



# MEMORANDUM

**TO:** HONORABLE MAYOR &  
CITY COUNCIL

**FROM:** Fred Blackwell

**SUBJECT:** Rotunda Garage

**DATE:** December 10, 2013

City Administrator

Date

Approval /s/ Fred Blackwell

December 10, 2013

## **INTRODUCTION**

This memorandum responds to a request by the City Council to describe the business terms included in the disposition and development agreement (Property DDA) between the Redevelopment Agency (Agency) and Rotunda Garage LP (Developer) for the sale and lease of four parcels located adjacent to the Rotunda Building on a block bounded by 16th Street, 17th Street and San Pablo Avenue in the Central District (Property) to develop a 320-space public parking garage, approximately 3,000 square feet of adjacent retail, and a temporary surface parking lot (Project).

## **BACKGROUND/LEGISLATIVE HISTORY**

### **A. DDA for Rotunda Building**

On June 29, 1998, the Agency entered into a Disposition and Development Agreement (Rotunda DDA) with Rotunda Partners I, a general partnership, for the sale and rehabilitation of the Rotunda Building located at 300 Frank H. Ogawa Plaza. Subsequently Rotunda Partners I assigned the Rotunda DDA to Rotunda Partners II, LLC, a related special purpose entity established by the developer of the Rotunda for the purpose of syndicating historic rehabilitation tax credits. The Rotunda DDA included the following key terms:

- The Agency made a loan of \$12 million to Rotunda Partners II, LLC for the seismic retrofit of the Rotunda Building that was severely damaged during the Loma Prieta earthquake.
- Rotunda Partners II, LLC must share with the Agency 50 percent of all proceeds over \$38 million for the sale of the building.
- The Agency must use best efforts to provide permanent parking for the Rotunda Building tenants and customers.

## **B. DDA for Property**

On August 26, 2004, pursuant to Resolution No. 2004-36 C.M.S., the Agency entered into the Property DDA with Rotunda Garage LP. Rotunda Partners II, LLC (the developer under the Rotunda DDA) is the limited partner in Rotunda Garage LP (Also see Attachment A – June 2004 staff report for more details). Pursuant to the terms of the agreement, the Agency divided the Property into four parcels (see Attachment B, Parcel Map: Parcel 1- the garage site; Parcels 2 and 3 - retail or commercial sites; and Parcel 4 - a remainder site on 16th Street with garage access easements). The following outlines the key terms and conditions included in the Property DDA:

- Rotunda Garage LP could purchase Parcels 1, 2 and 3 for \$99 each, and ground lease Parcel 4 for \$1 per year for a term of up to 20 years (in 5-year increments), or until the parcel is ready for development by Rotunda Garage LP or another entity. All future development proposals for Parcels 2, 3 and 4 require separate Agency approval. The Developer can sell Parcels 2 and 3 at fair market value after finishing a project on the site, or prior to project completion with the Agency's written consent. For Parcel 4, the Agency can enter into a development agreement with other developers, subject to the Developer's first right to make a comparable offer before the end of the first 10 years of the ground lease term. The developer retains auto/pedestrian easements for garage access over Parcel 4 no matter who develops the site. The Parcels were transferred to Developer on December 3, 2004.
- The Property DDA required the Developer to commence development on Parcels 2 and 3 no later than April 2011. The Developer was deemed to have commenced construction if Developer had provided or received the following: (1) Agency approval of the development plans; (2) Approval of all required zoning and building permits for the project; (3) An executed contract with a construction contractor who is experienced in retail construction of a similar size and type; (4) Approval of a construction loan by an institutional lender together with sufficient other monies to fund the proposed construction, or sufficient funds set aside in an escrow account to fund construction, including a reasonable amount of contingencies; (5) A construction completion bond or other security approved by Agency sufficient to complete the proposed construction and ensure payment of all construction cost; and (6) Evidence that the Developer's contractor had begun pouring the foundation for the development approved by the Agency. If the Developer failed to meet that deadline, the Agency, subject to the terms of the Property DDA, could repurchase the parcels for the purchase price (\$99) plus the cost of any Developer-paid improvements.
- As stated in section (A) above, on October 20, 1999, the Agency and Rotunda Partners II, LLC, executed a promissory note (secured by a second deed of trust on the building) for a loan of \$12 million. The loan to Rotunda Partners II, LLC has a term of 20 years and requires annual interest payments of 3 percent beginning in October 2014 and full principal repayment in 2019. As part of the Property DDA, the Agency assigned \$4 million (plus interest of 3 percent) of the \$12 million promissory note due from the repayment of the \$12 million loan for the rehabilitation of the Rotunda Building to Rotunda Garage LP.

- The Agency rebates to Developer the net property tax increment generated by the Project on the Property (net of required pass-throughs for affordable housing, ERAF, etc.) for 10 years. Net property tax increment rebates over the last 7 years have averaged \$47,000 per year. These reimbursements were estimated at approximately \$35,000 per year in the reuse appraisal (which is attached to this report). For newly constructed buildings, the County usually bases its initial assessment of the property value and the resulting taxes on the actual construction costs of the facility, which, in the case of the Rotunda garage, were higher than originally anticipated by the Developer (approximately \$7.5 million vs. the original estimate of \$6 million). Since the Developer is paying higher property taxes, the reimbursement of net tax increment to the Developer also exceeds the original projections.

### **C. Amendments to Property DDA**

On April 18, 2009, the Agency and Developer amended the Property DDA for the first time by entering into an Agreement to Extend Development Deadlines to extend (1) the purchase and development rights of Adcock/Joyner Apartments, the property owner adjacent to Parcel 4, who had an option to purchase Parcel 4 under the Property DDA, by 16 months to March 2010, and (2) the right of Rotunda Garage LP to start Project development on Parcel 2 and 3 by two years from April 2011 to April 2013, effectively increasing the period for the Developer to develop these parcels from 5 to 7 years before the Agency could exercise its repurchase rights. In June 2012, a building permit for Parcel 2 was issued and foundation piers were installed thereafter.

In May 2013, the Property DDA was amended for a second time to: (1) provide written Agency consent to the transfer of Parcel 2 from the Developer to a new developer, San Pablo Commercial Center LLC (SPCC); and (2) modify the Property DDA's security requirements for further development of Parcel 2 by SPCC. After obtaining the Agency's consent to transfer, the Developer sold Parcel 2 to SPCC for \$152,000. The reuse appraisal, which is discussed in more detail below, acknowledged an estimated sales price for Parcel 2 of \$335,300, based on a 2004 appraisal by City staff. SPCC has not proceeded with any further construction. Additionally, SPCC has not yet satisfied the amended security requirements for the development of Parcel 2. Accordingly, SPCC is in default of the Property DDA.

### **ANALYSIS**

California Community Redevelopment Law (Section 33433 of the California Health and Safety Code) required that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must prepare for public review a reuse valuation of the asset to be conveyed. A reuse valuation estimates the fair price to be paid for the property by the developer to the Agency, based upon the conditions, covenants, and development costs required by the agreement between the parties.

The Agency hired Keyser Marston Associates, Inc. (KMA) to prepare the reuse appraisal. KMA concluded that the Agency's financial assistance to the Developer was warranted to support the

estimated private investment of \$6.0 million needed to construct the garage. With a valuation of the garage at \$3,860,000 and a development cost estimate of approximately \$6 million (excluding any land costs), a private investment of approximately \$2,140,000 was needed to develop the garage. As shown in the reuse appraisal, the additional value created by the land write-down for Parcel 1, 2 and 3, the estimated sales proceeds for Parcel 2 and 3, the capitalized 10-year property tax increment rebate and the partial promissory note assignment helped to support the needed private investment as the combined value of the Agency's assistance equaled approximately \$2.1 million. A copy of the reuse valuation is attached to the report as Attachment C.

The City Auditor also reviewed the transaction prior to Council approval and determined that the deal "appeared to be reasonable" (see Attachment D - City Auditor's report).

### **CONCLUSION**

The business terms established in the Property DDA between the Agency and the Developer for the development of the 17<sup>th</sup> Street parking garage offer several benefits. The development of the garage was a key component of the Agency's overall Uptown redevelopment strategy. Primarily, the new garage provided needed parking not only for the Rotunda Building, but for the entire Uptown area. The new parking partially offsets the loss of 1,200 parking spaces that resulted from the development of the Uptown Apartments. The new garage also benefits many new surrounding businesses, including the Fox Theater and Oakland Ice Rink. Lastly, related ownership of the parking and the Rotunda building, and easy tenant and customer access to secured parking in the garage should increase the value of the Rotunda Building, which, in turn, would increase the Agency's share of proceeds from a sale of the building. Overall, the financial contributions made by the Agency for the development of the garage ensured financial feasibility and completion of the parking facility.

Rotunda Garage LP has not met the terms of the Property DDA with regard to the development of Parcel 3. SPCC has not met the terms of the Property DDA with regard to the amended security requirements for the development of Parcel 2.

For questions regarding this report, please contact Jens Hillmer, Urban Economic Coordinator at 238-3317.

