



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2020 JAN -2 AM 10: 55 **AGENDA REPORT**

TO: Sabrina B. Landreth
City Administrator

FROM: Alexa Jeffress
Interim Director, EWD

SUBJECT: Economic Development Strategy
2018-2020 Progress Report

DATE: December 20, 2019

City Administrator Approval

Date:

12/30/19

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On Progress Implementing Oakland's Economic Development Strategy 2018-2020.

EXECUTIVE SUMMARY

In November 2017, the City Council adopted a three-year *Economic Development Strategy 2018-2020* (the Strategy) with linked goals to increase the city's overall per capita productivity while reducing asset poverty and racial wealth disparities. The Strategy encompasses 62 performance measures and established a process to monitor progress towards these outcomes over the years 2018-2020. This report is a mid-cycle activities report on that progress.

In this progress report, staff provide updates and seek feedback on implementation actions and the current work program to build economic security, reduce racial disparities, and promote economic development in East Oakland, including business engagement and assistance during construction of the Bus Rapid Transit (BRT) line on International Boulevard, and efforts to promote equitable development in Federal Opportunity Zones. The report also includes updates on the Strategy's employment and workforce targets and the Real Estate and Public Private Development divisions' work to support housing and address homelessness.

Adopting the Strategy also brought funding partnerships for three additional two-year positions to support equitable development in Oakland: a FUSE Fellow, Economic Equity Strategist, and Chief Opportunity Zone Officer (COZO). These positions enhance the Economic & Workforce Development Department's services with the goal of creating lasting program infrastructure to support equitable property development, business development, and investment.

BACKGROUND / LEGISLATIVE HISTORY

The Strategy was adopted by the City Council in 2017 and covers the three-year period from Jan 1, 2018 to Dec 31, 2020. Staff committed to provide interim progress reports and annual

Item: _____
CED Committee
January 14, 2020

reports to monitor implementation and communicate City economic development activities to both the City and a wider audience.

Staff expect to issue the 2019 Annual Progress Report with updated target performance in Spring 2020.

ANALYSIS AND POLICY ALTERNATIVES

The Economic Development Strategy has three high-level goals:

1. ***Increase Productivity:*** *Per Capita Gross Regional Product (GRP) for Oakland Grows by 10 percent from 2018 to 2020¹*
2. ***Reduce Wealth Disparities:*** *The Asset Poverty Rate of African American and Latino/as is reduced by 50 percent*
3. ***Increase Economic Security:*** *The number of Oaklanders making less than a living wage is reduced by 50 percent*

As residential and commercial property values and employment have risen, Economic & Workforce Development activities have focused on increasing economic security and reducing wealth disparities to reduce the impact of investment-driven displacement.

This report covers three program areas:

1. **East Oakland Economic Development:** engagement and partnership with businesses, property owners, and community organizations in East Oakland to secure space, support business growth and build local organizational and investment capacity.
2. **Job Creation and Workforce Development:** participation in job training programs funded by the Workforce Development Board to increase incomes.
3. **Housing Development and Homelessness Interventions:** work by the Public Private Division and Real Estate teams to support housing development and address homelessness.

1. East Oakland Economic Development Activities

Since adopting the Strategy, the Business Development team has focused its East Oakland work in three areas: Inclusive Development on International Boulevard, a Business Service Hub pilot, and Opportunity Zones. This work is currently led by three new grant-funded positions: Fuse Fellow, Economic Equity Strategist, and Chief Opportunity Zone Officer. Recently, the City's Business Development team also took over administration of the Bus Rapid Transit (BRT) Business Assistance program.

¹ Oakland's GRP, the final market value of all goods and services produced in Oakland, is modeled by the East Bay Economic Development Alliance. The GRP includes the total earnings, property income, taxes, and subsidies for each industry sector in Oakland, using data from the Bureau of Economic Analysis (BEA) and the Quarterly Census of Employment and Wages (QCEW) from the Bureau of Labor Statistics (BLS). Dividing the GRP by Oakland's total population measures overall economic productivity.

