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## FINAL REPORT

# SUBSIDIZATION OF THE CHELSEA PIERS AND THE TORPEDO FACTORY ADAPTIVE REUSE PROJECTS

Prepared for:

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# EXECUTIVE SUMMARY

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Oakland Harbor Partners, LLC is evaluating the adaptive reuse of the Ninth Avenue Terminal shed (the “Terminal”) along the Oakland Estuary, south of Jack London Square, as part of their proposed Oak to 9<sup>th</sup> Mixed-Use Project. The Terminal is an existing structure within the Project and would be dedicated to the City of Oakland upon completion. Members of the public have expressed interest in seeing the Terminal redeveloped similar to the Chelsea Piers Sports and Entertainment Complex in New York City, New York, or the Torpedo Factory Art Center in Alexandria, Virginia. These two adaptive reuse projects once housed industrial uses which became cultural and entertainment centers.

This report compares the Terminal project to the two other developments and describes key differences. This report concludes that based on the Terminal shed’s significant capital improvement costs, which range from \$18.4 million to \$51.9 million depending on which adaptive reuse program is implemented, the Terminal would likely require an initial public subsidy of \$16.5 million to \$35.6 million or annual public subsidy of \$1.6 million to \$3.4 million to cover operating costs and debt service (see **Table 4** in **Appendix A**). Additionally, key findings include the following:

- The market dynamics, construction costs, economics, and allowable uses are significantly different for the Terminal, Chelsea Piers Sports and Entertainment Center, and the Torpedo Factory Art Center. These differences are the cause of the substantially larger subsidy required for the Terminal relative to the subsidy given to both the Torpedo Factory and Chelsea Piers.
- After opening for operations in 1994, Chelsea Piers was failing economically and was subsidized by the State of New York with more favorable lease terms, including a lease extension, modified rental terms, and a deferral of up to two-thirds of the lease payments for three years.
- The City of Alexandria subsidized the Torpedo Factory at a substantial cost for fifteen years. In order to decrease their net direct costs and minimize the annual subsidy, the City repurchased the Torpedo Factory in 1998 for \$3.9 million or \$51 per square foot.

The key findings are described in greater detail below and in the subsequent chapters.

1. *The Ninth Avenue Terminal is significantly different from the Chelsea Piers Sports and Entertainment Complex and the Torpedo Factory Art Center, and it could not be developed without significant public subsidy.*

The key differences are described below.

### **Chelsea Piers Sports and Entertainment Complex**

- In 1994, Chelsea Piers base rent was \$2.4 million and was subject to adjustment after two years based on the Consumer Price Index (CPI). In 1996, following a lease amendment, the State would receive the greater of an escalating rent or participation in gross revenues beginning the 21<sup>st</sup> year. This rent is substantially more than the gross revenues potentially generated by the Terminal.
- Chelsea Piers' value is much more substantial than that of the Ninth Avenue Terminal. Its revenues exceeded \$20.0 million in 1996 because of the use intensity and its prime location in greater Manhattan along the Hudson River. The Ninth Avenue Terminal will likely only generate between \$171,000 and \$1.5 million in revenues each year, which would necessitate annual subsidies of approximately \$1.6 million to \$3.4 million to cover debt service and operations, assuming 75 percent loan to value ratios. In addition, its location is secondary to that of other recreation and visitor destinations.
- The Chelsea Piers' lease payment to the State of New York is substantial, but the State was able to extend its lease term and defer a large portion of the \$2.4 million annual lease payments. Chelsea Piers had partners to help absorb the costs and financial setbacks when revenues did not sufficiently cover the capital costs. In the case of the Terminal, revenues would be substantially below the level required to cover the debt service on the extraordinary capital improvement costs for the Terminal.
- For Chelsea Piers, substantial capital improvements, including construction costs that were four times the original budget amount, were paid for by the developer, but they still required additional assistance in financing those improvements. The costs of the Terminal pier substructure are uncertain and could be higher because of actual required remediation. Costs are currently budgeted at \$18.4 million to \$51.9 million, depending on the number of square feet that are reused and the level of tenant improvements.
- Chelsea Piers effectively privatized a majority of the waterfront by charging admissions to visitors for activities housed at the piers. By contrast, the Terminal will be open to the public free of charge.
- Several of the revenue generating uses at Chelsea Piers would not be permitted at the Terminal because of the restrictions imposed by the California State Lands Commission.

### **Torpedo Factory Art Center**

- The Torpedo Factory acquisition costs were relatively low by comparison to the Terminal project. In 1998, the Torpedo Factory was purchased by the City of Alexandria at a price of \$3.9 million, or \$51 per square foot, compared to the

Terminal project with reuse costs of \$18.4 million to \$51.9 million, or a cost of \$272 to \$1,227 per square foot depending on which alternative is developed.

2. *The Chelsea Piers Sports and Entertainment Complex was subsidized by the State of New York with a lease extension and deferral of two-thirds of the lease payments for three years.*

Two years after the Chelsea Piers Sports and Entertainment Complex opened in 1994, the 10-year lease term plus 10-year option with the State of New York proved to be too short, and Chelsea Piers Management (CPM) needed to refinance \$55 million with a long-term lease and low-interest rate financing. In 1996, CPM negotiated with the State to extend its 10-year lease to a 49-year lease, with renewal options every ten years. The State also allowed the developers to defer payments up to two-thirds of the rent between 1996 and 1999, totaling approximately \$4.8 million. The deferred rent was to be repaid in one lump sum by July 2001 or in monthly installments over 10 years with 5 percent interest accruing.

3. *The City of Alexandria subsidized the Torpedo Factory Art Center at a substantial cost for fifteen years before it resumed ownership in 1998.*

Before the City repurchased the Art Center from the Alexandria Art Center Associates (AACA) in 1998, the City's net cost between 1993 and 1996 ranged from \$364,700 to \$419,600 annually. Because the City leased only 28,550 square feet of building space, it was paying 35 percent to 52 percent more in rent than its tenant over the period, and thus significantly subsidized their tenant's rent. Essentially, the City leased their share of the space over the 15-year period from 1983 to 1998 for a total of approximately \$5.8 million, or nearly \$13.50 per square foot per year.

With the City's repurchase of the Art Center, it has been able to lower its net direct cost. Since 1998, the City is responsible for all capital building maintenance, and it pays for its share of the Art Center's utilities, which are budgeted at approximately \$50,000 for fiscal year 2006 and \$46,000 for fiscal year 2007. By resuming ownership and only paying its share of the operating costs generated by its use of the Art Center, the City has been able to maintain a project that is "cost neutral" to the General Fund.

4. *The Terminal would require a significant subsidy of approximately \$1.6 million to \$3.4 million annually to cover the shortfall in funding.*

The annual commercial revenues for the Ninth Avenue Terminal range from \$170,000 to almost \$1.5 million. For the Terminal's pier substructure, retrofit costs are fixed at \$10.6 million, regardless of the amount of square feet preserved at the Ninth Avenue Terminal. Additionally, tenant improvements are an additional \$75 to \$90 per square foot, which would be necessary for interior tenant improvements for the total leasable square footage. Overall, the Terminal shed's significant capital

improvement costs range from \$18.4 million to \$51.9 million, depending on which adaptive reuse program is implemented, resulting in a funding shortfall of \$16.5 million to \$35.6 million. The Terminal would require an annual debt service payment of \$1.7 million to \$4.9 million in addition to annual operating costs. Thus, the Terminal would likely require an annual public subsidy of \$1.6 million to \$3.4 million to cover operating costs and debt service.

# I. CHELSEA PIERS SPORTS AND ENTERTAINMENT COMPLEX

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## HISTORY OF THE DEVELOPMENT

The Chelsea Piers Sports and Entertainment Complex (the “Piers”) is 1.7 million square feet and is located on Piers 59 and 62 along the Hudson River on the island of Manhattan. The Hudson River Park Trust owns the buildings and piers, and Chelsea Piers Management (CPM) operates the facility.<sup>1</sup> In 1994, CPM signed a land lease for a 10-year term with one 10-year extension, and completed the renovation with private financing at a cost of \$100 million. Beginning August 1995, the Piers opened in stages to offer a golf center, ice rink, roller rinks/skate park, bowling, basketball and sports fields, a spa, fitness center, event space, and a café. Chelsea Piers charges visitors for the use of these facilities. For example, Chelsea Piers charges \$8 per hour per person to use its basketball and playing fields.<sup>2</sup>

When the 30-acre site opened in 1910, it served as New York City’s premier passenger ship terminal, as an embarkation point for soldiers departing for battlefields in World Wars I and II, and as a cargo terminal for the next 50 years. In 1967, the last big tenants vacated the Piers to relocate to New Jersey, and the site closed shortly thereafter. The Piers sat neglected for 25 years until May 1992, when the newly formed Chelsea Piers Management, Inc., submitted a bid and proposal to obtain rights to develop and operate the Piers. The management group was awarded a lease, a development and construction team were hired, and construction started two years later in 1994.

## HOW THE PROJECT WAS SUBSIDIZED

When the Chelsea Piers Sports and Entertainment Complex was announced in 1992, the renovation was budgeted at \$25 million. However, when work began in 1994, the budget increased to \$60 million. During the course of development, infrastructure such as electrical, plumbing, water and sewer lines, sprinklers, and fire alarms was more expensive than anticipated, and the renovation resulted in a cost of \$75 million. Subtenants of the project also added \$25 million in improvements, which gives the project its \$100 million total renovation cost. This was four times the original budget. Initially, CPM borrowed \$45 million in short-term, high-interest debt at a 12.5 percent fixed rate with a contingent interest payment designed to return 15 percent interest.

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<sup>1</sup> Chelsea Piers was originally owned by the New York State Department of Transportation but is now held in trust by the Hudson River Park Trust. The Trust is a partnership between New York State and City and is a public benefit corporation governed by the Hudson River Park Act of 1998. The Trust is responsible for the design, construction, and operation of the Hudson River Park system. The Park system extends for five miles along the Manhattan shoreline from Battery Place to West 59th Street.

<sup>2</sup> From the Chelsea Piers web site.

The 10-year lease term plus 10-year option eventually proved to be too short to amortize the significant cost of improvements, and CPM needed to refinance \$55 million with a long-term lease and low-interest rate financing. In 1996, CPM negotiated with the State of New York to extend its 10-year lease to a 49-year lease, with renewal options every ten years; the State also allowed the developers to defer payments of two-thirds of the rent for three years in order to get the businesses operating and stabilized. For 1996-1997, 75 percent of the rent was deferred; for 1997-1998, 75 percent was deferred, and for 1998-1999, 50 percent was deferred, totaling approximately \$4.8 million. The deferred rent was to be repaid in one lump sum by July 2001 or in monthly installments over 10 years with 5 percent interest accruing.<sup>3</sup> Although the project was privately financed, it was effectively subsidized through generous lease terms from the State of New York.<sup>4</sup>

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<sup>3</sup> At the time of this writing, EPS was unable to verify if the deferred rent was repaid to the State of New York.