#### Attachments:

Attachment A – June 2004 Staff Report

Attachment B – Parcel Map

Attachment C – Reuse Appraisal

Attachment D – City Auditor's Supplemental Staff Report

# **ATTACHMENT A**

CITY OF OAKLAND  
COUNCIL/ AGENCY AGENDA REPORT 004 MAY 27 PM 2: 39

TO: Office of the City Manager/ Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: June 8, 2004

RE: CITY AND AGENCY RESOLUTIONS AUTHORIZING A DISPOSITION AND DEVELOPMENT AGREEMENT WITH ROTUNDA GARAGE, LP FOR THE DEVELOPMENT OF A PARKING GARAGE STRUCTURE BETWEEN 16TH AND 17TH STREETS AND SAN PABLO AVENUE, OAKLAND; THAT INCLUDES SELLING THREE PARCELS OF LAND FOR \$99 EACH AND LEASING A FOURTH PARCEL FOR \$1.00 PER YEAR FOR 20 YEARS; AND ASSIGNING TO ROTUNDA GARAGE, LP, \$4 MILLION PLUS INTEREST OF A \$12 MILLION PROMISSORY NOTE PAYABLE TO THE REDEVELOPMENT AGENCY BY THE ROTUNDA BUILDING DEVELOPER, AND FURTHER REQUIRING AGENCY TO PAY THE NET PROPERTY TAX INCREMENT GENERATED BY THE NEW PARKING GARAGE FOR A PERIOD OF 10 YEARS TO ROTUNDA GARAGE, LP

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SUMMARY

Resolutions have been prepared authorizing the Redevelopment Agency to sell and lease to Rotunda Garage, LP ("Developer") Agency-owned real property located on the block bounded by 16<sup>th</sup> Street, 17<sup>th</sup> Street and San Pablo Avenue, and authorizing the Agency Administrator to enter into a Disposition and Development Agreement ("DDA") with Developer for the 17<sup>th</sup> Street Garage Project (see Exhibit B, Term Sheet for the full details of the material terms of the DDA). The Agency resolution will also authorize the transfer of one third of the \$12 million Note from the Rotunda Building, and rebate for ten years of the net tax increment (after statutory pass throughs, ERAF payments to the state and housing set-asides are made) to Developer. The property will be sub-divided into four parcels. Developer will purchase three parcels for a purchase price of \$99 each. Parcel 1 (23,445 square feet) would be used for the 320+ space parking garage. Parcel 2 (3,723 square feet) and Parcel 3 (2,775 square feet) would be developed as retail or other commercial uses within 5 years or the Agency would have the right to take them back at the Developer's cost for site demolition and preparation. The developer will be granted a permanent vehicular and pedestrian easement and a lease for up to 20 years for \$1 per year on Parcel 4. (See Exhibit A, Parcel Map, for a description of the four parcels.) The Agency will be allowed to sell Parcel 4 for a development in the future and the Developer will have the right to make a competing offer. Rotunda Garage, LP, is a new limited liability corporation to be set up for the development of the garage with Phil Tagami and Leonard Epstein as general partners and Rotunda Partners I as the limited partner. Messrs Tagami and Epstein are principals in Rotunda Partners I; Rotunda Partners I is the general partner in the partnership that owns the Rotunda Building.

Item: 7  
CED Committee  
June 8, 2004

## FISCAL IMPACTS

Approval of the DDA and sale of the 17<sup>th</sup> Street Garage site will cost the Agency \$2.7 million in land write downs (the Agency paid approximately \$1.8 million for the site, but the current fair market value is now \$2.7 million), \$4 million in principal and \$600,000 in interest on the Rotunda Note and approximately \$380,000 in tax increment rebates over ten years (the rebate for the first year, FY 2006-07, is estimated to be \$35,000). When discounted by 4.85%, the federal long term cost of funds, the current value of the Rotunda Note, including interest, is \$2.2 million and \$270,000 for the tax increment rebates, for a total of \$2.47 million. When discounted by 8.25%, the Developer's required return, the current value of the note, interest, and rebate is \$1.513 million. This is approximately 25% of the developer's estimated costs for the garage (the Project will cost approximately \$6.0 million, including \$5.0 million to construct the garage). Approval of the DDA will free up approximately \$4 million which would otherwise have been needed to fund part of the Agency-owned garage. It is anticipated that \$3.8 million of this will be reallocated to fund the proposed Uptown lease disposition and development agreement. This reallocation will eliminate the need for a parking revenue bond (the bond would reduce the ability of the Public Works department to fund Traffic Engineering staff) and transfers this amount of Uptown funding to the Agency rather than the having the City provide the funding.

The City will receive approximately 70% more in parking tax revenue from the garage than it now receives from the surface lot presently on the site. This is approximately \$40,000 per year in additional General Fund revenue beginning in FY 2006-07. The City will also receive its share of property tax which is not rebated to the project, about \$5,000 per year to start. This \$5,000 is the City's portion of the statutory pass throughs that are required from the Central District since the Council passed Ordinance No. 12570 C.M.S. which eliminated the time limit on establishing debt. The Agency will receive approximately \$175,000 in general tax increment revenue after the rebate is completed and \$282,000 in 25% Low- & Moderate-Income Housing Set-Aside funds (see Exhibit C, Tax Increment Analysis).

Other options for building a public garage on the site have even greater fiscal impacts. For the Agency to develop a larger garage (525 spaces instead of 320), the Agency would have to put in the land, \$2.7 million value, an additional \$4.2 million in cash and \$10.0 million in debt. The debt would require a guarantee from the City or Parking Authority, which could have fiscal impacts in the future if the garage cannot cover debt service. The Agency-owned garage would have major short-term costs to the Agency and long-term benefits, including free and clear ownership of the garage after 30 years.

## BACKGROUND

### History of Site

In June 1998 the Agency entered into a disposition and development agreement with Rotunda Partners I (the limited partner of the garage Developer) for the Rotunda Building. The Rotunda Building DDA included a \$12 million loan from the Agency to the Rotunda Building developer,

profit sharing with the Agency of 50% of all sales proceeds over \$38 million should the building be sold, and required that the City/Agency provide parking for the Rotunda Building tenants and customers. Accordingly, the City provides 50 monthly parking spaces plus short term visitor parking in the Daziel Building for the Rotunda Building tenants and customers, and the Agency leases the proposed garage development site to the Rotunda Building developer for its tenants' parking. The Agency receives all net revenues from the surface parking lot. It was anticipated that the Agency would build or have another entity build a garage on the current garage development site primarily for use by Rotunda Building tenants and visitors. The Agency pledged 220 spaces in any new garage to the Rotunda Building. The Agency has pursued the development of this garage for several years.

The Agency issued Requests for Proposals for the garage twice, in 1998 and 1999, and negotiated with two developers, Allright Parking and Aegis Realty Partners. Both times staff could not negotiate a deal that was supported by staff or the Agency Board. Instead the Agency Board authorized staff to pursue development of an Agency-owned garage. The Agency issued a Request for Proposals for a design project management team for the garage, hired a team made up of Aegis Realty Partners, Komorous-Towey Architects, and Watry Design Group and paid \$750,000 to complete the design. The Agency concurrently pursued a \$10 million garage construction loan from the State Infrastructure Bank. It should be noted that in order for the garage revenue to cover debt service the loan would have needed to be amortized over 30 years, 14 years longer than the life of the Central District Plan Area. As a result, a loan guarantee from the City General Fund or Parking Authority would have been necessary, thereby potentially putting the General Fund at risk of covering any debt service shortfalls.

### **Current Proposal**

At about the time that Aegis completed the construction documents, Phil Tagami and Leonard Epstein submitted an unsolicited proposal to develop the garage. Messrs. Tagami and Epstein propose to form Rotunda Garage, LP ("Developer") to construct a 320 space garage (the "Project"). Rather than bidding the project immediately and selecting a contractor, the Agency asked the Developer to refine its proposal to determine if it provided a viable alternative to a pledge of the General Fund. The Developer was always interested in owning the garage, which is tied to their office building (Rotunda) and will enhance the Rotunda Building's value even more if it is under control of the same owner. Messrs. Tagami and Epstein pulled out of the 1998/1999 Requests for Proposals because they were concentrating on completion of the Rotunda Building. In 2001, the Developer also had put in a proposal for the Request for Proposals for design and project management of the garage but lost out to Aegis for the contract. A comparison of the various proposals that the Agency has considered, along with the current proposal are included as Exhibit D, *Comparison of Proposals*.

After completing negotiations with the Developer, staff is bringing for approval a DDA with the following key terms (for the complete terms of the DDA, see Exhibit B, Term Sheet):

- 1) The Agency will divide the Site into four parcels as reflected on the attached Exhibit A, Parcel Map: Parcel 1- the garage site; Parcels 2 and 3- retail or commercial sites; and Parcel 4- a remainder site on 16<sup>th</sup> Street with garage access easements and reserved for future development by an Agency-selected developer.
- 2) The Developer will purchase Parcels 1, 2 and 3 for \$99, and lease Parcel 4 for \$1/year until the parcel is ready for development by Developer or another developer in the future. All future development on Parcels 2, 3 and 4 would require separate Agency approval. (The Developer would retain an auto/pedestrian easement for the garage over Parcel 4);
- 3) The Agency would assign to the Developer \$4 million (plus interest on this amount) of the \$12 million promissory note (with a NPV of \$2.2 million) due from repayment of a loan the Agency made to the developer of the Rotunda Building. [In 1999, when the Agency sold the Rotunda Building to Rotunda Partners II, LLC, of which the proposed garage Developer was the general partner, the Agency loaned Rotunda Partners \$12 million. Rotunda Partners executed a promissory note (secured by a second deed of trust on the building) that requires it to pay the Agency accrued interest at 3% per annum starting in 2014 and repay the principle in 2019.]
- 4) The Agency would rebate to the Developer the net tax increment generated by the project (net of required pass-throughs for affordable housing, ERAF, etc.) for 10 years; and,
- 5) Developer will take all risk that the garage revenue will cover operating costs and debt service.