A. *Bus Rapid Transit Business Assistance*

In Fall 2019, the consultant teams providing technical assistance to businesses on the International Boulevard BRT corridor, Mason Tillman Associates and AnewAmerica, began to close out their contracts. **Table 1**, below, summarizes their work to date.

Table 1. Technical Assistance Provided

	Mason Tillman Assoc.	AnewAmerica
Unique Businesses in BRT Construction Zones	397	557
Businesses accessing TA support services	N/R	145
Unresponsive Businesses	N/R	305
Declined TA services	N/R	105
Services Provided		
Outreach Meetings Hosted	6	N/R
Technology Support (e.g., Websites Created, eCommerce, online scheduling, Yelp)	93	72
Marketing Support	132	77
Legal Support	N/R	24
Other Support	16	49
Façade Program Grant application assistance	5	6

Sources: *Mason Tillman Business Sustainability Overview, January 2019; AnewAmerica Final Report, October 2019.*

Construction on the line is still underway and applications for the Business Assistance Fund (BAF) are still in process. City staff are continuing to provide technical assistance to business owners and have prioritized processing submitted BAF applications and issuing grants. As of this report's publication, two applications have been funded, seven additional approved for funding, 16 are approved with conditions, and two are submitted pending review (see **Table 2**, below).

Table 2. BRT Business Assistance Fund Applications^[1]

	Mason Tillman Assoc.	AnewAmerica
Approved	3	6
Conditionally Approved	12	4
Application Submitted-Pending Review	0	2

To assess business displacement due to construction, staff requested detailed assessments of business closures from the consultant teams. One closure due to construction impacts has been verified; three additional business closures are attributed to change of ownership or other

^[1] As of December 18, 2019

reasons. Multiple businesses have reported impacts from a loss of parking and requested design changes from AC Transit that were not incorporated.

B. Inclusive Economic Development Along International Boulevard

In addition to the technical and financial assistance to current business owners, staff are engaging and incentivizing property owners along the BRT route to develop vacant or blighted properties, working to attract new neighborhood-serving businesses that create local jobs and building community infrastructure to create stability and limit displacement. In addition to business and property owner engagement, Business Development staff and the FUSE Fellow participated in the East Oakland Neighborhoods Initiative (EONI), a year of community outreach to identify the primary concerns, goals, and priorities for East Oakland residents and stakeholders. The FUSE Fellow continues to play a lead coordinating role in grant applications to implement the EONI Community Plan.

Additional inclusive economic development activities include:

1. Guiding the capacity building process to establish a Community Development Corporation (CDC) in East Oakland.
2. Engaging property owners, targeting City staff business recruitment and concierge services and promoting revitalization without displacement along the International Blvd corridor.
3. Providing continued support to the small business owners along the BRT International Blvd corridor that are impacted by the BRT project.

With support from the Business Development team, the FUSE Fellow has accomplished the following in 2019:

- Identified community partners and vision for a new CDC and began weekly coaching meetings with two current organization Executive Directors to guide the process to establish the operating, program and governance structure for the new organization.
- Reviewed properties from High Street to the San Leandro border along International Blvd, compiling information on property conditions and a photo-visual library.
- Began outreach to property owners that: 1) have property near BRT stations; 2) have blighted, vacant or underutilized properties; and/or 3) have properties that are listed for sale or lease.
- Identified and met with several large property owners to offer City Business Concierge services to open a discussion about activating and improving the properties to benefit the community. Staff are also working with a bank and credit union to identify space and locate a financial institution in East Oakland, as well as additional educational services.
- Worked with the BRT business assistance program to further leverage City services by combining funds with the City's Façade Improvement Program to have more impact on commercial buildings that house ground floor retail with second floor residential. Staff

are currently working with a property owner who will complete a building façade improvement on a large property adjacent to a BRT station.

- Assisted impacted business owners to explore options to maintain operations in Oakland.
- Secured a \$25,000 grant to support the formation of an East Oakland CDC, with additional funding in progress.