<sup>4</sup> From "Chelsea Piers: The Fight to Stay Afloat," *The New York Times*, August 11, 1996.



## II. THE TORPEDO FACTORY ART CENTER

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### HISTORY OF THE DEVELOPMENT

The Torpedo Factory Art Center (the “Art Center”) is located in Old Town Alexandria, Virginia, along the Potomac River and was once the U.S. Naval Torpedo Station. Today, the Art Center is home to 84 working artist studios and 165 artists, five cooperative galleries, two workshops, the Art League School, the Alexandria Archaeology Museum, and Friends of the Torpedo Factory Art Center (a nonprofit membership organization). The Art Center is open daily to the public and attracts approximately 800,000 visitors annually. It has become a cultural facility as well as a tourist attraction. The Art Center is also available for rental for special events such as weddings, parties, proms, meetings, and class reunions.

Beginning in 1918, the Torpedo Factory was responsible for the manufacture and maintenance of torpedoes for the next five years. After that time, work stopped and the facility served as a munitions storage area until World War II. During the War, torpedo production for submarines and aircraft resumed around the clock. As additional space was needed, ten buildings were added to the complex. When peace was declared in June 1945, production came to a halt and the buildings were used for storage once again. In 1969, the City of Alexandria bought the buildings from the Federal Government. Soon after, a project was proposed by the president of the City’s Art League to renovate the main building, approximately 76,000 square feet, into working studio space for artists. The proposal was accepted, and the City and local artists worked together to renovate the Torpedo Factory beginning in 1974.

In 1983, as part of a sale/lease back agreement, the Art Center was sold to AACA, leased back from AACA by the City, and subleased to the Torpedo Factory Artists’ Association (TFAA).<sup>5</sup> Once approved by the City Council, a balloon payment from the original loan to AACA in 1983 was used by the City as a down payment for repurchase. However, as part of the sale agreement, the City had a one-time repurchase option to be used in 1998. The City exercised this option and repurchased the building in August 1998 at a price of \$3.9 million.

In 1995, the City of Alexandria Office of Budget and Management conducted a management study of the Art Center and recommended that it be privatized. In September 1998, as a result of that study, the TFAA took over the management of the building, and the City now acts as the landlord. In turn, the TFAA subleases studio space to the artists to cover the lease payments. Based on the artist-occupied percentage of the building, 62 percent or 47,450 square feet, the artists’ lease rate is derived from a calculation of amortized costs to the City for purchasing the building, interest on the bonds issued to finance the purchase of the Torpedo Factory, and planned interior

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<sup>5</sup> From “Torpedo Factory Artists’ Association: Governing Documents and Economic Impact Reports,” June 20, 2005.

capital improvements. The TFAA is also responsible for the costs of their pro rata share of the utilities, general maintenance and upkeep of the interior of the facility (including public areas), janitorial services, and security. Base rent also includes the City's estimated share of maintenance expenses and payment in lieu of real estate taxes.

## **HOW THE PROJECT WAS SUBSIDIZED**

According to a memorandum dated June 22, 1995, the City Manager outlined the City's expenditures over the fiscal years 1993 to 1996 for the Torpedo Factory Arts Center. As shown in **Table 1**, before the City repurchased the building, the City's net cost, after lease payments from the TFAA, ranged from \$364,700 to \$419,600 annually. Because the City only leased 28,550 square feet of building space, they were paying 35 percent to 52 percent more in rent than TFAA over the 1993 to 1996 period and were significantly subsidizing TFAA's rent. Essentially, the City leased their share of the space over the 15-year period from 1983 to 1998 for a total of approximately \$5.8 million, or nearly \$13.50 per square foot per year.

The space the City occupies is home to the Alexandria Archaeology Museum, the Museum's offices, and public space. With the City's repurchase of the Art Center, they have been able to lower their net direct cost and maintain a project that is "cost neutral" to the City's General Fund. Since 1998, the City is responsible for all capital building maintenance, and it pays for 38 percent of the Art Center's utilities, which were budgeted at \$49,562 for fiscal year 2006 and are \$45,988 for fiscal year 2007.<sup>6</sup> Over the eight-year fiscal year period between 1998 and 2006, the City budgeted \$1.5 million for capital improvements to repair and replace interior and exterior equipment, walls, and the building's façade. Because the City has completed the majority of the capital improvements through fiscal year 2006, it has only set aside \$5,000 for 2007 to 2012.<sup>7</sup>

## **OVERVIEW OF THE TORPEDO FACTORY MANAGEMENT STUDY AND ARTS CENTER SURVEY**

In 1995, OMB and the TFAA developed a 48-question survey that was mailed to 252 art centers and state art councils nationwide. OMB received 54 completed surveys, a 21 percent return rate. The responses provided the City with information on how to privatize the Arts Center in August 1998.

OMB learned about the centers' organizational structure, admission fees, hours, working artist studio space, studio rentals, artist selection, and overall budget information. Listed below are key findings from the 54 centers that responded:

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<sup>6</sup> Conversation with Sandy Murphy, Budget/Management Analyst, City of Alexandria, Virginia Office of Management and Budget.

<sup>7</sup> Ibid and confirmed with *City of Alexandria, Virginia FY 2007 Proposed Capital Improvement Program*.

- 89 percent of the arts centers do not charge admission fees.
- 46 percent provide working studios for artists, and of the 25 centers that have studio space, 64 percent lease the studio space to artists.
- 63 percent receive government grant support ranging from 5 percent to 70 percent of the organization's budget, with budgets ranging from \$3,800 to \$3.3 million per year.



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## APPENDIX A

# OAK TO 9TH MIXED-USE PROJECT NINTH AVENUE TERMINAL REUSE FEASIBILITY ANALYSIS

## TECHNICAL MEMORANDUM

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To: Michael Ghielmetti and Patrick Van Ness, Signature Properties

From: Jim Musbach, Richard Berkson, and Lisa Rhine

Subject: Oak to 9<sup>th</sup> Mixed-Use Project Ninth Avenue Terminal Reuse Feasibility Analysis; EPS #14115

Date: February 21, 2006

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Oakland Harbor Partners, LLC, may redevelop the Ninth Avenue Terminal shed building (the "Terminal") along the Oakland Estuary, south of Jack London Square, as part of their proposed Oak to 9<sup>th</sup> Mixed-Use Project (the "Proposed Project Alternative" or "Alternative 1").<sup>1</sup> The Terminal, an existing structure within the Project, if reused, would be developed as part of the Project, but would be dedicated to the City of Oakland upon completion. Economic & Planning Systems, Inc. (EPS) analyzed the reuse feasibility of the Ninth Avenue Terminal at the Oak to 9<sup>th</sup> Mixed-Use Project based on the Developer's Proposed Project Alternative, the 1927 Reuse Alternative ("Alternative 2"), and five options proposed by a group from the University of California Berkeley's Department of City and Regional Planning (the "UC Study").<sup>2</sup>

The Ninth Avenue Terminal was designated historic by the City of Oakland's Landmarks Preservation Advisory Board in December 2003. The Terminal was originally built in the late 1920s, was expanded in the 1950s, and is approximately 180,000 square feet. If the Terminal is redeveloped as part of the Developer's reuse plan, a minimum of 15,000 square feet of the 1920s portion of the Terminal would be rehabilitated. The Terminal would become a visitors' and cultural/community center, including a maritime history center, café and/or gift shop (Alternative 1), as shown on **Table 1**. The remainder of the site would become almost four acres of public parks along the waterfront.

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<sup>1</sup> The Proposed Project would include up to 3,100 residential units, up to 200,000 square feet of retail space, a minimum of 3,500 structured parking spaces, approximately 27 acres of public open space, two renovated marinas with up to 200 slips, and a wetlands restoration area.

<sup>2</sup> "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse," by N. Perry, M. Sorensen, and H. Strobel, Spring 2005.



In addition to the Developer's Proposed Project Alternative, the City of Oakland has asked the Developer to analyze the reuse of the 1920s portion of the Terminal, the original Terminal structure consisting of approximately 90,000 square feet. The 1950s portion of the structure would be demolished. The 1927 Reuse Alternative (Alternative 2) would include such uses as a visitors' and cultural/community center, Philbrick Boat Works (an existing local boat builder), other marine-related space, food concessions, boat rental, bike rental, and other commercial uses, as shown in **Table 1**. The remainder of the site would become over two acres of public parks along the waterfront.

The UC Study proposes five options: three "full preservation" and two "partial preservation" options (Options 1 through 5), as shown on **Table 1**. Options 1 through 5 include such uses as retail/commercial (e.g., cafés/restaurants, retail space, grocery stores, artist studios), educational/cultural (e.g., museum, maritime history center, theaters, art classrooms, conference center), recreational (e.g., exercise studios, indoor soccer field, basketball court, fitness center), and/or parking uses (see **Table 2**). Of the five options, two include parking but three do not. Parking is essential to attracting visitors to the Ninth Avenue Terminal and is discussed in more detail below.

The *Estuary Policy Plan*, developed by the Port of Oakland and the City of Oakland, provides guidelines for Oakland to establish a premier urban waterfront on San Francisco Bay. The Plan calls for a system of open spaces and shoreline access that promotes recreational use opportunities, environmental enhancement, visual amenities, and significant gathering places. The *Plan* establishes that the Terminal shed building impedes public access to and views of the Estuary, and recommends converting the space into a large park for civic events and cultural activities. However, it concludes that the Port and the City should investigate the feasibility of keeping and reusing the building or portions of it. Thus, because the shed building is historic and members of the community have expressed interest in reusing all or part of the structure, Alternative 1, Alternative 2, and Options 1 through 5 are being evaluated by the Developer and the City.

This memorandum describes the key assumptions and methodology used to estimate the market and financial feasibility of investment in the reuse of the six alternatives for the Terminal. While the reuse of the existing shed building would have a financial effect on the remainder of the Project, the analysis focuses only on the financial feasibility of the reuse of the Terminal. However, because some of the alternatives, Options 2, 4, and 5, are unlikely to be feasible from a market standpoint, their financial feasibility has not been analyzed.

For those alternatives that were analyzed, the analysis compares the projected revenues to projected costs to determine if financial shortfalls to the Developer are likely to occur. The reuse costs are based on estimates provided by Rutherford and Chekene (structural engineering firm) and Devcon Construction, Inc. for Alternative 1 and were scaled proportionately to the other alternatives. Below is a summary of findings, followed by market demand and financial feasibility summaries.

