



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress,
Director Economic and
Workforce Development

SUBJECT: Plaza Covid-19 Rent Relief

DATE: April 30, 2021

City Administrator Approval

Date: May 6, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Authorizing The City Administrator, Or Designee, To Negotiate And Execute Amendments To Seven Leases With The Following Tenants: Big Oakland, Awaken Cafe, Downtown Wine Merchant, Pan Theater and Studio-FAB, 130 Cafe, Betti Ono Gallery, And Pro Arts, To (1) Forgive Up To Fifty (50) Percent Of Outstanding Rent Balances Not To Exceed \$185,000 Total Forgiveness; And (2) Reduce Future Rents By Up To Fifty (50) Percent Ending No Later Than June 30, 2022 Not To Exceed \$145,000 Total Rent Reduction.

EXECUTIVE SUMMARY

Approval of this ordinance would authorize the City Administrator, or designee, to resolve outstanding rent balances with seven tenants of City-owned property in Frank H. Ogawa Plaza (the Plaza) by forgiving up to 50 percent of outstanding rent balances in an amount not to exceed \$185,000 total forgiveness for all seven leases and reduce future rents by up to 50 percent for a period ending no later than June 30, 2022 in an amount not to exceed \$145,000 total rent reduction for all seven leases. While the total potential lost revenue to the City is up to \$330,000, staff anticipate that the actual figures would be less, as staff would negotiate specific terms with each of the seven plaza tenants so as to not exceed each tenant's needs and to limit the fiscal impact to the City.

These seven tenants have been unable to meet their rent obligations under existing lease terms due to the COVID-19 pandemic and the economic conditions in the Plaza. Departure or closure of these businesses would create vacancies in the Plaza that would be difficult for the City to fill at comparable rental rates in the near-term and would eliminate jobs and commercial activity in the Plaza and Downtown Oakland that might otherwise soon return. Staff recommends approval of this ordinance to retain these businesses, minimize potential lost revenue to the City, and avoid further worsening of Plaza conditions.

City Council
May 18, 2021

BACKGROUND / LEGISLATIVE HISTORY

The Shelter-in-Place Orders issued by Alameda County in response to the global COVID-19 pandemic has caused severe economic hardship for Oakland businesses. This has been particularly true for certain tenants of City-owned properties in and around the Plaza, where the City owns most of the property, and the absence of the City's workforce has dramatically reduced demand for services.

Seven City tenants in the City's Lionel J. Wilson Building at 150 Frank H. Ogawa Plaza have fallen behind on rent due to these factors. These seven tenants are Big Oakland, Awaken Café, Downtown Wine Merchant, Pan Theater and Studio-FAB, 130 Café, Betti Ono Gallery and Pro Arts (collectively, the Seven Plaza Tenants). Several of these tenants were behind on rent prior to the pandemic, making their recovery even more challenging absent some assistance. All Seven Plaza Tenants are each now substantially in debt and in need of a recovery period to return to levels of revenue necessary to satisfy their lease obligations. The recommended rent relief ordinance is consistent with the Oakland Economic Recovery Advisory Council's recommendations for landlords, which called for a shared-burden approach to resolving unpaid rent balances caused by the COVID-19 pandemic.

ANALYSIS AND POLICY ALTERNATIVES

City staff believe that a rent relief ordinance of limited rent forgiveness and temporary rent reduction limited to the Seven Plaza Tenants would help these businesses remain open, restore jobs, improve Plaza conditions and be in the City's best interest. To that end, staff recommends that the City forgive up to 50 percent of outstanding rent balances not to exceed \$185,000 total forgiveness and reduce future rents by up to 50 percent for a period ending no later than June 30, 2022 and not to exceed \$145,000 total. Staff would negotiate payment plans to allow the tenants to repay remaining outstanding rent balances over time.

The recommended rent relief ordinance would apply only to the Seven Plaza Tenants given the unique economic conditions in the Plaza, the City's extraordinary influence on economic conditions in the Plaza, the unique hardships faced by the Seven Plaza Tenants, and the lack of suitable alternatives. Except for the Seven Plaza Tenants, the remainder of the City's tenants in and beyond the Plaza have been able to satisfy their lease obligations throughout the pandemic.