Ongoing work in 2020 includes continued support for establishment of a new CDC in East Oakland with the primary purpose to plan, develop and manage (directly or via third parties) place keeping, cultural preservation, economic development and quality of life projects, including both housing and community development, in deep East Oakland.

Staff are working with several local entrepreneurs seeking brick and mortar locations on International Boulevard. In 2020, staff intends to develop a larger pipeline of locally-owned businesses that can be matched and referred to property owners who have vacant properties.

C. Increasing Business Development Services for Entrepreneurs of Color, Women, and Underserved Zip Codes

Prosperity Now, the national research organization that analyzes the City's asset poverty target, found significant racial disparities in the current net worth of small businesses, with Black businesses valued at \$66,431 on average and Latino businesses at \$121,780, compared to White businesses valued on average at \$378,606.² To increase the number of Oaklanders earning a living wage and build wealth for Black and Latinx households, the City is focusing on minority-owned business development and ownership. These small businesses are vehicles for job growth, produce cultural products for the community, and are sources of economic security. Empowering small business owners reduces asset poverty in communities of color.

Business surveys funded through the Community Development Block Grant (CDBG) program and conducted by Main Street Launch in Council Districts 6 and 7 showed a high stratification of business revenue, with 38.1 percent of business owners earning less than \$10,000, and a similar percentage earning above \$150,000. The same report revealed that 13 percent of the home-based and brick-and-mortar businesses who responded operated without a business license and permit. Across neighborhoods, more than 50 percent of business respondents requested more assistance with new signage and façade improvements, marketing, lighting, and lending.

Based on a synthesis of this and other recent business studies in East Oakland³, staff ranked the following six recommendations and requests from the business community:

² <https://scorecard.prosperitynow.org/data-by-location>

³ Including reports done by the Heartland Merchants Association, Main Street Launch, East Oakland Neighborhood Initiative, the Greenlining Institute Small Business Advisory Group, BRT survey data and Oakland Equity Indicators Report.

1. Expand existing Business Assistance Center (BAC) capacity and presence in deep East Oakland.
2. Establish stronger relationships, transparency (around City ordinances, initiatives, fees, and resources) and trust between small business owners and city employees/officials through workshops, open houses, and community meetings.
3. Enhance street stewardship and safety by installing more public lighting, enforcing illegal dumping, promoting pedestrian safety, and implementing proactive crime mitigation strategies.
4. Collect data on small business displacement and implement commercial tenant protections.
5. Convene affiliated organizations and banks to explore how to broaden capital access for small business owners seeking business expansion and start up financing.
6. Coordinate tenanting work with "pop-up" opportunities, especially for local home businesses and low-income, women, and minority-owned businesses searching for a store location.

In addition, the EONI found that the number one neighborhood concern is neglected urban and community centers, with limited economic or employment opportunities cited as number four. Based on these recommendations, staff began investigating a pilot to create place-based entrepreneurial and business services in East Oakland at both public and private facilities to raise awareness of business support services and encourage business organizing, growth and attraction in underserved neighborhoods.

The following items were accomplished in 2019:

- Developed the East Oakland business hub concept, based on business and community engagement.
- Identified potential physical hub locations east of Seminary Boulevard that meet criteria and leverage existing public real estate assets (e.g. library, community center, etc.).
- Reviewed Business Service Organizations to identify technical assistance providers to bring culturally competent and relevant small business and entrepreneurial program that will best serve Black and Latinx business owners.
- Met with community-based organizations to identify potential partner organizations that consist of culturally competent staff who have either lived or earned experience overcoming neighborhood challenges, including an explicit racial equity perspective (ongoing in 2020).
- Secured \$200,000 investment from Union Bank for two years of funding for the Women's Social Entrepreneurship Center on International Boulevard and Seminary Avenue,

based on the City's Economic Development Strategy targets and analysis of business services thus far. In addition to resources designated in the current budget cycle for East Oakland economic development, staff anticipates further private funding for expanding business support services in East Oakland.