## SUMMARY OF FINDINGS

### CONSISTENCY WITH THE ESTUARY POLICY PLAN

1. ***Alternative 1 is most consistent with the objectives of the Estuary Policy Plan.*** The *Estuary Policy Plan* concludes that the Ninth Avenue Terminal shed building impedes public access to and views of the Estuary, and recommends converting the space into a large park for civic events and cultural activities. The *Plan* calls for a system of open spaces and shoreline access that promotes recreational use, environmental enhancement, visual amenities, and significant gathering places.

Alternative 1, the Developer's proposed reuse plan, would rehabilitate a minimum of 15,000 square feet of the 1920s structure for use as a visitors' and cultural/community center, including a maritime history center, café and/or gift shop, and would also include almost four acres of public parks. The five options proposed in the UC Study would reuse more square feet of the Terminal, but would provide little to no open space as recommended by the *Estuary Policy Plan*.

### MARKET ASSESSMENT

2. ***If the Ninth Avenue Terminal is redeveloped, it has the greatest likelihood of being fully occupied under Alternative 1.*** The waterfront location and the fact that the Terminal would become the first maritime history center focused on Oakland's maritime history support its reuse as a visitors' and cultural/community center.
3. ***Market support may also exist for Alternative 2 as well as Options 1 and 3; however, significant uncertainties limit their potential.*** Alternative 2 proposes to convert the Terminal into 90,000 square feet of community space, warehouse space for a boat builder, other marine-related space, food concessions, boat rental, bike rental, and other commercial uses. Given the amount of square feet proposed, EPS estimates that there is sufficient demand for the visitors' and cultural/community center, Philbrick Boat Works, and the food concessions. Although it is difficult to forecast the demand for marine-related space and boat and bicycle rental space that would be generated by the site's location, EPS estimates that other marine-related space of 10,000 square feet is appropriate for a chandlery store and 2,000 square feet for a bait and tackle store compared to 20,000 square feet as proposed. EPS also estimates that bike rental space of 2,000 square feet and boat rental space of 5,000 square feet are more suitable compared to 10,000 square feet as proposed. This would leave 11,000 square feet of unused space within the Terminal, thereby reducing the revenue potential of the proposed uses.

For Option 1, the proposed uses include community gathering space for major civic events, conferences, and trade shows, as well as commercial and museum space, restaurants, and a maritime history center. The Terminal could function

as a standalone conference/special events center given that it offers a unique location and proximity to recreation and entertainment; however, it lacks the range and quality of amenities that contribute to the success of similar facilities such as the Fort Mason Center. To effectively compete with the Oakland Convention Center, the site would need to offer flexible conference/exhibit space and technological innovation, as well as be within walking distance to a minimum of three highly-rated, full service hotels. Currently, these types of hotels do not exist within close proximity to the site, although a 250-room four-star hotel and spa is anticipated to open April 2008 as part of the Jack London Square Redevelopment.

Although there are two extended stay hotels directly adjacent to the site, Homewood Suites by Hilton and Executive Inn Embarcadero Cove, these hotels would not necessarily meet the needs of conference attendees. In addition, current utilization and capacity of the Oakland Convention Center indicates that market support does not exist currently for new facilities, and a new facility may adversely affect the Convention Center. Lastly, there are two hotels in Jack London Square that offer conference/special event space, the Jack London Inn and the Waterfront Plaza Hotel, which are within one and a half miles from the Terminal. The Jack London Inn currently offers approximately 3,800 square feet of conference/special event space, and the Waterfront Plaza Hotel currently offers nearly 9,600 square feet of conference/special event space. The conference/special event space within these hotels, because of their small size, would likely suffer a reduction in operations if a conference center were located at the Terminal. Additionally, the recent closing of the Henry J. Kaiser Convention Center is illustrative of the challenges that a standalone conference facility would face.

For Option 3, the proposed uses include a conference center as the anchor, as well as a "black box" theater/comedy club, "break-out" meeting rooms, retail space, and a café/restaurant. Because conference centers are typically dedicated to conference, special events, and meeting activities, the added uses suggested by this alternative would likely present a conflict with the conference center. The Terminal could function as a standalone conference/special events center, as suggested above for Option 1 because of its unique location and proximity to recreation and entertainment. However, it would have to effectively compete with the Oakland Convention Center. The current utilization and capacity of the Oakland Convention Center indicates that market support does not exist currently for new facilities, and a new facility may adversely affect the Convention Center.

- 4. *It is unlikely that there would be sufficient market demand to fill the retail/commercial space proposed in Option 2, 4, or 5.*** Option 2 proposes a regional recreation center with such uses as a gym/fitness club, basketball court, indoor sports field, exercise studios, community center, grocery store, sporting goods store, and cafés/restaurants. However, the waterfront does not offer a grocery tenant a competitive advantage, nor does this alternative provide ancillary retail uses and services that help attract supermarket customers. Therefore, the



Recreational Center and Supermarket option would not likely be a viable alternative for the Ninth Avenue Terminal. In addition, the Developer proposes a neighborhood serving retail center that includes a grocery store, specialty food tenants, retail shops, and enclosed parking structures elsewhere within the Project. These uses would be focused along a new main road in new ground floor retail/commercial space with adjacent parking, but not within the Terminal. A dedicated recreation center up to 120,000 square feet would likely be a more appropriate use, but it is uncertain whether the site can support this amount of square footage, considering the array of similar facilities available in the region such as the 30 City-operated recreation centers and the Bladium in the City of Alameda.

For Option 4, the proposed uses include a large public market with stalls for meats, vegetables, fruits, flowers, handiworks, and antiques vendors, as well as a maritime history center, seafood restaurant, and café. It is unlikely that a market hall would be successful in this location because of the large amount of space reused and direct competition with Jack London Square's Harvest Hall. This reuse alternative would likely struggle to attract tenants.

Option 5 proposes artists' studios and workshops, classroom space and display areas for community art classes, café/restaurant, and stage house for outdoor theater. As proposed, there would be 36 artisan stalls averaging 2,100 square feet each. These spaces are quite large and would likely have to be occupied by working artists who could afford significant monthly rents for artist space. Because there is likely a limited number of artists who could afford this type of space, this alternative would likely have a high vacancy rate.

## FINANCIAL FEASIBILITY

5. ***If the Ninth Avenue Terminal is redeveloped, Alternative 1 represents the most viable option of the alternatives evaluated.*** Although shortfalls would occur for all of the alternatives as shown in **Table 4**, the \$16.5 million shortfall under Alternative 1 is the lowest and would involve the least amount of risk. The shortfalls shown include revenues and value to an operator, and are not intended to represent contributions by the Developer of the Oak to 9<sup>th</sup> Project.
6. ***Greater financial shortfalls result from the commercial reuse of the Ninth Avenue Terminal for Alternative 2 and all of the UC Study alternatives analyzed, even using optimistic assumptions.*** For Alternative 2, Option 1, and Option 3, as shown in **Table 4**, the analysis shows that these alternatives produce substantial financial shortfalls ranging from \$23.4 million to \$35.6 million. Because Options 2, 4, and 5 are unlikely to achieve sufficient market support to be viable alternatives, these alternatives have not been evaluated for financial feasibility.

7. *Given the parking inadequacies that are anticipated in Options 1 and 3, the leasable square feet would need to be reduced in order to accommodate additional parking within the Terminal, thereby resulting in a reduced amount of net operating income (NOI) and greater financial shortfalls, making these alternatives less financially feasible.* As shown in **Table 5**, for Option 1, in order to have capacity for three parking spaces per 1,000 square feet of leasable space, the leasable square feet would need to be reduced from 124,300 square feet to 90,000 square feet. The leasable square feet in Option 3 would need to be reduced from 129,400 square feet to 90,000 square feet. These reductions in leasable square feet also result in a reduced amount of NOI and greater financial shortfalls, making these alternatives less financially feasible, as shown in **Tables 6 and 7**.
8. *Alternative 2 as proposed would include 90,000 square feet of space; however, EPS estimates that this alternative would have sufficient demand for only 79,000 square feet.* As shown in **Table 7**, lowering the total square feet from 90,000 square feet to 79,000 square feet reduces the NOI from \$1.0 million to \$923,000. If fewer square feet are developed, although the shortfall would be reduced from \$23.4 million to \$22.0 million, this alternative is still less financially feasible than Alternative 1.

## MARKET DEMAND SUMMARY

To evaluate potential market support for each of the alternatives, EPS interviewed operators of visitors' centers, managers of marine products' stores, conference centers, indoor sports complexes, and artist studios, and drew on EPS's experience with other projects. These discussions and prior research suggest that it is unlikely that there would be sufficient market demand to support the retail space in Options 2, 4, and 5. Because these alternatives propose reusing significant amounts of space, these reuse options would likely be difficult to fully tenant. However, the Terminal could benefit from some of the uses proposed in Alternative 2, Option 1, and Option 3 given their likely market potential. Below is a more detailed discussion of the potential market demand for each alternative.

## PROPOSED NINTH AVENUE TERMINAL ALTERNATIVES

### Proposed Project Alternative (Alternative 1)

Alternative 1 would rehabilitate 15,000 square feet of the 1920s structure. The building would become a visitors' and cultural/community center providing information and history of Oakland's maritime activities and involvement in international cargo, transportation, and distribution. Other uses may include a café and/or gift shop. The remainder of the site would become almost four acres of public parks along the waterfront. Parking would be provided on surface parking lots comprising

approximately 75 parking spaces.<sup>3</sup> This amount of parking should be more than adequate based on standard parking ratios for commercial retail space, which would require a minimum of 45 parking spaces (see **Table 2**).<sup>4</sup>

### Market Assessment

Alternative 1 assumes 15,000 square feet of educational/cultural uses and a lease rate of \$1.00 per square foot.<sup>5</sup> In the *Estuary Policy Plan* under the Oak-to-Ninth Avenue District recommendations, although the *Plan* initially recommends establishing a large park in the area of the existing Terminal for large civic events and cultural activities, it also recognizes that the Terminal provides an opportunity for public-oriented activities and open spaces.<sup>6</sup> Because the site is historic and members of the community have expressed interest in reusing all or part of the structure, rehabilitation and reuse would also be appropriate.

Currently, there is one museum that has a maritime theme in the City of Oakland, the *USS Potomac*. The 165-foot yacht served as President Franklin Delano Roosevelt's presidential yacht and is a National Historic Landmark. The "Floating White House," as it is also called, is a memorial to President Roosevelt, and opened as a classroom and museum in 1995. The *Potomac* is open for dockside tours on Wednesdays, Fridays, and Saturdays, and the visitors' center is open Monday through Friday.