The Developer will build a garage with at least 320 parking spaces on Parcel 1. The Developer will have 18 months from execution of the DDA to complete the new garage design, obtain approvals, and complete construction. The Developer's initial schematic design is attached hereto as Exhibit E. The Agency will give the Developer five years to develop retail or commercial uses on Parcels 2 and 3. If the Developer does not develop Parcels 2 and 3 within five years, the Agency will have the option to reacquire the parcels by reimbursing the Developer for its reasonable demolition, landscape and hardscape costs. Until the Agency executes its option, the Developer will landscape and hardscape (e.g., treewells and scored concrete with the same specifications as Kahn's Alley and Broadway for the Rotunda Building) and maintain the parcels. The Developer will grade, pave, stripe, secure, landscape, and maintain Parcel 4 until it is developed. The Agency can select a developer and proceed with development on Parcel 4 at any time after the garage is completed. Developer will have the option to make a comparable offer on the site when the Agency is ready for development.

The garage is an important project that the Agency wants to make best efforts to complete. Because Developer is undertaking construction on Agency's behalf, Agency wants reasonable assurances that Developer will complete the garage, or, in the unlikely event Developer does not, Agency may wish to take the site back and try to complete the garage. As with other projects,

the Agency requested that the Developer provide a construction completion and payment bond. Without the bonds, the Agency's risk is that it transfers the site to the Developer and the parking garage is not built or not completed or costs related to the construction not paid. This could result in partially completed improvements and liens against the site. If the Agency recovered the site in order to complete the Project, these liens may be transferred to the Agency. The Developer hesitated at the cost of the bonds. The primary reason is the cost of the construction bonds has increased and the money saved could be put into the project. In lieu of bonds, Developer proposed that the budget include a 10% construction contingency at start of construction and the Developer provide a cash pledge as a further contingency or provide a non-revocable line of credit to the Agency equal to 15% of the construction costs, approximately \$750,000. The proposed cash or line of credit is not the same dollar value as a construction completion bond or a payment bond, which typically are for between 50% and 100% of the construction value, currently estimated at \$5 million, and will not cover construction defects for 10 years after completion of construction as a bond would. However it will be easier for the Agency to collect on the cash/ line of credit and the cash/line of credit will be used to guarantee the performance of both the contractor and Developer, whereas the bonds generally cover only the contractor. Also since the Agency will not own the project, the Agency's risk is less. Not only does the Developer have an interest in not losing its investment in the garage, but the garage is important to Developer's interest in the Rotunda Building. Therefore, Developer has an incentive to get other contractors to complete the project in order to protect its own interest. Further, a garage is a less complicated construction than residential or commercial and entails less risk. Additionally, since Developer will get a construction loan, the construction lender also has an incentive to see the project completed; Agency will not convey the site until Developer has the construction loan in place. For these reasons, staff believes the alternate security (cash pledged) offered by the Developer is sufficient for this Project. In addition, under new state law the Agency could have responsibility to pay prevailing wage to workers on the Project should the Developer or contractor fail to do so. The cash/line of credit could be used to cover this potential liability.

#### KEY ISSUES AND IMPACTS

Staff believes that the proposed DDA substantially benefits the Agency. By permitting a private developer to construct the garage, the Agency would not have to commit \$4.2 million in cash and borrow \$10 million from the State Infrastructure Bank for the garage construction. The State loan would have to be backed by the City General Fund or City Parking Authority (from funds that presently go to the Multipurpose Reserve Fund) to repay the loan from the parking revenues from other garages should the 17<sup>th</sup> Street garage not produce enough revenue to cover its operating costs and the loan payments. Under the Agency-owned alternative, the City would be risking revenue that presently funds the Public Works Agency – Traffic Division, and that would need to be offset with allocations from the General Fund. Private development of the garage by the Developer would eliminate this risk.

The Agency has already invested a substantial sum in the garage project. Land acquisition costs have totaled \$1.8 million. Design, planning and project management costs have totaled \$1.2

million. If the Agency were to construct the garage, it would need to invest an additional \$4.2 million in cash, along with a \$10 million State loan to finance construction, for a total of \$17.2 million. The Developer's proposal relieves the Agency of investing any further cash at this time, and frees up Agency funding for other projects.

The Agency's garage design is superior to, larger than, and more expensive than the garage the Developer proposes. However, staff believes that the revised schematic design will work if design modifications based on the Planning Department's suggestions are incorporated into the future plans.

Including the project property tax reimbursement as income, the garage project has been estimated to provide an annual return of \$376,200 or 6.27%. A normal market-rate investment would have a \$495,000 or 8.25% annual return. The difference between the lower return for the Garage proposal compared to a normal 8.25% return over the first 16 years, the term of the Rotunda loan, is \$2,999,390. When the loss is compounded over 16 years at an 8.25% interest rate, the loss is \$5,155,123. In addition, the appreciation on the Garage would be lower than a normal investment by approximately \$3,277,105 at the end of this term. An equivalent investment at a normal market return of 8.25% would yield approximately \$8.4 million more than the proposed garage investment. The Developer is counting on the long-term return, and more important the synergy that will benefit its investment in the Rotunda Building. Given this analysis, the \$4 million write down of the Rotunda loan seems like a reasonable subsidy for creating a privately-owned, public-access garage. This analysis reflects that required prevailing wages will be paid and Rotunda Garage, LP has further stated that it would commit to using union labor. The reuse appraisal of the site, i.e. an appraisal of the site with the Redevelopment Agency's requirements attached to the property, substantiates the need for the subsidies. The Agency commissioned Keyser Marston to prepare an independent review of the DDA terms and the proposed Project, and prepare a reuse appraisal for the site. The result was that even with the reassigned note and tax increment rebate, the garage site had a negative value of \$627,000. If the Developer is also credited with the full value from Parcels 2 and 3 (\$585,000); which is substantially more than their value to the Developer given the development restrictions, irregular shape and small size of the parcels; the Project still has a negative value of approximately \$42,000.

In summary, the project must generate an additional \$8.4 million in revenue and future sales value for the investment to meet normal developer return requirements, and Rotunda Garage, LP is asking the Agency to subsidize the project with \$5.1 million over 15 years to partially meet this need. Even with the Agency subsidy, the project does not meet normal developer return requirements. The only reason Rotunda Garage, LP is willing to develop the project under this scenario is so that it can control parking for the Rotunda Building and increase the long term value of that investment. Since the Agency could share 50:50 with Rotunda Partners all sales proceeds in excess of \$38 million from the Rotunda Building, the Agency will directly benefit from any increased value in the Rotunda Building.

Some additional advantages of the Developer's proposal to the Agency are:

- 1) The garage will provide all the parking required under the Rotunda Building DDA and its parking leases for the Rotunda Building tenants and customers.
- 2) The newly built garage will provide mitigation and parking for tenants in the adjacent Adcock Joiner residential building, the Fox theater, Ice Skating rink and the Uptown Project.
- 3) The reduced scale of the Developer's proposed garage will lower the impact on views and natural light for the tenants at the adjacent Adcock Joiner Apartments, compared to the larger garage the Agency planned.
- 4) The City/Redevelopment Agency/Parking Authority can also use the financial plans and the proposed State Infrastructure Bank loan to develop another downtown parking facility, once revenues are improved under new consolidated management of City/Agency's other garages.
- 5) By having the Developer construct the garage, the Agency can reallocate funds to Uptown and other important projects that need to be completed before the Central District plan expires in 2009.

#### **CEQA Review**

An Environmental Impact Report ("EIR") was prepared for the 17<sup>th</sup> Street Parking Garage project by the Redevelopment Agency of the City of Oakland, and certified by the Planning Commission on April 4, 2001. The Planning Commission also applied the EIR to a different, Agency-owned, project on September 18, 2002. The EIR analyzed a 530 space garage project with 22,680 square feet of retail. The Developer's proposal is for at least 320 spaces (the latest design is 332 spaces), with separate projects that contain at least 3,975 square feet of retail on the two remainder parcels along San Pablo Avenue, Parcels 2 and 3. Based on review of the environmental documents and the Mitigation Monitoring Program, staff has determined that the revised project will be expected to result in the same or reduced environmental effects as the project analyzed in the EIR. Before taking action on this project, the City and Agency Board will determine that the environmental documents meet the requirements under CEQA, the California Environmental Quality Act, and that Project benefits identified in the Statement of Overriding Considerations continue to apply to the Project and each separately and independently outweighs any adverse unavoidable environmental effects of the Project. In order to make this determination, a copy of the environmental documents will be provided to the City Council/ Agency Board. Members of the public can receive a copy from the Planning Division on the 3<sup>rd</sup> Floor of 250 Frank Ogawa Plaza (Suite 3330).

