feb 29, 2024 22:08 PST)

Date: Feb 29, 2024

## **RECOMMENDATION**

**Staff Recommends That City Council Adopt an**

**Ordinance Amending Ordinance No. 13711 C.M.S. Authorizing The City Administrator To Negotiate And Execute A Lease Agreement With The Black Cultural Zone Development Corporation (BCZ) For The Arroyo Viejo Recreation Center For Food Distribution And Rentable Commercial Kitchen (Food Hub) For A Three Year Term Lease With Three 2-Year Options At A Rate Of Zero Dollars (\$0.00) Per Year In Exchange For Tenant Improvements; And Making Findings That The Lease For Below Fair Market Value Is In The Best Interest Of The City**

## **EXECUTIVE SUMMARY**

In December 2022, the Oakland City Council approved an ordinance enabling a lease agreement with the Alameda County Deputy Sheriff's Activities League (DSAL) and the Black Cultural Zone Development Corporation (BCZ) to establish a Food Hub at the Arroyo Viejo Recreation Center. With DSAL's departure from the initiative, BCZ has now assumed sole responsibility as operator, taking charge of all operational expenses and providing in-kind services instead of rent. The proposed Ordinance would amend [Ordinance No. 13711](#) to allow for the City Administrator to negotiate and execute a lease agreement with BCZ for the Arroyo Viejo Recreation Center for food distribution and rentable commercial kitchen for a three-year term lease with three 2-year options at a rate of zero dollars per year in exchange for tenant improvements. This amendment adheres to OMC Section 2.42.110, permitting leasing of city-owned property below market value if it serves the City of Oakland's (City) best interests.

## **BACKGROUND/LEGISLATIVE HISTORY**

On December 6, 2022, the Oakland City Council passed [Ordinance No. 13711 C.M.S.](#), enabling a lease agreement aimed at establishing a Food Hub within the Arroyo Viejo Recreation Center. Originally a partnership between DSAL and BCZ, the initiative sought to harness the potential of this community space to address local food insecurity while fostering economic growth and empowerment in East Oakland.

The initial framework envisioned DSAL as the primary tenant, collaborating with BCZ to manage the Food Hub's operations, including food distribution and rental commercial kitchen facilities. However, a shift occurred with DSAL's decision to withdraw from the project, prompted by a reassessment within the Alameda County Sheriff's office, which deemed addressing food insecurity outside its scope. Despite this transition, recognizing the critical importance of the project, the Sheriff's office entrusted BCZ to carry forward the operation.

BCZ has now taken on full responsibility as the sole operator, upholding the terms outlined in the original lease agreement. Under this arrangement, BCZ has committed to covering all operational expenses associated with the Food Hub, thereby alleviating any financial burden on the City. There will be no monetary exchange, as BCZ has opted to provide in-kind services in lieu of rent payment. This arrangement aligns with Oakland Municipal Code Section 2.42.110, which permits the rental of city-owned property at rates below market value when deemed in the city's best interests. The substantial public benefits provided by BCZ validate this arrangement.

BCZ's steadfast commitment to the project underscores its dedication to community welfare and economic development. By leveraging the Arroyo Viejo Recreation Center as a hub for food access and economic opportunity, the project embodies a transformative vision for fostering thriving, resilient communities in East Oakland and beyond.

## **ANALYSIS AND POLICY ALTERNATIVES**

The Arroyo Viejo Recreation Center presents an opportunity to address community needs and enhance local infrastructure. With two kitchen spaces on the property, one currently utilized for recreation center activities and another underutilized, there exists untapped potential to transform this space into a valuable resource for the community. Additionally, a portion of the property has historically served as a site for county and community food distribution, though it presently lacks suitability for such purposes.

The amended ordinance authorizes the City Administrator to negotiate and execute a lease with the BCZ, which outlines a comprehensive plan to revitalize the underutilized space. Under this agreement, BCZ will lease approximately 1,600 square feet of community center and commercial kitchen space, along with additional cold storage space, at the City-owned property. In exchange for this lease, BCZ will undertake approximately \$1,000,000 in capital expenses and oversee construction management to complete necessary improvements, including interior and kitchen remodeling.

This project supports several of the citywide priorities. It will continue to ***promote the Citywide priority of holistic community safety*** by providing access to fresh and nutritious food in an area where such resources may be scarce. This access not only improves public health outcomes but also reduces the risk of diet-related illnesses, thereby enhancing the overall well-being of the community.

This project will also ***support sustainable infrastructure*** through job creation and capital improvements to the recreation center. By offering a rentable commercial kitchen space and access to shared infrastructure, it fosters entrepreneurship and innovation within the local food economy. This, in turn, creates job opportunities and stimulates economic activity, contributing to the community's economic resilience and vitality. By investing in the infrastructure of Arroyo Viejo Recreation Center, the project enhances the overall quality of life for residents and contributes to the revitalization of the surrounding neighborhood.

### **FISCAL IMPACT**

The proposed lease agreement will have no fiscal impact on the City. As per the terms outlined in the original lease agreement, BCZ will assume full responsibility for operational expenses associated with the Food Hub, including staffing, maintenance, and utilities. The revenue generated from various activities conducted at the facility is projected to sufficiently cover these operational expenditures.

As part of the lease agreement, a predetermined percentage of the net revenues generated from the facility will be allocated to the City to offset the utilities utilized. This financial arrangement is in alignment with the ordinance's stipulation, granting the City Administrator authority to negotiate the lessee's responsibility for their proportionate share of utilities and other pertinent expenses.

This arrangement ensures the sustained viability of the Food Hub while mitigating any direct financial burden to the City through the leasing arrangement. This approach not only supports the project's long-term sustainability but also safeguards the City's fiscal interests.

### **PUBLIC OUTREACH / INTEREST**

No public outreach is required for this item.

### **COORDINATION**

This report was reviewed by the Office of the City Attorney.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** It will provide opportunities for local Oakland vendors to earn income by using the commercial kitchen space to provide food to the community. The proposed project will activate a

currently underutilized City asset, and tenant improvements will be provided in lieu of rent with a portion of estimated profits returned to the City for utility expenses.

**Environmental:** The proposed Food Hub complies with the California Environmental Quality Act (CEQA) because this action on the part of the City is exempt from CEQA pursuant to Section 15301 (existing facilities). The food recovery portion of the project will help the City meet its SB 1383 Food Recovery Goals and will reduce the amount of Methane, a Greenhouse Gas, being released into the atmosphere.

**Race and Equity:** The Food Hub will improve food security and remove barriers to healthy food in communities that have historically been denied access. In addition to healthy food options food entrepreneurs will have the opportunity to prepare their food, support their businesses, and provide employment to members of the community.

### **ACTION REQUESTED OF THE CITY COUNCIL**

**Staff Recommends That City Council Adopt an Ordinance Amending Ordinance No. 13711 C.M.S. Authorizing The City Administrator To Negotiate And Execute A Lease Agreement With The Black Cultural Zone Development Corporation (BCZ) For The Arroyo Viejo Recreation Center For Food Distribution And Rentable Commercial Kitchen (Food Hub) For A Three Year Term Lease With Three 2-Year Options At A Rate Of Zero Dollars (\$0.00) Per Year In Exchange For Tenant Improvements; And Making Findings That The Lease For Below Fair Market Value Is In The Best Interest Of The City**

For questions regarding this report, please contact Michael Akanji, City Administrator Analyst at 238-6454

Respectfully submitted,



---

JOE DEVRIES  
Deputy City Administrator and Chief Resilience  
Officer

Prepared by: Michael Akanji, City Administrator  
Analyst