Staff would negotiate specific terms with each of the Seven Plaza Tenants, including schedules for repaying unforgiven past rent, so as to not exceed each tenant's needs and to limit the fiscal impact of the recommended rent relief to the City.

Instead of adopting the recommended rent relief ordinance, the City could instead seek to collect the amounts owed under the existing leases. Staff do not believe that the City could actually collect on the full amounts owed given the fiscal condition of the Seven Plaza Tenants. Instead, attempting to do so would likely cause these businesses to relocate or close, in some cases requiring eviction proceedings, and would eliminate jobs and commercial activity that might otherwise soon return to the Plaza once the County's Shelter-in-Place Orders have been

lifted. It would be difficult for the City to secure replacement tenants at comparable rental rates in the near-term due to poor economic conditions in the Plaza and more broadly.

FISCAL IMPACT

Under the recommended ordinance, the City would forgive no more than \$185,000 in total debt and reduce future rents by no more than \$145,000 in total. While the total potential lost revenue to the City is up to \$330,000, staff anticipate that the actual figures would be less, as staff would negotiate specific terms with each of the Seven Plaza Tenants so as to not exceed each tenant's needs and limit the fiscal impact to the City.

Additionally, staff do not anticipate that the City could actually collect on the full amounts stipulated in the existing leases given the fiscal condition of the Seven Plaza Tenants. Absent some rent forgiveness, staff forecast that the City would collect approximately one-third of amounts owed under existing leases in Fiscal Year 2021-2022.

Revenue to the City in future fiscal years under the recommended ordinance would be higher than otherwise provided under the existing leases, as the Seven Plaza Tenants would be repaying the unforgiven portion of their outstanding rent balances in addition to their base rent in those future years.

The rent from these seven leases is collected in General Purpose Fund (1010), Real Estate Services Organization (85231), Other Rental: Miscellaneous Revenue (44419), DP850 Administrative Project (1000019), Real Estate Program (PS32).

PUBLIC OUTREACH / INTEREST

The Economic & Workforce Development Department's (EWDD's) Real Estate Division outreached to all of the City's tenants to invite discussions around COVID-related hardships. The Seven Plaza Tenants were among approximately ten tenants who requested assistance and were granted a period of rent deferral. Real Estate Division staff have met several times with each of the Seven Plaza Tenants in recent months to assess their fiscal condition and discuss their capabilities for paying outstanding balances.

COORDINATION

EWDD developed the recommended rent relief proposal in consultation with the City Administrator's Office, Office of the City Attorney, Department of Finance and the City Council District Three Office. The report and legislation have been reviewed by the Budget Bureau and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: The recommended rent relief ordinance is consistent with the Oakland Economic Recovery Advisory Council's recommendations for landlords, which called for a shared-burden approach to resolving unpaid rent balances caused by the COVID-19 pandemic. Adoption of the ordinance could positively influence broader market behavior and thereby contribute to broader economic stability.

Environmental: This proposed action will not have a direct or reasonably foreseeable indirect physical impact on the environment. However, preserving active use of the seven premises will help minimize vacancies in the Lionel J. Wilson Building and the Plaza and keep the spaces activated to prevent disrepair and potential blight.

Race and Equity: This recommended ordinance will directly support two Black-owned businesses, one Asian-owned businesses and two women-owned or -led businesses.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Staff has determined that this action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because the amendments authorized by this Ordinance will not have a direct or reasonably foreseeable indirect physical change in the environment.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt an Ordinance Authorizing The City Administrator, Or Designee, To Negotiate And Execute Amendments To Seven Leases With The Following Tenants: Big Oakland, Awaken Cafe, Downtown Wine Merchant, Pan Theater and Studio-FAB, 130 Cafe, Betti Ono Gallery, And Pro Arts, To (1) Forgive Up To Fifty (50) Percent Of Outstanding Rent Balances Not To Exceed \$185,000 Total Forgiveness; And (2) Reduce Future Rents By Up To Fifty (50) Percent Ending No Later Than June 30, 2022 Not To Exceed \$145,000 Total Rent Reduction.

For questions regarding this report, please contact Brendan Moriarty, Real Property Asset Manager at 510-238-6354.

Respectfully submitted,



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