Another visitors' center in the San Francisco Bay Area, the Warming Hut at Crissy Field in San Francisco, offers visitors a place to relax and take a break. The Warming Hut, approximately 2,400 square feet in size, is a bookstore and café and reflects the theme of environmental sustainability. The café offers shade-grown organic coffee and fresh organic orange juice, and the bookstore sells books and gifts, including locally produced jams, various recycled goods, and aviation memorabilia. The operator attributes their success to their waterfront location, ample parking, and the focus of the products they sell.

Most museums and visitor/cultural centers are open daily and typically feature themed retail merchandise for sale. These sites are usually popular with local residents and visitors, and provide visitors with a sense of history and understanding of the area's prior setting. Given the waterfront location and the fact that it would be the first maritime history center focused on Oakland's maritime history, the reuse of the Terminal as a visitors' and cultural/community center would likely be successful and draw visitors from all over the Bay Area. Additionally, Alternative 1 best adheres to the recommendations as described in the *Estuary Policy Plan* when compared to the other alternatives.

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<sup>3</sup> From the *Oak to Ninth Avenue Project Draft Environmental Impact Report*, August 2005, p. II-2.

<sup>4</sup> This estimate assumes three parking spaces per 1,000 square feet of leasable space for all of the proposed uses.

<sup>5</sup> All lease rates in this analysis are assumed to be triple net (NNN).

<sup>6</sup> From the *Estuary Policy Plan, Oakland, California*, June 1999, p. 91.

## 1927 Reuse Alternative (Alternative 2)

Alternative 2 proposes to convert the Terminal into 90,000 square feet of community space, warehouse space for a boat builder, other marine-related space, food concessions, boat rental, bike rental, and other commercial uses (see **Table 1**). The community space would be approximately 18,000 square feet and would be a visitors' and cultural/community center similar to Alternative 1. The remainder of the site would become over two acres of public parks along the waterfront. Like Alternative 1, parking would be provided in an attended surface parking lot comprising approximately 75 parking spaces. However, based on the proposed amount of leasable space, 270 parking spaces would be needed given a parking ratio of three parking spaces per 1,000 square feet of gross leasable area (see **Table 2**). Given the inadequate amount of parking spaces provided to accommodate the site, there will be a need to find parking for the remaining 195 spaces.

### Market Assessment

Alternative 2 assumes 32,000 square feet of retail/commercial space at \$1.50 per square foot rent, 40,000 square feet of marine-related commercial space at \$0.75 per square foot rent, and 18,000 square feet of educational/cultural space at \$1.00 per square foot rent. Similar to Alternative 1, the Terminal would include an 18,000-square foot visitors' and cultural/community center providing information and history of Oakland's maritime activities and involvement in international cargo, transportation, and distribution. As described above, there is currently only one museum in the City of Oakland that has a maritime theme, the *USS Potomac*. Given the waterfront location and the fact that it would be the first maritime history center focused on Oakland's maritime history, the addition of a visitors' and cultural/community center within the Terminal would likely be successful and draw visitors from all over the Bay Area.

Philbrick Boat Works is an existing boat builder currently occupying approximately 14,200 total square feet, including warehouse space (3,900 square feet), yard area (9,900 square feet), and shed space (400 square feet) on the Embarcadero in Oakland. The company has been in existence since the 1930s and constructs, restores, and repairs wooden motor boats. Their customers are either owners of wooden motor boats or purchasers of custom boats. The 20,000 square feet of space that is assumed for Philbrick Boat Works is considered appropriate given the amount of space that the business currently occupies. However, it is important to note that the space proposed at the Terminal would be indoor space as opposed to the combination of indoor and outdoor space that the business currently occupies. Additionally, this space is assumed to lease for \$0.75 a square foot per month, which is significantly greater than what the owner currently pays.

The Terminal has capacity for other marine-related businesses. Such businesses include a chandlery as well as a bait and tackle store. Customers are typically recreational boaters and buy products for boat maintenance and accessories. Overall, these types of businesses require space that is located near major waterfronts and are typically 7,500 square feet to 12,000 square feet, depending on the assortment of merchandise they carry.

Bait and tackle stores are another type of marine-related business that are located near or along waterfronts and could be included at the Terminal. These stores sell fishing rods, reels, lures, and bait for fishing, and these businesses are typically in conjunction with convenience stores or mini markets that sell hot food, groceries, and/or have a deli. In tandem, they typically occupy about 1,000 to 4,000 square feet of space. The Terminal could likely accommodate a 10,000-square foot chandlery and a 2,000-square foot bait and tackle store, which is 8,000 square feet less than what has been estimated to be needed in Alternative 2.

As proposed, Alternative 2 would include about 10,000 square feet of boat and bicycle rental shops. Bike and skate rental shops similar to those serving Golden Gate Park, for example, typically range from 800 square feet to 2,500 square feet. Boat and kayak rentals similar to California Canoe and Kayak located on Water Street in Jack London Square which rents canoes as well as sea and whitewater kayaks, currently occupy 4,000 square feet of space. In addition to rentals, these shops also offer the same type of products they rent for sale such as bikes, roller skates, canoes, and kayaks as well as sell related accessories and make repairs.

The Terminal could also accommodate offices for a kayak, canoe, or boat rental company, but this type of use would need little indoor space because the boats for rental would be located along a pier. However, if the boat rental company also offers canoe, kayak, and/or boat sales, a considerable amount of indoor space would be needed for showroom space and could range from 4,000 square feet for canoe and kayak sales to 20,000 square feet for sport boat sales.

As proposed, Alternative 2 would include about 22,000 square feet of food concessions. Food concessions could include a coffee shop, deli or sandwich shop, wraps or burrito shop, smoothie/juice shop or frozen yogurt shop, and a small café. Such users of this type of space include national brand chains such as Peet's Coffee and Tea, Starbucks Coffee, The Coffee Bean and Tea Leaf, Togo's, Quiznos Sub, Baja Fresh, Jamba Juice, and TCBY Treats. Their space requirements range from 1,200 square feet to 4,000 square feet per user.

Although the Terminal could accommodate all of the total maritime and retail uses as described above, the amount of space proposed likely exceeds the amount that would be supportable, without a substantial amount of other destination retail and anchor tenants. Additionally, there are two development projects under construction that would have uses similar to those proposed at the Terminal, and both will be located on the Embarcadero in close proximity to the Terminal. The first project is Embarcadero Cove, a 25,000-square foot three-story waterfront retail and office building, which will include marine-related retail, boat sales, and food service uses on the ground floor as well as marine-related office uses (e.g., boat brokers and boat dealers) on two upper floors. The development is under construction and is estimated to be completed by September 2006. The project is being developed by Gray & Reynolds on "spec," and at the time of this analysis, the project owner and developer are targeting tenants from existing marine-related businesses (e.g., retail and office) but have not been successful at securing any tenants for the space to date. The second project will be new office space for Bay Yachts, an existing sailing vessel brokerage firm, which currently has offices in Alameda. They

will be the building's only tenant. At the time of this analysis, the exact size of the project is not known, but it is currently under construction and is anticipated for completion by early 2007.

Given the amount of square feet proposed, EPS estimates that there is sufficient demand for the visitors' and cultural/community center, Philbrick Boat Works, and minimal food concessions. Although it is difficult to forecast the demand for marine-related space and boat and bicycle rental space that would be generated by the site's location, EPS estimates that marine-related space of 10,000 square feet is appropriate for a chandlery store and 2,000 square feet for a bait and tackle store. EPS also estimates that bike rental space of 2,000 square feet and boat rental space of 5,000 square feet are more suitable. However, this would leave 11,000 square feet of unused space within the Terminal, thereby reducing the revenue potential of the proposed uses, which will be discussed in more detail in the "Financial Feasibility Summary" section.

### **Fort Mason Center Model (Option 1)**

Option 1 proposes to convert the Terminal into 123,400 square feet of community gathering place for major civic events, conferences, and trade shows (see **Table 1**). Additional uses include commercial and museum space, restaurants, and a maritime history center. The southern end of the Terminal would offer 55,700 square feet of on-site parking to serve the facility. The Terminal would include 167 parking spaces given a parking ratio of three parking spaces per 1,000 square feet of gross leasable area. Thus, the maximum amount of gross leasable area could not exceed 90,000 square feet. However, based on the proposed amount of leasable space, 373 parking spaces would be needed (see **Table 2**). Given the inadequate amount of parking spaces provided to accommodate the site, the proposed uses would need to be reduced in order to accommodate the needed parking, which would result in less leasable square footage as well as revenues.

### Market Assessment

Option 1 assumes 22,000 square feet of retail/commercial space at \$1.50 per square foot rent, 102,000 square feet of educational/cultural space at \$1.00 per square foot rent, and 55,700 square feet of parking at no charge to customers. Conference/event centers are typically located in airport, downtown, resort, and conference center hotels. Hotels provide conference/event space, combining larger halls and banquet rooms with smaller meeting or break-out rooms. Businesses rely extensively on hotels and conference centers for their meeting, special event, and conference space requirements. These facilities typically offer clear-span exhibit space, divisible meeting rooms, ballrooms, theaters, boardrooms, and banquet facilities, as well as state-of-the-art audio and video projection systems, high-speed Internet connectivity, and high-quality sound and lighting systems. Other attributes important to business clients include available parking, a convenient location, nearby recreation and entertainment, and overnight accommodations.

Nonresidential (e.g., standalone) conference/event centers, such as Fort Mason Center in San Francisco, typically offer a unique location with spectacular views or grounds and have several full-service hotels within walking distance (i.e., within one-quarter of

a mile). A National Historic Landmark and part of the Golden Gate National Recreation Area, Fort Mason Center is located on San Francisco Bay between Fisherman's Wharf and the Golden Gate Bridge. The Center has 130,000 square feet of venue space, including two pavilions, a conference center, exhibition hall, theater, meeting and activity space ranging from 500 to 50,000 square feet, and a parking lot that is free to visitors. The Center hosts over 15,000 meetings, conferences, performances, and special events each year with an attendance of approximately 1.5 million visitors, and is also home to 35 nonprofit cultural and environmental organizations. Although the Center does not have hotels that are within walking distance, there are several hotels near Fisherman's Wharf that are about a half of a mile by taxi or 10- to 15-minute walk. The Center attributes its success to its distinctive location and structures, affordable facility rental rates, and adjoining artist galleries, performing arts studios, and a world-famous vegetarian restaurant.