Ongoing work in 2020 includes:

- **Outreach identification:** Create an outreach plan informed by community organizations.
- **Activities:** 9-months of culturally competent outreach and marketing to African American and Latino small businesses, entrepreneurs and households in East Oakland to advertise the new business assistance hub.
- **Market testing to define need:** Work with Oakland Recreation center staff in Districts 6 and 7 to define needs of service population. Understand the demand to shape a successful supply, for example:
 - What "informal economies" exist in East Oakland and where do they sell (e.g. the flea market, on the street, on social media)?
 - Who are the "makers"? What are their demographics, what languages do they speak, where do they socialize and network, where do they seek resources?
 - What types of businesses exist and where do they operate? Staff research has discovered businesses including chefs, event coordinators, event decorations and hair braiding.
 - What would the entrepreneur need to commit to a weekly workshop (e.g. childcare, food, flexible start time, help with transportation)?
 - What would be the most attractive incentive to boost participation in adult programming for entrepreneurship training and small business incubation?
- **Service Delivery:** Incubate a class of African American and/or Latinx entrepreneurs to graduation or program completion and acceleration into next stage of business development. Establish regular site visits and staffing from the City's Business Development team.

Table 3 demonstrates how this work moves the City closer to achieving its Economic Development Strategy 2018-2020 Targets.

Table 3. Economic Development Strategy Goals, Targets, and Business Pilot Recommendations

EDS Goals & Action Steps	EDS Metrics & Targets	Current Recommendations
Raise Awareness of business support services in low-income areas	500 supported women/small business & entrepreneurs of color in low-income neighborhoods understand what business support services are available	Expand adult programming at City Park & Recreation Centers by offering business workshops, counseling and incentives. Dedicate funds for entrepreneurial activities to take place on-site,

		such as a working computer lab and commercial kitchen
Encourage business organizing, growth, and attraction in underserved city neighborhoods	Pilot program is evaluated and a decision is made to expand or end the program	Implement the Business Hub Capacity Building Pilot to inform best practices for asset poverty reduction for Black and Latinx households in Oakland
Increase revenues generated by people of color in Oakland by 40%. Increase revenues generated by women-owned businesses in Oakland to exceed growth rates of all businesses nationally. <ol style="list-style-type: none"> 1. Support entrepreneurs of color 2. Strengthen business networks for people of color 	600 women-owned small businesses & entrepreneurs of color are supported to innovate, grow their businesses, and access new markets	Via participation in Business Hub programming, offer childcare, food and financial incentives, such as stipends for participation

D. Opportunity Zones

In addition to building local household wealth, the Strategy includes a target to identify funding to replace redevelopment bonds, the City's former source of catalytic funding for community development projects in blighted neighborhoods. Following the Federal designation of over 30 Oakland census tracts as Opportunity Zones (OZs) in 2018, staff and community members have identified multiple community-serving housing and commercial projects that could be candidates for private Opportunity Fund investment.

Over the next two years, the Chief Opportunity Zone Officer (COZO) will be working to develop these and other projects to bring in investment, with support from a team of technical assistance providers led by the Local Initiatives Support Corporation (LISC) as well as AmeriCorps Volunteers In Service To America (VISTAs). The COZO will also support the development of Opportunity Zone community investment funds with the desired outcome to attract socially conscious like-minded investors, establish fund partners and ensure the investments are aligned with community values. Importantly, the COZO and VISTAs are also developing a set of workshops, tools, and professional legal and accounting support to help local business and property owners understand the OZ designation and value of their assets, to avoid predatory practices.