#### **ALTERNATIVES**

Three alternatives for the garage project are: (1) the City, Redevelopment Agency and Parking Authority can develop a publicly owned garage on the site as originally proposed; (2) the Agency Board can direct staff to issue a new Request for Proposals to developers for a privately developed garage on the site; or (3) the Agency can keep the existing parking leases with

Rotunda Partners on the 16th Street surface lot and in the Dalziel Building and wait to build the garage until the effects of the Uptown project change the financial feasibility for parking. Rotunda Building DDA does not require the Agency to build a parking garage, but only to provide parking for the Rotunda Building in any garage actually built. Unless and until such a garage is built the Agency must continue to provide the surface parking lot and parking spaces in the Dalziel Garage.

Alternative 1: Agency Developed Garage - If the City, Redevelopment Agency and Parking Authority develop the garage, the Agency will have to contribute the land and other expenditures already made (relocation, environmental impact report, design, etc.), about \$3 million, plus \$4.2 million in additional costs. The Parking Authority will also have to borrow \$10 million from the State Infrastructure Bank by pledging revenue from City owned parking facilities. The City will be risking revenue that presently funds the Public Works Agency – Traffic Division. Although initial estimates are that the garage would be able to service the \$10 million loan and no City funds would be required, parking rates have been declining and this conclusion is uncertain. The long term benefits of this alternative are (1) surplus revenue from publicly owned facility; (2) increased parking tax for the City from 525 spaces (as the Agency originally planned) instead of 320 spaces proposed by the Developer; (3) ownership of a fully capitalized garage in 30 years; (4) no requirement to assign to the Developer \$4 million of Rotunda Building loan repayment proceeds. The disadvantage of this option is that if the Uptown project does not move forward, and approximately 1,250 public parking spaces remain in the immediate area, the demand for 525 new parking spaces may not exist and the financial assumptions would be too aggressive. This alternative costs the Agency \$14 million more initially compared to the Developers proposal, and there is risk that the City will have to make up any State Bank loan payment deficiencies. In the long run the costs of the \$10 million loan should be off-set by garage revenue.

Alternative 2: Issue a New Request for Proposals - Although issuing a new RFP may bring more offers to the Agency/City, there is no guarantee the City/Agency would receive any improved offers, since the Developer has the greatest incentive to develop the site. Prior negotiations from proposed developers pursuant to RFPs for this project were not better, and in many cases were worse, than the Developer's current proposal. One of the most important points of the proposal by the Developer is that the subsidy in the project is a reduction in a future payment to the Agency (\$120,000 in interest per year from 2014-2018 plus \$4 million in 2019) that has a Net Present Value of \$2,199,733. That is to say that the Agency's subsidy is from future funds that the Agency will not receive for 10 to 15 years; and these future funds are worth \$2.20 million to the Agency today. The one benefit of a new RFP is that it could generate better proposals for the Agency and would allow other property owners in the area to develop/control parking required for their properties. The disadvantage of the option is that it would require substantial time and staff work, and the project has already been delayed by continued changes in the development scenarios. In order to have the garage completed prior to demolition of the parking on the Uptown sites, it will be difficult to recruit a new developer for the project through a new RFP process.

Alternative 3: Postpone the Garage Development and Maintain Existing Lot and Parking License for the Rotunda Building Tenants - By maintaining the existing parking arrangement for the lot at 17th Street and San Pablo, the Agency would continue to receive a small amount of revenue from the surface lot and would not have to make any significant capital expenditures. The benefits of this option are that the Agency will continue to receive a small amount of net revenue from the surface lot and the Agency will receive the benefit of any increase in parking rates that result from the removal of approximately 1,250 public parking spaces if the Uptown project proceeds. Moreover, activities generated by the Uptown development will increase demand, and supply will decrease, which will result in higher prices for the remaining parking spaces. The disadvantages of this option are that by delaying the garage development, the Agency will not be supporting the Rotunda's leasing efforts – which could affect the Agency's long term financial interest in the Rotunda - the surface lot will remain an underutilization of land, no parking will be built to off-set the losses that will be caused by the Uptown project, and the Ice Rink will not have nearby parking.

## **SUSTAINABLE OPPORTUNITIES**

### **Economic**

The project will generate additional parking tax revenue for the City's General Fund beginning in FY 2006-07 and increase the Redevelopment Agency investment value for the Rotunda Building.

### **Environmental**

The developer and design consultants will work with the Agency and the Mayor's Sustainability Programs staff to investigate the feasibility of incorporating green building attributes into this development, including: (1) energy efficiency; (2) water efficiency; (3) recycled, local and less materials and resources; and (4) improved indoor environmental quality.

### **Social Equity**

The project will create jobs for low-income Oakland residents that pay the City's mandated "Living Wage," and will provide free after hours parking to the very low-income residents of the neighboring Adcock-Joyner Building.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

The garage and all developments on the site are new construction and will be required to comply with state and federal accessibility requirements, including Federal ADA Accessibility Guidelines and the State of California's Title 24 Accessibility regulations.

## **ACTION REQUESTED OF THE COUNCIL AND AGENCY MEMBERS**

Staff recommends that the City and Agency approve the attached resolutions that authorize the Agency Administrator to negotiate and execute a disposition and development agreement with

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Rotunda Garage, LP for the development of a parking garage structure between 16th and 17th Streets and San Pablo Avenue, Oakland; including selling three parcels of land for \$99 each and leasing a fourth parcel for \$1.00 per year for 20 years; and assigning to Rotunda Garage, LP, \$4 million plus interest from the \$12 million promissory note payable to the Redevelopment Agency by the Rotunda Building developer, and further requiring Agency to pay to Rotunda Garage, LP the net tax increment generated by the new parking garage for a period of 10 years.

Respectfully submitted,



Dan Vanderpriem, Director of Redevelopment,  
Economic Development and Housing

Prepared by:  
Patrick Lane  
Redevelopment Manager

APPROVED FOR FORWARDING TO  
THE COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE

  
OFFICE OF THE CITY MANAGER/  
AGENCY ADMINISTRATOR

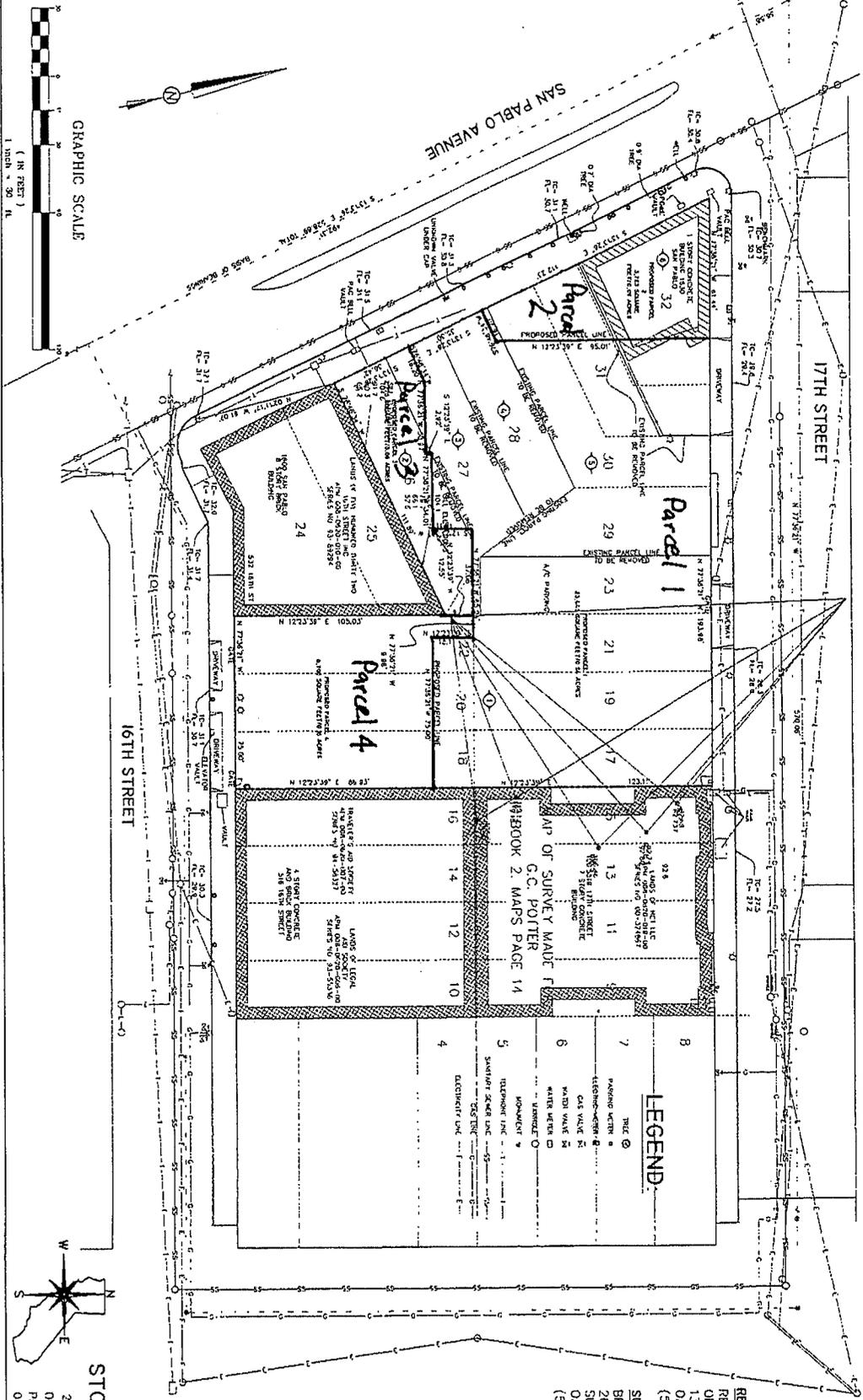
EXHIBIT A  
PARCEL MAP

Item: 7  
CED Committee  
June 8, 2004

# PARCEL MAP WAIVER MAP

MAP OF A PORTION BLOCK B OF THE SURVEY MADE FOR G.C. POTTER, FILED IN  
 BOOK 2 OF MAPS AT PAGE 14, ALAMEDA COUNTY RECORDS  
 CITY OF OAKLAND,  
 COUNTY OF ALAMEDA,  
 STATE OF CALIFORNIA.