Currently, the Oakland Convention Center and Oakland Marriott City Center in downtown Oakland serve as the primary conference center venue in the City, and are less than a mile and a half away from the Project. The meeting facilities at the Convention Center and hotel offer over 89,000 square feet of meeting and convention space (e.g., 25,000 square feet in the hotel and 64,000 square feet in the convention center), including column-free exhibit space, meeting rooms, ballrooms, boardrooms, hospitality suites, and a parking garage for 575 cars. The hotel has almost 500 guestrooms, several restaurants/cafés, an exercise room, and heated pool, and is walking distance or a short drive to Chinatown, Old Oakland Historic District, Lake Merritt, and Jack London Square. The Convention Center currently operates at 50 percent to 60 percent occupancy, with 70 percent of events held in the convention center and 30 percent held in the hotel.

The Terminal could function as a standalone conference/special events center given that it offers a unique location and proximity to recreation and entertainment; however, it lacks the range and quality of amenities that contribute to the success of similar facilities such as the Fort Mason Center. To effectively compete with the Oakland Convention Center, the site would need to offer flexible conference/exhibit space and technological innovation, as well as be within walking distance to a minimum of three highly-rated, full service hotels. Currently, these types of hotels do not exist within close proximity of the site, but a 250-room four-star hotel and spa is anticipated to open April 2008 as part of the Jack London Square Redevelopment. However, this new hotel will be located almost one mile, or 0.8 miles, from the Terminal, which is not within walking distance.

Although there are two extended stay hotels adjacent to the site, Homewood Suites by Hilton and Executive Inn Embarcadero Cove, these hotels would not necessarily meet the needs of conference attendees. In addition, current utilization and capacity of the Oakland Convention Center indicates that market support does not exist currently for new facilities, and a new facility may adversely affect the Convention Center. Finally, there are two hotels in Jack London Square that offer conference/special event space, the Jack London Inn at 444 Embarcadero West and the Waterfront Plaza Hotel at 10 Washington Street, which are about one mile and one and a half miles from the Terminal, respectively. The Jack London Inn currently offers approximately 3,800 square feet of conference/special event space, including two boardrooms, and the

Waterfront Plaza Hotel currently offers approximately 9,600 square feet of conference/special event space, including 11 banquet rooms, five conference rooms, and poolside reception capacity. The conference/special event space within these hotels, because of their small size, would likely suffer a reduction in operations if a conference center was located at the Terminal. Additionally, the financial difficulties experienced by the Henry J. Kaiser Convention Center, which recently ceased operations, is illustrative of the challenges that would be faced by a standalone conference facility.

### **Regional Recreation Center and Supermarket (Option 2)**

Option 2 proposes a regional recreation center of 162,700 square feet with such uses as a gym/fitness club, community center, basketball court, an indoor sports field, and exercise studios (e.g., aerobics/yoga studio) (see **Table 1**).<sup>7</sup> Additional uses include a grocery store, sporting goods store, and cafés/restaurants. For the indoor sports field, about half of the 1950s portion would be able to accommodate such sports as soccer or field hockey.<sup>8</sup> Because no parking is discussed as part of this option, it is unclear where patrons of the site would park their cars.

### Market Assessment

Option 2 includes almost 90,000 square feet of recreational space, with 54,000 square feet of that dedicated to indoor soccer or field hockey. Publicly owned facilities typically rely heavily on the city's general funds for parks and recreation, and sometimes charge residents a nominal fee for their participation in various sports and activities. The City of Oakland currently has over 30 recreation centers/facilities, including the Jack London Aquatic Center located within the Oak to 9<sup>th</sup> Mixed-Use Project site.<sup>9</sup> These City-run recreation centers host a variety of activities for adults and children, including sports, computer literacy, foreign languages, dance, music, and art classes as well as spring break and summer camps.

Privately owned sports and fitness facilities usually depend on membership dues to cover the expenses of operating such a facility, although most also allow walk-ins for a nominal fee which ranges in price based on the activity. These centers can be quite profitable and popular with area residents, such as the Bladium in the City of Alameda. The Bladium is located at the former Naval Air Station and has 120,000 square feet of space dedicated to inline hockey, stadium soccer, baseball, volleyball, basketball, lacrosse, and flag football. The center also has a rock wall for simulated rock climbing, a 25,000-square foot fitness center, and a wide range of fitness classes, and will soon have an Olympic-size boxing ring. Clients range in age from children to seniors, and the center is always changing or adding activities to better meet its clients' needs.

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<sup>7</sup> The Ninth Avenue Terminal is 180,000 square feet. Therefore, in Option 2, 17,300 square feet are unaccounted for.

<sup>8</sup> According to the UC Study, in order to create this use, the columns along the promenade would need to be removed. (See "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse," pg. 23.)

<sup>9</sup> The Jack London Aquatic Center currently offers youth, adult, and group activities including kayaking, sailing, sculling, rowing, and dragon boating.



Option 2 also includes a 45,000-square foot grocery store that would be located at the southern end of the Terminal (e.g., along the Oakland Estuary). Typically, a grocery retailer would not locate along a waterfront; instead, a grocery retailer would prefer to locate along a major thoroughfare with ample off-street parking, as well as complimentary adjoining uses such as a drug store, coffee shop, and eating and drinking establishments. As described in the UC Study, the waterfront location does not offer any added benefit to a grocery tenant, nor does this alternative provide ancillary retail uses and services as typically found in a grocery-anchored center.

Because the owner of the Terminal would have difficulty finding a grocery tenant that would be willing to locate a standalone store in this location with no ancillary retail, the Recreational Center and Supermarket option would not likely be a viable alternative for the Ninth Avenue Terminal. Additionally, the Terminal could not provide the parking required for a supermarket. Based on the standard parking estimates, the Terminal would need a minimum of 135 parking spaces for the grocery component alone. Besides, in the Proposed Project alternative, the Developer proposes to include a neighborhood serving retail center that includes a grocery store, specialty food tenants, retail shops, and enclosed parking structures within the Project. However, these uses would be focused along the new main road in new ground floor retail/commercial space with adjacent parking, but not within the Terminal.<sup>10</sup>

Although the area could support a supermarket, the Terminal site is unsuitable, particularly relative to the site proposed in the Proposed Project, which includes parking and ancillary retail. A dedicated recreation center up to 120,000 square feet would likely be a more appropriate use, but there is a question whether the site can support this amount of square footage, considering the array of similar facilities available in the region as well as the Jack London Aquatic Center that will be located within the Project.

### Conference Facility (Option 3)

Option 3 proposes a 54,000-square foot conference center as its anchor, as well as meeting rooms, conference center and neighborhood-serving retail, and a café/restaurant totaling an additional 75,400 square feet (see **Table 1**). Additional uses include a “black box” theater<sup>11</sup>/comedy club, boutique retail spaces, and “break-out” meeting rooms for community members and conference attendees. In sum, the program would provide 129,400 square feet of leasable area. The southern end of the building would offer on-site parking to serve the facility. As proposed, the Terminal would accommodate 152 parking spaces given a parking ratio of three parking spaces per 1,000 square feet of gross leasable area. However, based on the proposed amount of leasable space, 388 spaces would be needed (see **Table 2**). Given the inadequate amount of

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<sup>10</sup> The new main road would extend from the Embarcadero at 6th Avenue and the new Gateway Park. (See Oak to Ninth Avenue Project Draft EIR, p. III-8.)

<sup>11</sup> Black box theatres are small, easily reconfigurable theatre spaces. They are usually painted entirely black; however, any theater space with flexible seating can be called a black box theatre. They are often used by small, low-budget theatre companies that do not have the money to operate a large space and are especially favored by colleges and other theatre training programs because the space is versatile and easy to change.

parking spaces provided to accommodate the site, the proposed uses would need to be reduced in order to accommodate the needed parking, which would result in less leasable square footage as well as revenues.

### Market Assessment

Option 3 assumes 30,000 square feet of retail/commercial space at \$1.50 per square foot rent, 99,000 square feet of educational/cultural space at \$1.00 per square foot rent, and 50,600 square feet for parking at no charge to customers. Conference centers are typically located in airport, downtown, resort, and conference center hotels. Businesses rely extensively on hotels and conference centers for their meeting, special event, and conference space requirements. These facilities typically offer clear-span exhibit space, divisible meeting rooms, ballrooms, theaters, boardrooms, and/or banquet facilities as well as state-of-the-art audio and video projection systems, Internet connectivity, and high-quality sound and lighting systems. Other attributes important to business clients include available parking, a convenient location, and overnight accommodations. Nonresidential (e.g., standalone) conference centers typically offer a unique location with spectacular views or grounds and have several full-service hotels within walking distance.

Conference centers are typically dedicated to conference, special events, and meeting activities. The added uses suggested by this alternative, including boutique and conference center-serving retail, a neighborhood grocery store, community gathering space, and a "black box" theatre/comedy club, would likely present a conflict with the conference center. Although the Terminal could function as a standalone conference/special events center because of its unique location and proximity to recreation and entertainment, as also suggested for Option 1, it would have to effectively compete with the Oakland Convention Center. The site would need to offer flexible conference/exhibit space and technological innovation, as well as be within walking distance to a minimum of three highly-rated, full service hotels. Currently, these types of hotels do not exist within close proximity to the site, but a 250-room four-star hotel and spa is anticipated to open April 2008 as part of the Jack London Square Redevelopment. However, this new hotel will be located almost one mile, or 0.8 miles, from the Terminal, which is not within walking distance.

Although there are two extended stay hotels directly adjacent to the site, Homewood Suites by Hilton and Executive Inn Embarcadero Cove, these hotels would not necessarily meet the needs of conference attendees. In addition, current utilization and capacity of the Oakland Convention Center indicates that market support does not exist currently for new facilities, and a new facility may adversely affect the Convention Center. Lastly, there are two hotels in Jack London Square that offer conference/special event space: the Jack London Inn at 444 Embarcadero West and the Waterfront Plaza Hotel at 10 Washington Street, which are about one mile and one and a half miles from the Terminal, respectively. The Jack London Inn currently offers approximately 3,800 square feet of conference/special event space, including two boardrooms, and the Waterfront Plaza Hotel currently offers approximately 9,600 square feet of conference/

special event space, including 11 banquet rooms, five conference rooms, and poolside reception capacity. The conference/special event space within these hotels, because of their small size, would likely suffer a reduction in operations if Option 3 were selected.

#### **Market Hall (Option 4)**

Option 4 proposes to retain a portion of the 1920s section of the Terminal, or 47,400 square feet, and convert it into a large public market with mostly 300-square foot and 2,100-square foot stalls for meats, vegetables, fruits, flowers, handiworks, and antiques vendors (see **Table 1**). Additional uses include a maritime history center, a seafood restaurant, and a café. The 1950s portion would be demolished to provide outdoor open space for recreation and special events. Because no parking is discussed as part of this option, it is unclear where patrons of the site would park their cars.