The City's interdepartmental Opportunity Zone Working Group has advised policy, programming and strategy for Opportunity Zones that is consistent with Strategy values and goals. Like the Strategy, Oakland's *Opportunity Zone Investment Prospectus*⁴ leads with a statement of the City's values and investment goals, including the construction and rehabilitation of affordable housing, avoiding displacement, closing the racial wealth gap, targeted local hire, and

⁴ <https://www.oaklandca.gov/resources/designated-opportunity-zones>

increasing investment in both businesses owned by people of color and women and in Oakland's arts and cultural organizations.⁵

2. Updates on the City's Job Creation and Workforce Development Targets

A. Employment Targets

The Strategy set a job growth target of 2,800 jobs/year. From the end of 2017 to the end of 2018, Oakland added 2,472 jobs, or a 1 percent increase in total City jobs. The Strategy also set employment targets for three priority sectors: Retail; Manufacturing; and Arts, Recreation and Entertainment (see **Table 4** below). While not the fastest-growing or largest employment sectors in Oakland, these three are prioritized because of their responsiveness to local policy interventions and their job accessibility for workers without a college degree.

Table 4: Priority Sector Employment in Oakland

Target Sector	2017 Q4	2018 Q4	Job Growth	% Increase	3 Year Goal
Retail	12,078	12,156	78	1%	1000 jobs
Manufacturing	6,779	6,925	146	2%	400 jobs
Arts, Recreation and Entertainment	3,475	3,764	289	8%	173 jobs ⁶

Source: CA Employment Development Department, Quarterly Census of Employment and Wages

A recent national report focusing on the potential of Retail and Manufacturing sectors to reach equitable development targets validates this strategy, but also points to challenges. In most US Metropolitan areas other than Oakland, traditional manufacturing employment is on the decline. While advanced industries are increasing wages nationally in the manufacturing sector, many of the new jobs require higher education and are less accessible to workers without a bachelor's degree. Service-sector jobs such as retail continue to provide a growing source of employment for workers without college degrees, but support is needed for transition to business models that incorporate livable wages, benefits, and opportunities for career growth to ensure these jobs can be a source of more stable employment.⁷ In Oakland, traditional manufacturing employment has been more stable and both advanced industry and retail employment growth slower than anticipated.

⁵ Further details on Oakland's Opportunity Zone work are available in a separate agenda item, *An Informational Report On Opportunity Zone Designation Updates And Policy Recommendations*; Oakland Legistar File ID# 18-2376.

⁶ This figure is calculated based on the Strategy growth target for this sector of 5% over three years.

⁷ Scoggins, Justin and Abbie Langston, *Regional Economies in Transition: Analyzing Trends in Advanced Industries, Manufacturing, and the Service Sector to Inform Inclusive Growth Strategies.* PolicyLink and USC Dornsife, 2019.

B. Workforce Target

Oakland's annual workforce development Strategy targets are:

1. Provide training service access to 12,000 Oaklanders.
2. At least fifty percent (50%) of adults enrolled in City-funded training programs receive a credential.
3. Seventy percent (70%) of credentialed graduates obtain stable employment.

Between January and June 2019, 6,051 individuals registered for Oakland-based workforce training services.⁸ While slightly more than half (57 percent) of participants enrolled in a training program received a credential in 2019, only one quarter of those (26 percent) reported finding employment immediately upon completion. Local businesses employed 96 adult Oaklanders through Workforce programs in the first half of this year.

3. Securing Real Estate for to Support Housing Development and Address Homelessness

The increase in homeless Oaklanders is the City's top economic issue, impacting all City Departments. In 2019 the City's Public Lands Strategy established affordable housing as the priority for real estate disposition. The State of California recently amended the Surplus Lands Act⁹ to encourage further use of public land for affordable housing. The Public Private Division and Real Estate Division are analyzing how the amended State law impacts the Public Lands Strategy and the City's real property disposition policies generally.

