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OAKLAND  
2016 APR 13 AM 11:17

## AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Sara Bedford  
Director, Human Services

**SUBJECT:** Ordinance Authorizing A Lease  
Agreement Extension For City  
Property Through June 30, 2020

**DATE:** April 6, 2016

City Administrator Approval

Date:

4/12/16

### RECOMMENDATION

**Staff Recommends That The City Council Adopt An Ordinance Authorizing A Lease Agreement With East Oakland Community Project For City-Owned Property At 1226-73<sup>rd</sup> Avenue For Use As A Shelter Plus Care Housing Facility, For A Lease Term Of Five Years Until June 30, 2020.**

### EXECUTIVE SUMMARY

The City-owned four-unit property at 1226-73<sup>rd</sup> Avenue has been used to provide housing for homeless persons since 1995. In 2010, Ordinance No. 13034 C.M.S., the City Council authorized a five year lease agreement with East Oakland Community Project (EOCP) to manage the building, which is used to house low income households enrolled in the Shelter Plus Care (S+C) program administered by Alameda County. EOCP an Oakland-based nonprofit organization with experience in managing and operating emergency and transitional housing facilities and programs has provided property management of the 1226-73<sup>rd</sup> property since 2010 and has agreed to extend the lease agreement through June 30, 2020.

### BACKGROUND / LEGISLATIVE HISTORY

The S+C program provides housing and supportive services for homeless persons with disabilities. The program allows for the hard-to-reach homeless population to have a choice in housing and provides services in response to the needs of the population it serves. The property contains four living spaces with a mix of one-bedroom and two-bedroom units sufficient for four households at a time, serving approximately six individuals.

Item: \_\_\_\_\_  
Life Enrichment Committee  
April 26, 2016

EOCP is a stable, experienced, and well-respected Oakland-based nonprofit that provides housing and services for homeless people. EOCP currently manages three transitional housing programs funded by the Department of Housing and Urban Development (HUD) through the City, for families and youth, as well as 125-bed multi-service emergency housing facility for singles and families. EOCP's main office is located on International Blvd and 75<sup>th</sup> Avenue, in close proximity to the City-owned property on 73<sup>rd</sup> Avenue.

The City passed Ordinance No. 13034 C.M.S. in 2010, authorizing a five-year lease with EOCP to manage the property at 1226 73<sup>rd</sup> Avenue, which is used for a S+C program to house hard-to-serve homeless persons with disabilities. A collaboration of Alameda County, the City, and EOCP applied and receive funding from the HUD's S+C program to provide rental assistance in connection with supportive services to residents.

EOCP assumed responsibility for the lease on the property in 2010, when Mercy Properties California (MPC), informed City staff that they were not interested in continuing the management of the property as it was not cost effective given the small size of the property, and MPC was moving towards managing larger properties. MPC requested that City staff identify another nonprofit to assume responsibility for the property by the beginning of 2010.

### **ANALYSIS AND POLICY ALTERNATIVES**

The proposed extension of the lease with EOCP will enable EOCP to continue its management of the property and to continue to offer the property as housing for the chronically homeless population who are disabled. The S+C program allows for the hard-to reach homeless population a choice in housing and it provides services in response to the needs of the population it serves.

The S+C program allows for the provision of housing and supportive services on a long-term basis for homeless persons who primarily have serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases. If the lease were not renewed, vital housing for hard-to-serve individuals would be lost.

### **FISCAL IMPACT**

Approval of this ordinance would authorize the City Administrator to enter into a five-year lease agreement with EOCP. There will be no financial obligation to the City as a result of the lease. To date, the City has not received any revenue from the property.

Under the terms of the proposed lease, the net "rent" paid to the City is set aside into a fixed asset fund, managed by EOCP and used for the S+C program and is reserved for future tenant improvements, revenue shortfalls from vacancies, and emergency repairs. The net rent is the balance remaining after operating expenses including property maintenance expenses are deducted from tenants' rents. The City will most likely, not receive any revenues from leasing the property. This type of housing is not structured for net positive income, rather, the intention is to provide safe housing with crucial services.

### **PUBLIC OUTREACH / INTEREST**

This report did not require public outreach other than the posting of this report on the website.

### **COORDINATION**

Coordination has occurred between the Human Services Department, the Office of the City Attorney, and the Controller's Bureau in the preparation of this report and resolution.

### **PAST PERFORMANCE, EVALUATION AND FOLLOW-UP**

EOCP has performed well under its contracts with the City, and has done well with the property management of the 1226-73<sup>rd</sup> Avenue property. EOCP works closely with the City to ensure that the 73<sup>rd</sup> Avenue property meets the HUD Housing Quality Standards for habitability, and provides the City with monthly housing feedback on any property management concerns, and a review of the annual profit/loss statement for the 73<sup>rd</sup> Avenue property, in February of each year.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** As noted in the report, all funds identified in this report are for the purpose of providing housing and services to eliminate homelessness.

***Environmental:*** The provision of housing and services for at-risk and homeless persons is intended to address the environmental degradation caused by homeless families and individuals precariously housed or living on the streets.

***Social Equity:*** The extension of the lease is targeted to the most vulnerable and at-risk populations in this City and is providing essential and basic human services, housing and support.