#### Market Assessment

Option 4 assumes the majority of the indoor space, almost 31,000 square feet, would be converted to market stalls for the sale of food, flowers, and crafts. Market halls are typically well-located along public transit routes or have nearby parking, serve a niche market or clientele, have customers with higher incomes, and are small in size (e.g., around 25,000 square feet).

Several market halls near the Project site serve as examples:

- **The Rockridge Market Hall.** The Rockridge Market Hall in north Oakland has nine merchants that sell a variety of specialty food items such as fresh meat and fish, pasta, produce, and baked goods, as well as a catering company, wine seller, coffee and tea shop, and flower store. The Hall includes 16,000 square feet of retail space plus 32,000 square feet of office space on upper floors. It is located on College Avenue, a busy commercial district with numerous restaurants, retail shopping, and personal care services.
- **Swan's Marketplace.** Swan's Marketplace in downtown Oakland, relocated from the nearby Housewives Market, features various merchants selling goods such as meats and African foods, fresh fish and seafood, and wine and liquor. The Marketplace, approximately 44,000 square feet of retail space, is located on 9<sup>th</sup> and Washington Streets and has a history that dates back to 1917.
- **The Ferry Building Marketplace.** The Ferry Building Marketplace in San Francisco along the Embarcadero is a large-scale marketplace that is filled with permanent indoor shops featuring Northern California farmers, bakeries, delicatessens, and cheese, wine, and olive oil producers. In addition to the shops, stalls are set up in the front and back of the building for weekly organic farmers' markets held year-round, which can accommodate up to 110 merchants. The Marketplace is 65,000 square feet of retail space plus 175,000 square feet of office space on upper floors.

- **California Harvest Hall.** Jack London Square will soon introduce the California Harvest Hall, a 185,000-square foot building with daily fresh foods such as fruits, vegetables, meats, cheeses, and baked goods; waterfront cafés and restaurants; specialty shops; professional cooking school; and food exposition.

It is unlikely that a market hall would be successful at the Terminal site because of the large amount of space reused and its close proximity and direct competition with Jack London Square's Harvest Hall. This reuse alternative would likely struggle to attract tenants.

### **Regional Arts and Education Center (Option 5)**

Option 5 proposes to retain 104,700 square feet of the Terminal for artists' studios and workshops as well as classroom space and display areas for community art classes and a café/restaurant (see **Table 1**). At the southern end of the 1950s portion, 10,800 square feet would be converted to a stage house for outdoor theater. A section of the 1950s portion would be demolished and used as open space. The combined space reused would be 115,500 square feet. Because no parking is discussed as part of this option, it is unclear where patrons of the site would park their cars.

### Market Assessment

Option 5 assumes the majority of the indoor space, almost 76,000 square feet, would be converted to artist studios (e.g., lofts and workshops) for crafts, sculpture, and painting. The remainder of the space would become community art classrooms, gallery, café, and stage house. Currently, there are several artist studio and classroom locations in west and east Oakland, Emeryville, and Berkeley. The Crucible, an industrial arts school, is located in west Oakland and offers private and shared studios as well as a variety of classes, including welding, foundry, glass blowing, and jewelry and paper making. The school occupies 50,000 square feet of space, including fifteen 400-square foot artist studios for rent (6,000 square feet of space). The artist studios are 100 percent occupied, and there is currently a waiting list for studio space. Art classes are offered year-round and are typically 80 percent filled. The art gallery at The Crucible, however, has been closed because of minimal foot traffic.

Although it is difficult to forecast the demand for artist studio space that would be generated by the site's location, discussions with operators suggest that affordable live-work artisan space from 750 square feet to 1,500 square feet is highly desirable. However, because the Terminal is on land held in public trust, residential uses are not permitted.<sup>12</sup> According to the UC Study, 36 artisan stalls averaging 2,100 square feet each would be available as artist studios and workshops. These spaces are quite large, and there is likely a limited number of artists who could afford this type of space. The space would likely have to be occupied by working artists who would be able to pay

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<sup>12</sup> From the "California Tidelands: Lands Held in Public Trust, Understanding the Public Trust Doctrine." (See <http://www.portofsandiego.org/projects/cvbmp/assets/documents/Understanding%20the%20CA%20Public%20Trust%20Doctrine.pdf>.)

no more than \$0.50 to \$0.60 per square foot per month. Given this fact, the space would likely be at or below 70 percent occupancy or generate rent insufficient for a viable project.

## REVENUES

As shown on **Table 3**, the annual commercial revenues for the Ninth Avenue Terminal range from \$170,000 for the Proposed Project (Alternative 1) to almost \$1.5 million for the Conference Facility (Option 3). Estimated values depend on building conditions and potential use. Future lease revenues are estimated to range from zero for parking uses to \$1.50 per square foot per month for retail/commercial uses. These rates are relatively low because of several factors, particularly related to Alternative 2, Option 1, and Option 3, including the large amounts of leasable space, competition from neighboring uses, or low revenue generating uses. The cap rate used in this financial analysis is assumed to be 9 percent, which is higher than the cap rate for new retail because of the limited leasing potential and higher degree of risk associated with the existing space.

## DEVELOPMENT COSTS

The analysis includes development costs for the following items for all alternatives, as shown in **Table 4**:

- Pier retrofit costs are fixed at \$10.6 million, regardless of the amount of square feet preserved at the Ninth Avenue Terminal.
- Tenant improvements assume an additional \$75 to \$90 per square foot, which would be necessary for interior tenant improvements for the total leasable square footage.
- Soft costs address architectural and engineering, inspection, permits and fees, liability insurance, etc.
- It is assumed that parking construction costs within the Terminal for Options 1 and 3 are covered in the construction hard costs.

## FINANCIAL FEASIBILITY SUMMARY

As demonstrated in **Table 4**, a financial gap results from the commercial reuse of the Terminal because of the extraordinary seismic retrofit and construction costs required relative to the potential market value. The potential shortfall ranges from \$16.5 million for the Proposed Project (Alternative 1) to \$35.6 million for the Conference Facility (Option 3). The variation is largely related to the types of uses and the amounts of square feet reused, which range from 15,000 square feet for Alternative 1 to roughly 180,000 square feet for Options 1 and 3. The financial gap represents the shortfall that the owner would face in deciding to rehabilitate the building in whole or in part. It is likely that conventional financing would be very difficult to obtain, considering the potential financial gap.

As shown in **Table 4**, financing the cost of development for the site ranges from \$1.7 million (Alternative 1) to \$4.9 million (Option 3) based on conservative assumptions, including an interest rate of 7 percent and a 20-year term. The financing costs greatly exceed NOI, which result in shortfalls ranging from \$1.6 million (Alternative 1) to \$3.4 million (Option 3).

As shown in **Table 5**, given the parking inadequacies that are anticipated in Options 1 and 3, the leasable square feet would need to be reduced in order to accommodate additional parking within the Terminal. Thus, for Option 1, in order to have capacity for three parking spaces per 1,000 square feet of leasable space, the leasable square feet would need to be reduced from 124,300 square feet to 90,000 square feet. The leasable square feet in Option 3 would need to be reduced from 129,400 square feet to 90,000 square feet. As shown in **Tables 6 and 7**, these reductions in leasable square feet also result in a reduced amount of NOI and greater financial shortfalls, making these alternatives less financially feasible.

As proposed for Alternative 2, the Terminal would include 90,000 square feet of leasable space. However, EPS estimates that demand would only support 79,000 square feet (see **Table 5**). The remaining 11,000 square feet could accommodate 33 parking spaces of the 195 spaces not otherwise accommodated in a surface lot. However, if the Developer needs to accommodate more parking within the Terminal, either the open space or leasable space would need to be reduced. Additionally, as shown in **Table 7**, the reduction of leasable square feet also reduces the NOI from \$1.0 million to \$923,000. If fewer square feet are developed, although the shortfall would be reduced from \$23.4 million to \$22.0 million, this alternative is still less financially feasible than Alternative 1.

**Table 1**  
**Ninth Avenue Terminal Uses By Alternative**  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

<b>Alternatives/Uses</b>	<b>Sq. Ft.</b>
<b>Proposed Project Alternative (Alternative 1)</b>	
Visitors' and Cultural Center	15,000
<b>Total</b>	<b>15,000</b>
<b>1927 Reuse Alternative (Alternative 2)</b>	
Visitors' and Cultural Center	18,000
Philbrick Boat Works	20,000
Marine-related space and other commercial uses	20,000
Food concessions	22,000
<u>Boat and bicycle rental shops</u>	<u>10,000</u>
<b>Total</b>	<b>90,000</b>
<b>Fort Mason Center Model (Option 1)</b>	
Event Pavilion/Trade Show Area	64,800
Boutique Conference Center Space	8,400
Little Theater/Screening Room	5,600
Maritime History Center	10,500
Restaurant	8,400
Museum	12,600
Artisan Commercial Space	14,000
<u>Parking (1)</u>	<u>55,700</u>
<b>Total</b>	<b>180,000</b>
<b>Regional Recreation Center and Supermarket (Option 2)</b>	
Community Center	12,600
Leased Gathering/Storage Space for Sports Groups (Subdividable)	10,500
Aerobics/Yoga Studio	8,400
Cafés/Restaurants	5,600
Indoor Soccer Field/Field Hockey	54,000
Supermarket	45,000
Basketball Court	4,200
Gym/Fitness Center	12,600
Catering/Laundry Facilities	4,200
<u>Sporting Goods Store</u>	<u>5,600</u>
<b>Total (2)</b>	<b>162,700</b>
<b>Conference Facility (Option 3)</b>	
Community Meeting Rooms	9,000
Leased Gathering/Storage Space for Community Club Groups (Subdividable)	10,500
Boutique Retail	8,400
Cafés/Restaurants	10,100
Conference Center	54,000
Community Center	13,200
Neighborhood Grocery	6,000
Black Box Theatre/Comedy Club	12,600
Conference Serving Retail	5,600
<u>Parking (1)</u>	<u>50,600</u>
<b>Total</b>	<b>180,000</b>
<b>Market Hall (Option 4)</b>	
Maritime History Center	8,400
Market Stalls	30,600
<u>Cafés/Restaurants</u>	<u>8,400</u>
<b>Total</b>	<b>47,400</b>
<b>Regional Arts &amp; Education Center (Option 5)</b>	
Artist Studios (For crafts, sculpture, and painting)	75,600
Gallery	8,400
Café	6,300
Classrooms	14,400
<u>Stage House</u>	<u>10,800</u>
<b>Total</b>	<b>115,500</b>

(1) Because the parking square footage is not listed in the UC Study, it is assumed that Options 1 and 3 reuse all 180,000 square feet of the Terminal.