**BASE OF RECORDS:**  
 THE RECORDS OF TOWN 131272 WEST BAYVIEW CITY OF OAKLAND RECORDS  
 REVEALS THAT THE SURVEY MADE FOR G.C. POTTER WAS RECORDED IN  
 BOOK 2 OF MAPS AT PAGE 14, ALAMEDA COUNTY RECORDS, CITY OF  
 OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA.  
**BENCHMARK:**  
 POINTS FOR THIS SURVEY ARE BASED UPON THE TOP OF  
 CORNER STAKE AT THE CENTER CORNER OF THE INTERSECTION  
 OF SAN PABLO AVENUE AND 17TH STREET AS SHOWN ON CITY  
 OF OAKLAND BENCHMARK MAP NO. 211.  
 DATE: \_\_\_\_\_



## LEGEND

- 1. THIS
- 2. BRUCE STORRS
- 3. TELEPHONE
- 4. GAS VALVE
- 5. WATER VALVE
- 6. WATER METER
- 7. SEWER
- 8. SEWER
- 9. INTERIOR LINE
- 10. SANITARY SEWER LINE
- 11. GAS LINE
- 12. ELECTRIC LINE

**RECORD PROPERTY OWNERS.**  
 REDEVELOPMENT AGENCY  
 OF THE CITY OF OAKLAND  
 1330 BROADWAY  
 OAKLAND, CA 94612  
 (510) 238-  
**SURVEYOR:**  
 BRUCE STORRS L.S. 6914  
 2647 INTERNATIONAL BLVD.  
 SUITE 853  
 OAKLAND, CA 94601  
 (510) 532-3501

- EXISTING PARCELS:**
- 1. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 2. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 3. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 4. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 5. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 6. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 7. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 8. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 9. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
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  - 11. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 12. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 13. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 14. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 15. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 16. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 17. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 18. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 19. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 20. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 21. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 22. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 23. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 24. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
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  - 30. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 31. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612
  - 32. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, 1330 BROADWAY, OAKLAND, CA 94612

**STORRS LAND SURVEYING**  
 2647 INTERNATIONAL BLVD., SUITE 853  
 OAKLAND, CA 94601  
 PHONE: (510) 532-3501  
 03-283\_PARRAL.DWG

**APPLICATION TO WAIVE PARCEL MAP**

THE APPLICANT hereby certifies that the information contained herein is true and correct to the best of his knowledge and belief, and that he is not aware of any facts which would render the information furnished herein false or misleading in any material particular, and that he is not aware of any facts which would render the information furnished herein false or misleading in any material particular, and that he is not aware of any facts which would render the information furnished herein false or misleading in any material particular.

DATE: \_\_\_\_\_

BY: \_\_\_\_\_ (PRINT NAME AND SIGNATURE)

ADDRESS: \_\_\_\_\_ (PRINT ADDRESS)

PHONE: \_\_\_\_\_ (PRINT PHONE NUMBER)

MAILING ADDRESS: \_\_\_\_\_ (PRINT MAILING ADDRESS)

## EXHIBIT B

### TERM SHEET

#### 17<sup>th</sup> Street & San Pablo Avenue Garage

The following terms will be incorporated into a Disposition and Development Agreement for the 17<sup>th</sup> Street & San Pablo Garage ("DDA") between the Redevelopment Agency of the City of Oakland and Rotunda Garage, LP, a new limited liability corporation to be set up for the development of the garage with Phil Tagami and Leonard Epstein as general partners and Rotunda Partners I as the limited partner. These terms were first taken to the City Council/Redevelopment Agency Board in closed session to confirm that the negotiations and terms are acceptable, and to get directions for any additional requirements. Based on the direction of Council, staff negotiated additional terms for the operation of the facility as a public garage (see Section 4, Garage Operation, below).

#### 1. Scope

- 1.1. The Agency will subdivide the site into four parcels as shown in Exhibit "A". Rotunda Garage will purchase the garage/retail site (parcels 1, 2, & 3) and have a 6 foot pedestrian and a 20 foot vehicular entry/exit easement on parcel 4.
- 1.2. Rotunda Garage will lease parcel 4 for \$1 per year, to be used as a surface parking lot until such time a development project is approved by the Agency.
- 1.3. Parcel 2 will be hardscaped and landscaped to the same specification as Kahn's Alley and Broadway for the Rotunda Building, and professionally maintained until such time as it is developed for retail uses. Rotunda Garage shall cooperate with the Agency to recruit retail use(s) for parcel 2. If at the end of a five year period, commencing from the date of completion of the parking garage, parcel 2 is not developed for retail or other agreed to use(s), then this portion of the site shall be transferred to the Agency in exchange for reimbursement of all reasonable demolition on Parcel 2 of the building at 1630 San Pablo, and depreciated improvement costs incurred by Rotunda Partners.
- 1.4. Parcel 3 will be at a minimum hardscaped and professionally maintained until such time as it is developed for retail or Public Works uses. In all cases this site will be secured to prevent public/transient access to the alley.
- 1.5. Rotunda Garage, shall design, construct and operate the following improvements on parcel 1, 2, 3& 4:
  - 1.5.1. Rotunda Garage will receive all parcels in an "as is" condition and demolish the existing building at 1630 San Pablo.
  - 1.5.2. Rotunda Garage will build a 320 plus space parking garage on parcel 1.

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- 1.5.3. Rotunda Garage will construct surface parking on parcel 4.
- 1.5.4. Rotunda Garage will cooperate with the Agency to develop retail/or other use on parcel 2 and shall at a minimum construct and maintain minimal hardscape and landscape improvements on this portion of the property prior to retail development. As an alternative, if financially feasible, the portion existing structure at 1630 San Pablo not on the garage parcel shall be renovated for retail use and permanent landscaping installed within one year of completion of the garage, .

Collectively, these improvements will be referred to as the 17th & San Pablo Garage Project.

## **2. Financial**

- 2.1. Agency will sell the land to Rotunda Partners for \$99 for Parcels 1, 2, and 3.
- 2.2. The tax increments generated by the project, net of all pass throughs to the County, ERAF, Housing, etc. will be rebated to Rotunda Garage for up to 10 years after the project receives a temporary certificate of occupancy.
- 2.3. Agency will assign to Rotunda Garage a note for \$4 million in principle plus interest from the \$12 million loan made by the Agency to Rotunda Partners II on the Rotunda Building.

## **3. Design and Construction**

- 3.1. Within 18 months of execution of the DDA, Rotunda Garage will complete the design, obtain approvals, and initiate construction of a 320+ car garage, incorporating design comments made by Claudia Cappio consistent with the design attached as Exhibit D, Schematic Design.
- 3.2. The surface lot on 16th Street will be graded, paved, striped, secured, landscaped, and made ready to accept parked autos at Rotunda Garage sole cost.

## **4. Garage Operation**

- 4.1. The garage will be operated as a public parking garage that is available to members of the public on a first come, first served basis.
- 4.2. At least one hundred- (100) parking spaces are available at all times the garage is open for transient (hourly or daily) parkers.
- 4.3. The garage will be open for transient parking from 8 a.m. to 6 p.m.

- 4.4. Parking will be made available outside normal business hours for patrons and employees of the Oakland Ice Center. Developer agrees to make best efforts to investigate and use technology that would enable Oakland Ice Center patrons and employees to use electronic access card (sometimes known as "proximity cards") to enable them to access the garage outside normal business hours.
- 4.5. Parking will be made available outside normal business hours for members of the public on a basis that will permit Developer to recover its cost of making such parking available.