The Public/Private Development team (PPD) has contributed assistance towards alleviating the housing crisis for 2018-2019 through use of City-owned sites, including: emergency interventions, transitional housing, permanent affordable housing, as well as generating impact fees to the Affordable Housing Trust Fund from market rate housing development. Sites activated in 2019 include:

- 615 High Street - Designated RV site near Home Depot at High St. and Alameda Ave.
- 1449 Miller Ave- former Miller Library site that was demolished after a fire in 2018. Roots Community Health Center manages a City-built Community Cabin Site (CCS) at this location that is currently housing 35 residents and has served 84 people since Jan 2019
- Henry J Kaiser Convention Center - Currently a CCS housing 40 residents and has served 135 people since Jan 2019
- East 12 Street Remainder - Currently a non-designated encampment site for 12-15 residents.
- 3050 International Blvd - Entitled site for 100 percent affordable, 5-story building with 75 affordable housing units with ground floor health clinic.
- 641 West Grand Avenue – 70 units of transitional housing for homeless individuals.

⁸ As measured through CalJOBS, the State's online workforce portal.

⁹ Assembly Bill 1486

- 95th Ave and International Blvd - Entitled site for 100 percent affordable, 57-unit building with ground floor commercial space.
- 500 Kirkham - Entitled for 1,032 units of which 84 are affordable, with \$7.1 million allocated to the City's affordable housing trust fund. This project also contributed an additional \$1 million to the City for workforce development and job training.

The Department's Real Estate Division has also assisted with lease negotiations for non-City-owned land for Community Cabins and RV parking. Finally, the Real Estate Division is engaged with the Housing and Community Development Department and Human Services Department to purchase additional vacant single-room occupancy buildings and motels for re-use as transitional housing and/or homeless navigation centers.

FISCAL IMPACT

There are no immediate fiscal impacts associated with this informational progress report. Three of the City's current Business Development staff are grant-funded for two year positions.

PUBLIC OUTREACH / INTEREST

Input on business services has been provided by Mandela Partners, Centro Community Partners, The Alliance, Black Female Project, The Runway Project, Heartland Merchants, East Oakland Entrepreneurship Forum, Women's Social Entrepreneurship Center, Union Bank, Milken Institute, Allen Temple Baptist Church, Black Cultural Zone, African American Chamber of Commerce and Main Street Launch, and local entrepreneurs and business owners, including sidewalk vendors attending a workshop for the Mobile Food Vending Permit.

More than 200 residents from 6 neighborhoods participated during the EONI TCC planning grant that resulted in the development of the "Better Neighborhood, Same Neighbors Community Plan." Staff provided capacity building guidance and technical assistance to three entities who are pursuing nonprofit or CDC status. Staff have also met with several foundations to pitch the need for capacity building, program and operation funds for local organizations.

Staff have also met with impacted businesses and family property owners on the BRT Corridor.

COORDINATION

Economic and Workforce Development staff have coordinated with Parks, Recreation and Youth Development staff on the development of the East Oakland business service hub pilot concept, with Human Services and Housing and Community Development on supportive housing, and with multiple Departments on Opportunity Zones and on collective engagement in East Oakland through the East Oakland Neighborhoods Initiative.

SUSTAINABLE OPPORTUNITIES

Economic: The successful implementation of the Strategy will yield growth in business activity, jobs and training, investment, wealth building, and overall economic security of residents.

Environmental: The Strategy includes implementing the City's adopted Specific plans for transit-oriented development, one of the primary environmental goals of the Energy and Climate Action Plan, and includes targets for blight remediation.


Race and Equity: The Strategy identifies racial and gender disparities in Oakland's income, employment, and business ownership levels and includes targets and metrics to increase the economic strength of women and people of color. The Strategy also includes targets for housing affordability, protecting households from displacement and increasing retail and healthy food access in underserved neighborhoods.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report On Progress Implementing Oakland's Economic Development Strategy 2018-2020.

For questions regarding this report, please contact Marisa Raya, Urban Economic Analyst, at 510-238-6230.

Respectfully submitted,


ALEXA JEFFRES
Interim Director, Economic & Workforce
Development

Reviewed by:
Micah Hinkle
Deputy Director

Prepared by:
Marisa Raya
Urban Economic Analyst

Marsha Murrington
Fuse Fellow

Mercedes Gibson
Economic Equity Strategist

Honorata Lindsay
Program Analyst, Workforce Development

David Le
Urban Economic Analyst, Public Private
Development