(2) The Ninth Avenue Terminal is 180,000 square feet. Therefore, in Option 2, 17,300 square feet are unaccounted for.

Source: Oakland Harbor Partners, LLC; "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse" by N. Perry, M. Sorensen, and H. Strobel; Economic & Planning Systems, Inc.

**Table 2**  
**Summary of Ninth Avenue Terminal Uses**  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

Alternative	Notes	Uses (Sq. Ft.)				Leasable Sq. Ft.	Required Parking Spaces (1)	Grand Total Sq. Ft.	Sq. Ft. Not Accommodated within Terminal
		Retail/ Commercial	Marine-related Commercial	Educational/ Cultural	Recreational				
<b>Proposed Project Alternative (Alternative 1)</b>	(2)	0	0	15,000	0	15,000	45	15,000	0
<b>1927 Reuse Alternative (Alternative 2)</b>	(3)	32,000	40,000	18,000	0	90,000	270	90,000	0
<b>Fort Mason Center Model (Option 1)</b>	(4)	22,400	0	101,900	0	124,300	373	248,600	68,600
<b>Regional Recreation Center and Supermarket (Option 2)</b>	(4)	60,400	0	16,800	85,500	162,700	488	325,400	145,400
<b>Conference Facility (Option 3)</b>	(4)	30,100	0	99,300	0	129,400	388	258,800	78,800
<b>Market Hall (Option 4)</b>	(5)	39,000	0	8,400	0	47,400	142	94,800	0
<b>Regional Arts &amp; Education Center (Option 5)</b>	(6)	81,900	0	33,600	0	115,500	347	231,000	51,000

(1) Assumes 3 parking spaces per 1,000 square feet of leasable space for all Alternatives.

(2) Parking would be provided on surface parking lots comprising approximately 75 parking spaces, not within the Terminal.

(3) Parking would be provided on surface parking lots comprising approximately 75 parking spaces, not within the Terminal. However, not all of these spaces will be accommodated.

(4) Full Preservation as proposed by Perry, Sorensen, and Strobel.

(5) The 1951 segment is partially removed for open space as proposed by Perry, Sorensen, and Strobel.

(6) The 1951 segment is partially removed and includes a 10,800 square foot outdoor stage house as proposed by Perry, Sorensen, and Strobel.

Source: Oakland Harbor Partners, LLC; "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse" by N. Perry, M. Sorensen, and H. Strobel; Economic & Planning Systems, Inc.



**Table 3**  
**Ninth Avenue Terminal Commercial Reuse Revenues\***  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

<b>Alternative</b>	<b>Retail/ Commercial (1) \$1.50</b>	<b>Marine-related Commercial (1) \$0.75</b>	<b>Educational/ Cultural (1) \$1.00</b>	<b>Recreational (1) \$0.75</b>	<b>Parking (1) \$0.00</b>	<b>Vacancy Rate (2)</b>	<b>Total Annual Lease Revenue</b>
<b>Proposed Project Alternative (Alternative 1)</b>	\$0	\$0	\$180,000	\$0	\$0	5%	\$171,000
<b>1927 Reuse Alternative (Alternative 2)</b>	\$576,000	\$360,000	\$216,000	\$0	\$0	10%	\$1,036,800
<b>Fort Mason Center Model (Option 1)</b>	\$403,200	\$0	\$1,222,800	\$0	\$0	15%	\$1,382,100
<b>Conference Facility (Option 3)</b>	\$541,800	\$0	\$1,191,600	\$0	\$0	15%	\$1,473,390

\* Research suggests that it is unlikely that there would be sufficient market demand to support the retail space in Options 2, 4, and 5, so these options have not been evaluated as part of this analysis.

(1) The lease rates shown are triple net (NNN) and are based on discussions with retail brokers and operators of similar space/uses.

(2) The vacancy rate for Options 1 and 3 represents an average for conference uses and other cultural and retail/commercial.

Source: Oakland Harbor Partners, LLC; "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse" by N. Perry, M. Sorensen, and H. Strobel; Loopnet.com; Economic & Planning Systems, Inc.

**Table 4**  
**Summary of Ninth Avenue Terminal Commercial Reuse Analysis by Alternative**  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

Item	Cost Per Sq. Ft. or %	Proposed Project Alternative <sup>(1)</sup> (Alternative 1)	1927 Reuse Alternative (Alternative 2)	Fort Mason Center Model (Option 1)	Conference Facility (Option 3)
Leasable Square Feet		15,000	90,000	124,300	129,400
Parking Square Feet <sup>(2)</sup>		0	0	55,700	50,600
Total Square Feet		15,000	90,000	180,000	180,000
Open Space (acres)		3.8	2.1	0.0	0.0
<b>Commercial Reuse Value</b>					
Net Operating Income		\$171,000	\$1,036,800	\$1,382,100	\$1,473,390
<b>Total Capitalized Value (3)</b>		<b>\$1,900,000</b>	<b>\$11,520,000</b>	<b>\$15,356,667</b>	<b>\$16,371,000</b>
<b>Development Costs</b>					
<b>Construction Hard Costs (4)</b>					
Ninth Avenue Pier Retrofit (5)		\$10,576,000	\$10,576,000	\$10,576,000	\$10,576,000
Open Space Landscaping and Irrigation	\$8.00 /sq. ft.	\$1,320,000	\$720,000	\$0	\$0
General Conditions	\$9.22 /sq. ft.	\$138,271	\$816,352	\$1,659,252	\$1,659,252
Blueprinting	\$0.14 /sq. ft.	\$2,117	\$25,000	\$25,407	\$25,407
Final Clean-up	\$0.16 /sq. ft.	\$2,370	\$27,985	\$28,440	\$28,440
Concrete Interior Topping Slab	\$8.79 /sq. ft.	\$131,902	\$778,750	\$1,582,825	\$1,582,825
Concrete Drilling	\$0.76 /sq. ft.	\$11,433	\$67,500	\$137,195	\$137,195
Concrete Wall Patching	\$0.56 /sq. ft.	\$8,469	\$100,000	\$101,626	\$101,626
Caulking at Clerestory Wall	\$0.18 /sq. ft.	\$2,710	\$16,000	\$32,520	\$32,520
Roof Truss Miscellaneous Metal	\$18.57 /sq. ft.	\$278,478	\$1,644,132	\$3,341,732	\$3,341,732
Misc. Carpentry	\$0.80 /sq. ft.	\$12,000	\$70,850	\$144,004	\$144,004
Roof Wood Blocking and Plywood	\$5.57 /sq. ft.	\$83,486	\$492,900	\$1,001,829	\$1,001,829
Replace Damaged Roof Beams and Decking	\$15.99 /sq. ft.	\$239,837	\$1,416,000	\$2,878,049	\$2,878,049
Roofing	\$2.48 /sq. ft.	\$37,178	\$219,500	\$446,138	\$446,138
Sheetmetal for Roof	\$0.48 /sq. ft.	\$7,156	\$42,250	\$85,874	\$85,874
Lath and Plaster	\$1.10 /sq. ft.	\$16,571	\$97,833	\$198,847	\$198,847
Glass and Glazing	\$6.89 /sq. ft.	\$103,320	\$610,000	\$1,239,837	\$1,239,837
Insulation	\$1.66 /sq. ft.	\$24,848	\$146,704	\$298,179	\$298,179
Painting	\$3.28 /sq. ft.	\$49,162	\$290,250	\$589,939	\$589,939
Plumbing	\$0.76 /sq. ft.	\$11,382	\$67,200	\$136,585	\$136,585
Fire Sprinklers	\$3.89 /sq. ft.	\$58,334	\$344,405	\$700,010	\$700,010
<b>Subtotal</b>		<b>\$13,115,024</b>	<b>\$18,569,611</b>	<b>\$25,204,289</b>	<b>\$25,204,289</b>
<b>Tenant Improvements and Overhead</b>					
Tenant Improvements (6)		\$1,125,000	\$6,750,000	\$9,322,500	\$11,646,000
Overhead and Profit	\$9.38 /sq. ft.	\$140,641	\$830,347	\$1,687,697	\$1,687,697
<b>Subtotal</b>		<b>\$1,265,641</b>	<b>\$7,580,347</b>	<b>\$11,010,197</b>	<b>\$13,333,697</b>
<b>Construction Soft Costs</b>					
Architectural and Engineering	\$11.72 /sq. ft.	\$175,802	\$1,051,771	\$2,109,622	\$2,109,622
Test/Inspection	\$1.41 /sq. ft.	\$21,172	\$250,000	\$254,065	\$254,065
Plans/Energy Calculation	\$0.14 /sq. ft.	\$2,117	\$25,000	\$25,407	\$25,407
Permits and Fees	\$1.41 /sq. ft.	\$21,172	\$250,000	\$254,065	\$254,065
Liability Insurance	\$0.16 /sq. ft.	\$2,344	\$14,024	\$28,128	\$28,128
Finance Charges and Profit (7)	26% of Total Dev. Cost	\$3,796,851	\$7,212,596	\$10,110,301	\$10,714,411
<b>Subtotal</b>		<b>\$4,019,458</b>	<b>\$8,803,391</b>	<b>\$12,781,587</b>	<b>\$13,385,697</b>
<b>Total Costs</b>		<b>\$18,400,124</b>	<b>\$34,953,349</b>	<b>\$48,996,073</b>	<b>\$51,923,683</b>
<b>Net Gain or (Shortfall) (8)</b>		<b>(\$16,500,124)</b>	<b>(\$23,433,349)</b>	<b>(\$33,639,407)</b>	<b>(\$35,552,683)</b>
<b>Finance Costs</b>					
Annual Debt Service (9)		\$1,736,842	\$3,299,349	\$4,624,883	\$4,901,228
NOI After Debt Service		(\$1,565,842)	(\$2,262,549)	(\$3,242,783)	(\$3,427,838)

(1) For the Ninth Avenue Terminal Pier Retrofit costs, the total cost to retrofit the portion of the pier proposed to be removed under the Proposed Project Alternative would be \$18,661,104.

(2) Parking for Alternative 1 is provided in a surface parking lot adjacent to the Terminal, whereas parking for the other options is provided within the Terminal.

(3) Assumes a cap rate of 9%.

(4) It is assumed that parking construction costs within the Terminal for Options 1 and 3 are covered in the construction hard costs.

(5) Includes mobilization, demolition of apron and trestle, pier piles wrap, dowel pipes, pier retrofit, and open space fill.