## 5. General Provisions

- 5.1. The Agency will continue to provide parking spaces in the Dalziel building (50 monthly spaces) and on the surface lot until the start of construction on the garage. At the start of construction on the garage, the Agency will provide an additional 50 monthly spaces in the Dalziel building at the fair market price (100 spaces total), plus provide short term validated parking (2 hours maximum) for visitors to the Rotunda. At the completion of the 17<sup>th</sup> Street and San Pablo Garage, the Agency will have no parking obligation to the Rotunda Partners (I, II or III).
- 5.2. Rotunda Garage will grant the Adcock Joiner tenants use of (10) spaces on the parcel 4 surface lot or parcel 1 garage between the hours of 6 pm and 8 am, if requested,
- 5.3. Rotunda Garage will continue to operate the parking lot on the site under the existing Parking Lease (Surface Lot) until the DDA requirements prior to construction are met. These requirements will include: evidence of financing, land use entitlements, building permits, construction contract, etc. Once these requirements are met, the Agency will sell the land.
- 5.4. If and only if the parking garage is offered for sale by the developer during the next 16 years the agency shall have a right to purchase it at an 8.25% cap rate.
- 5.5. Once the 17<sup>th</sup> Street Garage is completed, the City and Agency will no longer be required to provide parking to the Rotunda Building.

**EXHIBIT C**

**TAX INCREMENT ANALYSIS**

Year	Project Assessed Value	Applicable Tax Rate	Tax Increment	Pass Through 20%	ERAF 5.78%	Housing Set-a-side 25%	Net Tax Increment
2004-05							-
2005-06							-
2006-07	6,000,000	1.1775%	70,650	(14,130)	(4,084)	(17,663)	34,774
2007-08	6,120,000	1.1775%	72,063	(14,413)	(4,165)	(18,016)	35,469
2008-09	6,242,400	1.1775%	73,504	(14,701)	(4,249)	(18,376)	36,179
2009-10	6,367,248	1.1775%	74,974	(14,995)	(4,334)	(18,744)	36,902
2010-11	6,494,593	1.1775%	76,474	(15,295)	(4,420)	(19,118)	37,640
2011-12	6,624,485	1.1775%	78,003	(15,601)	(4,509)	(19,501)	38,393
2012-13	6,756,975	1.1775%	79,563	(15,913)	(4,599)	(19,891)	39,161
2013-14	6,892,114	1.1775%	81,155	(16,231)	(4,691)	(20,289)	39,944
2014-15	7,029,956	1.1775%	82,778	(16,556)	(4,785)	(20,694)	40,743
2015-16	7,170,555	1.1775%	84,433	(16,887)	(4,880)	(21,108)	41,558
2016-17	7,313,967	1.1775%	86,122	(17,224)	(4,978)	(21,530)	42,389
2017-18	7,460,246	1.1775%	87,844	(17,569)	(5,077)	(21,961)	43,237
2018-19	7,609,451	1.1775%	89,601	(17,920)	(5,179)	(22,400)	44,102
2019-20	7,761,640	1.1775%	91,393	(18,279)	(5,283)	(22,848)	44,984

Total Pass Throughs to Other Taxing Entities	<b>\$225,712</b>
City's Total Portion of Pass Through (34.8%)	<b>\$78,548</b>

Total for the Agency's Low- & Moderate-Income Housing Set-A-Side	<b>\$282,140</b>
	<b>\$198,378</b>

Developer - Total 10-Year Net Tax Increment To Be Rebated FY 2006-2016	<b>\$380,765</b>
NPV of Rebate Discounted At 4.85%	<b>\$267,332</b>
NPV of Rebate Discounted At 8.25%	<b>\$212,845</b>

Agency's Tax Increment FY 2016-2020 (After 10-Year Rebate)	<b>\$174,712</b>
--	------------------

Total Tax Increment to Agency Net of Pass Throughs, Setasides, Etc.	<b>555,477</b>
NPV of Rebate Discounted At 4.85%	<b>\$355,271</b>

**EXHIBIT D**  
**COMPARISON OF PROPOSALS**

	Allright Parking *	Aegis **	Agency Owned +	Rotunda Garage ++
<b>Parking Spaces</b>	500	500	525 spaces	320 spaces
<b>Retail</b>	10,000 square feet			Differed (separate project)
<b>Land Subsidy</b>	\$1.8 million	\$1.8 million	\$1.8 million	\$1.8 million
<b>Financial Assistance</b>	\$5.5 million capital investment	Rate guarantee for permanent loan, no more than 7.5% interest	\$4.2 million cash from the Redevelopment Agency	Assign \$4 million Note plus future interest
		Agency to lease 200 spaces for \$265/month	\$10.0 million loan from the State Infrastructure Bank	Rebate the net tax increment for 10 years
			\$1.2 million design, project management, planning, and EIR costs that are only marginally applicable to other project	

\* Allright Parking's proposal was for the Agency to own the garage and Allright to lease the garage. Allright would prepay the lease for 20 years for \$3,600,000, and make annual payments equal to 3.5% of the net revenue over \$1,050,000. According to Allright's operating proforma the Agency would not receive a payment from the net revenue until the tenth year and only receive \$685,000 in payments over the 20 year lease. The Agency would pay for \$5.5 million in capital costs not covered by the lease prepayment. The Agency would own the garage free and clear after 20 years.

\*\* Lease of land at \$1.00 per year plus additional rent equal to a 5% return on the Agency's costs plus bonus rents of 67% of remaining revenue. There would be no additional or bonus rents for several years according to Aegis' proforma. The Agency would lease of 200 parking spaces at the above market price of \$265/month. With current monthly rates at \$140, this would require a subsidy of up to \$125/month\*12months\*200 spaces or \$300,000 per year.

+ The total Agency costs for the Agency-owned option would be \$17.2 million, including \$14.2 million in additional equity and debt needed to complete the project. The Agency would own the garage free and clear after 30 years and would get net yearly revenue. ++ \$2.2 million net present value for assigning 1/3 of \$12 million Rotunda Note and interest, rebate approximately \$380,000 in property taxes over 10 years, and sell three parcels for \$297 and lease a fourth parcel for \$1 per year.

# **ATTACHMENT B**

# PARCEL MAP WAIVER MAP

MAP OF A PORTION BLOCK B OF THE SURVEY MADE FOR G.C. POTTER, FILED IN BOOK 2 OF MAPS AT PAGE 14, ALAMEDA COUNTY RECORDS  
 COUNTY OF OAKLAND,  
 STATE OF CALIFORNIA.

**APPLICATION TO WAIVE PARCEL MAP**

I CERTIFY THAT I AM THE OWNER AND THAT THE INFORMATION GIVEN HEREIN IS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I FURTHER CERTIFY THAT I AM THE OWNER OR PURCHASER (OR OTHER INTERESTED PARTY) OF THE PROPERTY DESCRIBED HEREIN. NO OTHER PARTY HAS A CLAIM OR INTEREST IN THE PROPERTY DESCRIBED HEREIN THAT MAY BE AFFECTED BY THIS PARCEL MAP. THIS PARCEL MAP IS A PERMANENT PART OF THE RECORDS OF THE COUNTY OF OAKLAND AND MAY NOT BE REPRODUCED OR COPIED.

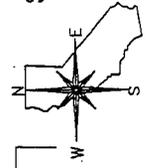
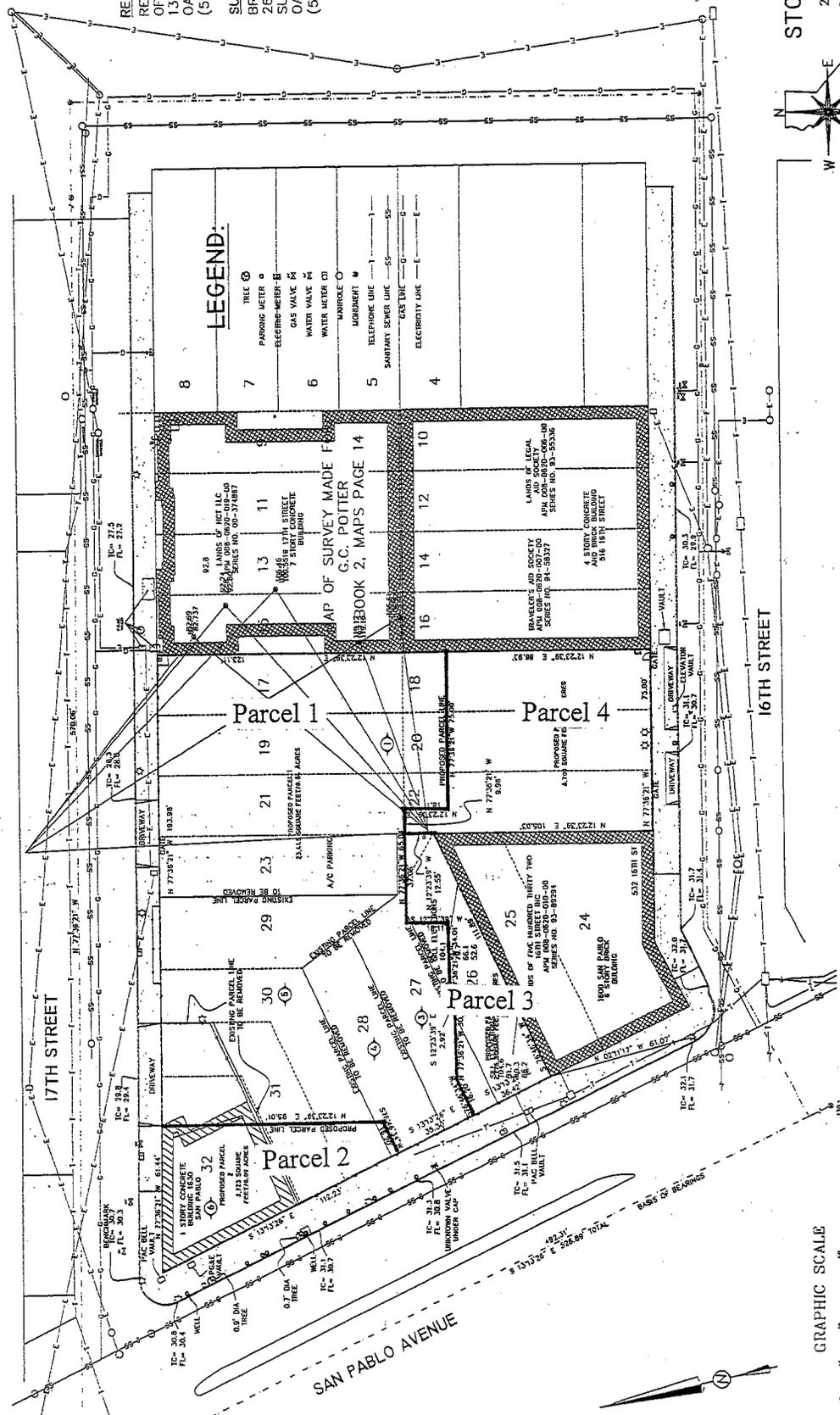
OWNER: \_\_\_\_\_ AT THE \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_ PURCHASER  
 (INCLUDED COPY OF CONTRACT)