Sabrina B. Landreth, City Administrator

Subject: Ordinance For Lease Agreement Extension For City Owned Property-1226 73<sup>rd</sup> Ave.

Date: April 6, 2016

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**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council approve an Ordinance authorizing a Lease Agreement with East Oakland Community Project for City-Owned Property at 1226-73<sup>rd</sup> Avenue for use as a Shelter Plus Care Housing Facility, for a lease term of five years until June 30, 2020.

For questions regarding this report, please contact Susan Shelton, Community Housing Services Manager, at 510-238-6186.

Respectfully submitted,




A handwritten signature in blue ink, reading "Sara Bedford", is written over a horizontal line.

SARA BEDFORD  
Director, Human Services Department

Community Housing Services Division  
Reviewed by: Susan Shelton, Manager  
Prepared by: Lara Tannenbaum, Planner  
Stevan Alvarado, Program Analyst

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CITY ATTORNEY'S OFFICE

## OAKLAND CITY COUNCIL

ORDINANCE NO. \_\_\_\_\_ C.M.S.

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**ORDINANCE AUTHORIZING A LEASE AGREEMENT WITH EAST OAKLAND COMMUNITY PROJECT FOR CITY-OWNED PROPERTY AT 1226-73<sup>RD</sup> AVENUE FOR USE AS A SHELTER PLUS CARE HOUSING FACILITY, FOR A LEASE TERM OF FIVE YEARS UNTIL JUNE 30, 2020**

**WHEREAS**, the City of Oakland owns a four-unit complex at 1226-73rd Avenue that is comprised of two one-bedroom and two two-bedroom units (“the Property”); and

**WHEREAS**, East Oakland Community Project (EOCP), is an Oakland-based nonprofit with significant experience in managing and operating emergency and transitional housing facilities and programs; and

**WHEREAS**, pursuant to Ordinance No. 13034 C.M.S. passed in 2010, the City Council authorized a five-year lease agreement with East Oakland Community Project for the continued use of the Property to house homeless persons enrolled in the Shelter Plus Care (S+C) program; and

**WHEREAS**, the City and EOCP applied for and receive funding from the U.S. Department of Housing and Urban Development (HUD)’s Shelter Plus Care (S+C) Program to provide rental assistance in connection with supportive services for hard-to-serve homeless persons with disabilities; and

**WHEREAS**, the rent for the S+C program is set by HUD at the Fair Market Rent rates for one and two bedroom units; and

**WHEREAS**, the rental assistance derived from HUD is paid directly to EOCP to operate the S+C Program; and

**WHEREAS**, EOCP meets monthly with City staff to review the S+C program, including any tenant improvements and maintenance requests for the Property; and

**WHEREAS**, the proposed lease agreement between the City and EOCP requires that the net income after operating expenses including tenant improvements, be placed into a fixed asset fund managed by EOCP, for future operating costs including tenant improvements at the Property; and

**WHEREAS**, the average net income after operating costs for Calendar 2014 and 2015 was approximately \$11,074.50; and

**WHEREAS**, the current balance of the Fixed Asset Fund available for revenue shortfalls from vacancies, tenant improvements and emergency repairs is \$86,977 as of December 31, 2015; and

**WHEREAS**, if the City does not lease the property to EOCP or later terminates the lease with EOCP, the money in the fixed asset fund will revert to the City; and

**WHEREAS**, the City views the 73<sup>rd</sup> Avenue property as self-sustaining by reinvesting the S+C net income towards future revenue shortfalls from vacancies, tenant improvements and emergency repairs; and

**WHEREAS**, the City desires to continue to lease EOCP the Property for use as a Shelter Plus Care program and extend the lease period for another five years until June 30, 2020; and

**WHEREAS**, Oakland Municipal Code section 2.42.100 provides that leases of City property require Council approval by ordinance; and

**WHEREAS**, Oakland Municipal Code Section 2.42.110 provides that the value of in-kind services in lieu of cash rent provided by lessees to the City or the community at large, including property security and maintenance, and social and cultural benefits to the community, may be considered by the Council in making a finding that the lease of property for less than its fair market rental value is in the best interests of the City;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**Section 1.** The City Administrator is authorized to enter into a lease agreement with East Oakland Community Project for use of the property at 1226-73rd Avenue as long term housing under the Shelter Plus Care program for a five year term through June 30, 2020.

**Section 2.** The monthly net income from the S+C program at the property shall be deposited into a Fixed Asset Fund to be available for program operating expenses at the Property, including tenant improvements, revenue shortfalls from vacancies, and emergency repairs.

**Section 3.** Pursuant to Oakland Municipal Code Section 2.42.110 and based on the value of the in-kind services provided by EOCP as discussed above and in the City Administrator's report accompanying this Ordinance, the City Council hereby finds that the lease of the Property for less than its fair market rental value under the terms of this Ordinance is in the best interest of the City.

**Section 4.** The Lease Agreement shall be reviewed as to form and legality by the Office of the City Attorney and copies shall be filed with the City Clerk.

**Section 5. Severability.** If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Chapter. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, clause or phrase thereof irrespective of the fact that one or more other sections, subsections, clauses or phrases may be declared invalid or unconstitutional.

**Section 6. Effective Date.** This ordinance shall become effective immediately on 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 \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES -BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID AND PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California

Date of Attestation: \_\_\_\_\_