(6) Assumes \$75 per square foot for Alternative 1 and Option 1, and \$90 per square foot for Option 3 for the leasable square footage only.

(7) Includes overhead (3%), finance charges (8%), and profit (15%).

(8) For financial evaluation purposes, the shortfalls are based on total costs, including pier retrofit and all related soft costs (e.g., profit, finance charges, etc.); the shortfalls shown are not intended to represent a contribution of the Oak to 9th Project.

(9) Assumes a 7% interest rate and a 20-year term.

Source: Oakland Harbor Partners, LLC; Economic & Planning Systems, Inc.

**Table 5**  
**Ninth Avenue Terminal Parking Sensitivity Analysis -- Revised**  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

Alternative	Uses (Sq. Ft.)				Leasable Sq. Ft.	Required Parking Spaces	Grand Total Sq. Ft.
	Retail/ Commercial	Marine-related Commercial	Educational/ Cultural	Recreational			
<b>Proposed Project Alternative (Alternative 1)</b>	0	0	15,000	0	15,000	45	30,000
<b>1927 Reuse Alternative (Alternative 2)</b>	29,000	32,000	18,000	0	79,000	237	90,000
<b>Fort Mason Center Model (Option 1)</b>	15,000	0	75,000	0	90,000	270	180,000
<b>Regional Recreation Center and Supermarket (Option 2)</b>	30,000	0	10,000	50,000	90,000	270	180,000
<b>Conference Facility (Option 3)</b>	20,000	0	70,000	0	90,000	270	180,000
<b>Market Hall (Option 4)</b>	39,000	0	8,400	0	47,400	142	94,800
<b>Regional Arts &amp; Education Center (Option 5)</b>	70,000	0	20,000	0	90,000	270	180,000

Source: Oakland Harbor Partners, LLC; "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse" by N. Perry, M. Sorensen, and H. Strobel; Economic & Planning Systems, Inc.

**Table 6**  
**Ninth Avenue Terminal Commercial Reuse Revenues -- Revised\***  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

<b>Alternative</b>	<b>Retail/ Commercial (1) \$1.50</b>	<b>Marine-related Commercial (1) \$0.75</b>	<b>Educational/ Cultural (1) \$1.00</b>	<b>Recreational (1) \$0.75</b>	<b>Vacancy Rate (2)</b>	<b>Total Annual Lease Revenue</b>
<b>Proposed Project Alternative (Alternative 1)</b>	\$0	\$0	\$180,000	\$0	5%	\$171,000
<b>1927 Reuse Alternative (Alternative 2)</b>	\$522,000	\$288,000	\$216,000	\$0	10%	\$923,400
<b>Fort Mason Center Model (Option 1)</b>	\$270,000	\$0	\$900,000	\$0	15%	\$994,500
<b>Conference Facility (Option 3)</b>	\$360,000	\$0	\$840,000	\$0	15%	\$1,020,000

\* Research suggests that it is unlikely that there would be sufficient market demand to support the retail space in Options 2, 4, and 5, so these options have not been evaluated as part of this analysis.

(1) The lease rates shown are triple net (NNN) and are based on discussions with retail brokers and operators of similar space/uses.

(2) Vacancy rate for Option 1 and Option 3 represents an average for conference uses and other cultural and retail/commercial.

Source: Oakland Harbor Partners, LLC; "The Ninth Avenue Terminal: A Feasibility Study for Adaptive Reuse" by N. Perry, M. Sorensen, and H. Strobel; Loopnet.com; Economic & Planning Systems, Inc.

**Table 7**  
**Summary of Ninth Avenue Terminal Commercial Reuse Analysis by Alternative -- Revised**  
**Oak to Ninth Mixed-Use Project Reuse Feasibility Analysis; EPS #14115**

Item	Cost Per Sq. Ft. or %	Proposed Project Alternative <sup>(1)</sup> (Alternative 1)	1927 Reuse Alternative (Alternative 2)	Fort Mason Center Model (Option 1)	Conference Facility (Option 3)
Leasable Square Feet		15,000	79,000	90,000	90,000
Parking Square Feet (2)		0	0	90,000	90,000
Total Square Feet		15,000	79,000	180,000	180,000
Open Space (acres)		3.8	2.3	0.0	0.0
<b>Commercial Reuse Value</b>					
Net Operating Income		\$171,000	\$923,400	\$994,500	\$1,020,000
<b>Total Capitalized Value (3)</b>		<b>\$1,900,000</b>	<b>\$10,260,000</b>	<b>\$11,050,000</b>	<b>\$11,333,333</b>
<b>Development Costs</b>					
<b>Construction Hard Costs (4)</b>					
Ninth Avenue Pier Retrofit (5)		\$10,576,000	\$10,576,000	\$10,576,000	\$10,576,000
Open Space Landscaping and Irrigation	\$8.00 /sq. ft.	\$1,320,000	\$808,000	\$0	\$0
General Conditions	\$9.22 /sq. ft.	\$138,271	\$728,227	\$1,659,252	\$1,659,252
Blueprinting	\$0.14 /sq. ft.	\$2,117	\$11,151	\$25,407	\$25,407
Final Clean-up	\$0.16 /sq. ft.	\$2,370	\$12,482	\$28,440	\$28,440
Concrete Interior Topping Slab	\$8.79 /sq. ft.	\$131,902	\$694,684	\$1,582,825	\$1,582,825
Concrete Drilling	\$0.76 /sq. ft.	\$11,433	\$60,213	\$137,195	\$137,195
Concrete Wall Patching	\$0.56 /sq. ft.	\$8,469	\$44,603	\$101,626	\$101,626
Caulking at Clerestory Wall	\$0.18 /sq. ft.	\$2,710	\$14,273	\$32,520	\$32,520
Roof Truss Miscellaneous Metal	\$18.57 /sq. ft.	\$278,478	\$1,466,649	\$3,341,732	\$3,341,732
Misc. Carpentry	\$0.80 /sq. ft.	\$12,000	\$63,202	\$144,004	\$144,004
Roof Wood Blocking and Plywood	\$5.57 /sq. ft.	\$83,486	\$439,692	\$1,001,829	\$1,001,829
Replace Damaged Roof Beams and Decking	\$15.99 /sq. ft.	\$239,837	\$1,263,144	\$2,878,049	\$2,878,049
Roofing	\$2.48 /sq. ft.	\$37,178	\$195,805	\$446,138	\$446,138
Sheetmetal for Roof	\$0.48 /sq. ft.	\$7,156	\$37,689	\$85,874	\$85,874
Lath and Plaster	\$1.10 /sq. ft.	\$16,571	\$87,272	\$198,847	\$198,847
Glass and Glazing	\$6.89 /sq. ft.	\$103,320	\$544,151	\$1,239,837	\$1,239,837
Insulation	\$1.66 /sq. ft.	\$24,848	\$130,867	\$298,179	\$298,179
Painting	\$3.28 /sq. ft.	\$49,162	\$258,918	\$589,939	\$589,939
Plumbing	\$0.76 /sq. ft.	\$11,382	\$59,946	\$136,585	\$136,585
Fire Sprinklers	\$3.89 /sq. ft.	\$58,334	\$307,227	\$700,010	\$700,010
<b>Subtotal</b>		<b>\$13,115,024</b>	<b>\$17,804,193</b>	<b>\$25,204,289</b>	<b>\$25,204,289</b>
<b>Tenant Improvements and Overhead</b>					
Tenant Improvements (6)		\$1,125,000	\$5,925,000	\$6,750,000	\$8,100,000
Overhead and Profit	\$9.38 /sq. ft.	\$140,641	\$740,712	\$1,687,697	\$1,687,697
<b>Subtotal</b>		<b>\$1,265,641</b>	<b>\$6,665,712</b>	<b>\$8,437,697</b>	<b>\$9,787,697</b>
<b>Construction Soft Costs</b>					
Architectural and Engineering	\$11.72 /sq. ft.	\$175,802	\$925,890	\$2,109,622	\$2,109,622
Test/Inspection	\$1.41 /sq. ft.	\$21,172	\$111,506	\$254,065	\$254,065
Plans/Energy Calculation	\$0.14 /sq. ft.	\$2,117	\$11,151	\$25,407	\$25,407
Permits and Fees	\$1.41 /sq. ft.	\$21,172	\$111,506	\$254,065	\$254,065
Liability Insurance	\$0.16 /sq. ft.	\$2,344	\$12,345	\$28,128	\$28,128
Finance Charges and Profit (7)	26% Total Dev. Cost	\$3,796,851	\$6,666,999	\$9,441,451	\$9,792,451
<b>Subtotal</b>		<b>\$4,019,458</b>	<b>\$7,839,397</b>	<b>\$12,112,737</b>	<b>\$12,463,737</b>
<b>Total Costs</b>		<b>\$18,400,124</b>	<b>\$32,309,302</b>	<b>\$45,754,723</b>	<b>\$47,455,723</b>
<b>Net Gain or (Shortfall) (8)</b>		<b>(\$16,500,124)</b>	<b>(\$22,049,302)</b>	<b>(\$34,704,723)</b>	<b>(\$36,122,390)</b>
<b>Finance Costs</b>					
Annual Debt Service (9)		\$1,736,842	\$3,049,770	\$4,318,922	\$4,479,485
NOI After Debt Service		(\$1,565,842)	(\$2,126,370)	(\$3,324,422)	(\$3,459,485)

(1) For the Ninth Avenue Terminal Pier Retrofit costs, the total cost to retrofit the portion of the pier proposed to be removed under the Proposed Project Alternative would be \$18,661,104.

(2) Parking for Alternative 1 is provided in a surface parking lot adjacent to the Terminal, whereas parking for the other options is provided within the Terminal.

(3) Assumes a cap rate of 9%.

(4) It is assumed that parking construction costs within the Terminal for Options 1 and 3 are covered in the construction hard costs.

(5) Includes mobilization, demolition of apron and trestle, pier piles wrap, dowel pipes, pier retrofit, and open space fill. These costs are fixed regardless of the alternative that is developed.

(6) Assumes \$75 per square foot for Alternative 1 and Option 1, and \$90 per square foot for Option 3 for the leasable square footage only.

(7) Includes overhead (3%), finance charges (8%), and profit (15%).

(8) For financial evaluation purposes, the shortfalls are based on total costs, including pier retrofit and all related soft costs (e.g., profit, finance charges, etc.); the shortfalls shown are not intended to represent a contribution of the Oak to 9th Project.

(9) Assumes a 7 percent interest rate and a 20-year term.

Source: Oakland Harbor Partners, LLC; Economic & Planning Systems, Inc.