TELEPHONE NO. \_\_\_\_\_  
 OWNER'S NAME \_\_\_\_\_ (IF OTHER THAN APPLICANT)  
 OWNER'S ADDRESS \_\_\_\_\_ TELEPHONE NO. \_\_\_\_\_

**RECORD PROPERTY OWNERS:**  
 REDEVELOPMENT AGENCY  
 OF THE CITY OF OAKLAND  
 1330 BROADWAY  
 OAKLAND, CA 94612  
 (510) 238-\_\_\_\_

**SURVEYOR:**  
 BRUCE STORRS L.S. 6914  
 2647 INTERNATIONAL BLVD.  
 SUITE 853  
 OAKLAND, CA 94601  
 (510) 532-3501

- EXISTING PARCELS:**
- ① LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
 APN 008-0620-010-00  
 APN 008-0620-020-00  
 SERIES NO. 81-1137/0.42 ACRES
  - ② LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
 APN 008-0620-010-00  
 APN 008-0620-020-00  
 SERIES NO. 81-1137/0.42 ACRES
  - ③ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
 APN 008-0620-010-00  
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 APN 008-0620-020-00  
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  - ⑥ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
 APN 008-0620-010-00  
 APN 008-0620-020-00  
 SERIES NO. 81-1137/0.42 ACRES
- TOTAL AREA:  
 36,643 SQUARE FEET / 0.84 ACRES,



**STORRS LAND SURVEYING**  
 2647 INTERNATIONAL BLVD., SUITE 853  
 OAKLAND, CA 94601  
 PHONE: (510) 532.3501  
 03-293\_PMMW.DWG

**BASIS OF BEARINGS:**  
 THE BEARINGS OF SOUTH 131°33' WEST BETWEEN CITY OF OAKLAND MONUMENTS 56152 AND 56515 AS THROWN BY THE CITY OF OAKLAND FOR THE SURVEY OF BLOCK B ARE TAKEN AS THE BASIS OF BEARINGS FOR THIS MAP.

**GENERAL NOTE:**  
 THE SURVEY IS BASED UPON THE TOP OF CORNER AT THE EASTERN CORNER OF 17TH STREET AND SAN PABLO AVENUE. THE ELEVATION OF THIS CORNER IS 174.14 FEET AS SHOWN ON CITY OF OAKLAND MONUMENT MAP NO. 221.

LSW:JLW

# **ATTACHMENT C**

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REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
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Gerald M. Trimble  
Paul C. Marra

## MEMORANDUM

**To:** Patrick Lane  
City of Oakland  
Community and Economic Development Agency

**From:** Timothy C. Kelly, CRE

**Date:** May 19, 2004

**Subject:** Reuse Valuation – Site of 17th & San Pablo Garage

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has prepared the following reuse valuation for site of the proposed 17<sup>th</sup> & San Pablo Avenue Garage project in downtown Oakland. The purpose of this reuse valuation is to estimate a fair consideration to be paid by the Developer to the Agency, based upon the covenants and the conditions included in the Disposition and Development Agreement (“DDA”). The DDA is by and among the Redevelopment Agency of the City of Oakland (Agency) and Rotunda Garage, LP (“Developer”).

The DDA restrictions and guidelines affect the characteristics of the physical development and other features and impose certain requirements relating to how the project will be developed, to the operation of the project and to the transferability of the Developer's interest. The covenants and conditions strongly affect the development economics of the Project and hence the ability of the Developer to pay for the Agency owned parcels.

### PROJECT DESCRIPTION

The Site is comprised of four yet-to-be created parcels bounded by 16<sup>th</sup> Street, 17<sup>th</sup> Street and San Pablo Avenue in downtown Oakland. The parcels are intended to be developed separately. Parcel 1 (23,445 square feet) is to be developed as a parking garage comprised of at least 320 parking spaces. The design of the garage would incorporate the modifications

**To:** Patrick Lane  
**Subject:** Reuse Valuation – Site of 17th & San Pablo Garage

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required by the City. Parcel 2 (3,273 square feet) is intended for retail and garage access. Parcel 3 (2,775 square feet) is intended for retail or public works. Parcel 4 (6,700 square feet) is intended for a surface parking lot and access to the parking garage. No development rights are being conveyed to the Developer with respect to Parcel 4.

## **ANALYSIS**

There are three conventional methods that can be used to estimate reuse value as follows:

**The Income Approach** – The income approach is a method of determining value based on the property's anticipated future income.

**The Cost Approach** – This approach to value estimates the value based on reproduction or replacement costs of the improvements plus the market value of the land. This approach is generally used for the valuation of property with existing improvements staying in place.

**The Sales Comparison Approach** – The sales comparison approach to value is estimated by analyzing sales prices of similar properties.

The Cost Approach is not applicable due to the fact that this analysis is a valuation of a site for new construction and the existing improvements will be demolished. Neither is the Sales Comparison Approach applicable as few, if any, parking garage sales comparables currently exist in the local market.

Thus, for the garage portion of the Project, KMA has used the Income Approach as the most suitable methodology for estimating the reuse value. For the two retail parcels (Parcels 2 and 3), the City staff appraiser has estimated the value based on land values in downtown Oakland.

### ***Reuse Value Supported by Garage***

The reuse value supported by the garage portion of the project is the private investment by the garage net operating income. The reuse value supported by the garage is the private investment supported less the cost to construct the garage.

#### ***Garage Net Operating Income (at Stabilization)***

The net operating income (NOI) estimate for the proposed garage at stabilization was prepared by the Developer and reviewed for reasonableness by KMA. KMA's review is based on the revenue and expense data provided by the City for two privately operated garages (20<sup>th</sup>/Telegraph and 21<sup>st</sup>/Telegraph Garages) and four city-operated garages (Pacific Renaissance Plaza, Clay Street, 1200 Harrison Street, and Telegraph Plaza Garages).

The information reported on these garages indicates that the net operating income (NOI) is summarized below and presented in the attached table:

<u>Garage</u>	<u>Spaces</u>	<u>NOI</u>	<u>NOI / Space</u>
Pacific Renaissance Plaza Garage	578	\$916,438	\$1,586
Clay Street Garage	380	\$578,804	\$1,523
1200 Harrison Street Garage	200	\$9,264	\$46
Telegraph Plaza Garage	351	\$193,240	\$550
20 <sup>th</sup> & Telegraph Garage (Projection)	400	\$278,243	\$696
21 <sup>st</sup> & Telegraph Garage (Projection)	351	\$241,089	\$687
<b>Project:</b> 17 <sup>th</sup> & San Pablo Garage	320	\$318,400	\$995

Based on the information provided, we conclude that the Developer's estimate of \$995 per space for net operating income, or approximately \$318,400 total for the 320 spaces, is reasonable. Furthermore, the public garages do not have to pay property taxes, which increases the NOI for a public garage. However, for this project, the Developer will pay property taxes, which reduces the projected NOI for the proposed project. Without property taxes, the NOI for the Project would be in the range of \$1,250 per space. The net operating income estimate of \$995 per space is therefore accepted for our reuse analysis.

The estimated value of the parking garage is based on an 8.25% return on cost, that is, the private investment supported is the net operating income divided by 8.25%. Based on the projected net operating income, the private investment supported is \$3,860,000 (net operating income of \$318,400 divided by 8.25%).

The cost of the garage development is estimated at \$6.0 million. This estimated is based on the preliminary estimated of \$16,130 per space by the contractor, Pankow Companies Builders, or a total of approximately \$5,162,000 for 320 spaces. An additional 15% is included to reflect the garage design modifications required by the City, soft costs and financing.

The cost to construct the garage is greater than the value supported by approximately \$2,140,000, as summarized in the following table. Therefore, the reuse value supported by garage is nominal.

To: Patrick Lane  
Subject: Reuse Valuation – Site of 17th & San Pablo Garage

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	<u>At Stabilization</u>
<b>1. Valuation of the Garage</b>	
<i>Parking NOI</i>	\$318,400/Yr.
Private Investment Supported @ 8.25%	\$3,860,000
<b>2. Private Sector Costs</b>	
<Less> Estimated Garage Costs	<u>&lt;\$6,000,000&gt;</u>
<b>3. Garage Costs Exceeds Private Investment Supported</b>	<b>&lt;\$2,140,000&gt;</b>

***Reuse Value Supported by Retail Parcels***

For the 2 retail pads (Parcels 2 and 3), the City appraiser estimates the values to be \$335,300 for Parcel 2 and \$250,000 for Parcel 3. KMA has accepted these value estimates as they were recently completed by City staff. No value is assigned to Parcel 4 as only interim surface parking is permitted on the parcel.

***Fair Reuse Value***

The reuse value of the site to be conveyed under the DDA is therefore the difference between the private investment supported by the parking garage income and the private costs to construct the garage, plus the value of the two retail pads (Parcels 2 and 3). The conclusion is that the cost to construct the required Project under the DDA is greater than the private investment supported by approximately \$1,554,700.

<b>1. Valuation of the Garage</b>	
<i>Parking NOI at stabilization</i>	\$318,400/Yr.
Private Investment Supported @ 8.25%	\$3,860,000
<b>2. Private Sector Costs</b>	
<Less> Estimated Garage Costs	<u>&lt;\$6,000,000&gt;</u>
<b>3. Subtotal</b>	<b>&lt;\$2,140,000&gt;</b>
<b>Plus Value of Retail Pads</b>	
<i>(as estimated by City appraiser)</i>	
Parcel 2	\$335,300
Parcel 3	<u>\$250,000</u>
Total Value of Retail Pads	\$585,300
<b>4. Costs Exceed Value of Private Investment</b>	<b>&lt;\$1,554,700&gt;</b>

Therefore, the reuse value for the site to be conveyed under the specific terms and conditions of the DDA is nominal.

## **SUMMARY OF BUSINESS AGREEMENT**

The above analysis indicates that the reuse value is nominal and, in fact, the cost to construct the garage is greater than the private investment supported. Thus, Agency financial assistance is warranted in order to support the private investment needed to construct the parking garage. The key terms of the business agreement between the Agency and the Developer for the provision of financial assistance by Agency to the Project are summarized below.

### ***Agency***

1. Subdivide the Site into four parcels and create a pedestrian and vehicular entry/exit easement on Parcel 4.
2. Sell the land to the Developer Parcels 1, 2 and 3 for \$99 each.
3. Lease Parcel 4 to the Developer for \$1.00 per year for 15 years or until such time a development project is approved by the Agency.
4. Rebate to the Developer the tax increment generated by the project (parking garage on Parcel 1), net of all pass thoughts to the County, ERAF, and the Housing Set-Aside for up to 10 years after the project receives a temporary certificate of occupancy.
5. Assign to the Developer a note for \$4 million in principle plus interest from the \$12 million loan made by the Agency to Rotunda Partners II on the Rotunda Building.

### ***Developer***

1. Receive all Parcels in an “as is” condition and demolish the existing building at 1630 San Pablo.
2. Purchase Parcels 1, 2 and 3 from the Agency for \$99 each.
3. Design, secure approvals and build garage with at least 320 spaces on Parcel 1, in accordance with the scope approved by the City, i.e., the design of the garage must incorporate the modifications required by the City.

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Subject: Reuse Valuation – Site of 17th & San Pablo Garage

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4. Within 5-years, build one-story retail on Parcels 2 and 3. Otherwise, the Agency has the option to reacquire these parcels by reimbursing Developer for demolition, landscape and hardscape costs.
5. Lease Parcel 4 for \$1.00 per year from the Agency for 15 years or until such time as a development is approved by the Agency. (Developer has only the option to propose on the project, but would retain the auto/pedestrian easement for the garage over Parcel 4.)
6. Operate the public parking garage in accordance with the Garage Operation provisions set forth in the Business Agreement.

### PRIVATE INVESTMENT SUPPORTED

Per the Business Agreement, the Agency has offered to rebate the tax increment generated from the parking garage and to assign the payment of the \$4.0 million note from the Rotunda Building to the Project. The Agency has estimated that the annual amount of the tax increment to be rebated is approximately \$35,000 (for FY 2006-07) and the amount of interest to be paid on the Rotunda note is \$120,000 (estimated at 3% interest per year on \$4.0 million.) The additional value created by the tax rebate and the note payment, capitalized, will help support the private investment needed for the garage, as shown below:

	<u>At Stabilization</u>
<b>1. Valuation of the Garage</b>	
<i>Parking NOI (before T.I.)</i>	\$318,400/Yr.
Private Investment Supported @ 8.25%	\$3,860,000
<b>2. Value of Retail Pads</b>	
<i>(as estimated by City appraiser)</i>	
Parcel 2	\$335,300
Parcel 3	<u>\$250,000</u>
Total Value of Retail Pads	\$585,300
<b>3. Value of Agency Assistance</b>	
<i>(as estimated by Agency at 8.25% Discount Rate)</i>	
Tax Increment Rebate (10 years)	\$213,000
Rotunda Building Note Assignment (\$4.0 M)	<u>\$1,300,000</u>
Total Value of Agency Assistance	\$1,513,000
<b>4. TOTAL PRIVATE INVESTMENT SUPPORTED</b>	<b>\$5,958,300</b>
<b>Say,</b>	<b>\$6,000,000</b>

**5. ESTIMATED PRIVATE INVESTMENT NEEDED \$6,000,000**

**CONCLUSION**

Based on the preceding analysis, Agency financial assistance in the form of tax increment rebate for 10 years and assignment of a \$4.0 million note from the Rotunda Building are warranted to support the private investment of \$6.0 million needed to construct the 17<sup>th</sup> & San Pablo Avenue Garage as proposed by the Developer.

**LIMITING CONDITIONS**

An analysis of this type is subject to certain limiting conditions, as follows:

1. The analysis contained in this document is based, in part, on data from secondary sources, while KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. Any estimates of development cost, and/or income and expense projections in this evaluation are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be predictions of the future for the specific project. No warranty or representation is made that any of these estimates or projections will actually materialize.
4. Value estimates assume that any necessary entitlement or zoning changes for development can be obtained in a reasonable time frame.
5. The prepare is not required to give testimony or appear in court because of having made this value estimate with reference to the property in question, unless arrangements have been made previously therefore.

**TABLE 1.  
PARKING REVENUES & EXPENSES  
17TH STREET GARAGE  
OAKLAND, CA**

	<u><i>Ptoposed 17th Street Garage <sup>1</sup></i></u>		<u><i>20th &amp; Telegraph Garage <sup>2</sup></i></u>		<u><i>21st &amp; Telegraph Garage <sup>2</sup></i></u>		<u><i>Pacific Renaissance Plaza Garage <sup>3</sup></i></u>		<u><i>Clay Street Garage <sup>3</sup></i></u>		<u><i>1200 Harrison Street Garage <sup>3</sup></i></u>		<u><i>Telegraph Plaza Garage <sup>3</sup></i></u>	
	<i>(Projected by Developer)</i>		<i>(Projection - 2005)</i>		<i>(Projection - 2005)</i>		<i>(Audited Report - 2003)</i>		<i>(Audited Report - 2002)</i>		<i>(Draft Financial Statement - 2003)</i>		<i>(Draft Financial Statement - 2003)</i>	
<i>Number of Spaces</i>	320 Sp.		400 Sp.		351 Sp.		578 Sp.		380 Sp.		200 Sp.		351 Sp.	
	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>	<u><i>Total</i></u>	<u><i>/Sp.</i></u>
Gross Revenues			\$720,768	\$1,802	\$674,325	\$1,921	\$1,338,831	\$2,316	\$793,533	\$2,088	\$179,611	\$898	\$411,779	\$1,173
<Less Parking Tax @ 20%>			<u>(\$144,154)</u>	<u>(\$360)</u>	<u>(\$134,865)</u>	<u>(\$384)</u>	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Net Revenues			\$576,614	\$1,442	\$539,460	\$1,537	\$1,338,831	\$2,316	\$793,533	\$2,088	\$179,611	\$898	\$411,779	\$1,173
Operating Expenses			<u>(\$298,371)</u>	<u>(\$746)</u>	<u>(\$298,371)</u>	<u>(\$850)</u>	<u>(\$422,393)</u>	<u>(\$731)</u>	<u>(\$214,729)</u>	<u>(\$565)</u>	<u>(\$170,347)</u>	<u>(\$852)</u>	<u>(\$218,539)</u>	<u>(\$623)</u>
Net Operating Income	<b>\$318,362</b>	\$995	\$278,243	\$696	\$241,089	\$687	\$916,438	\$1,586	\$578,804	\$1,523	\$9,264	\$46	\$193,240	\$550

<sup>1</sup> Estimated by Developer at stabilization.

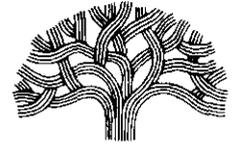
<sup>2</sup> Provided by City Park.

<sup>3</sup> Provided by City of Oakland

# **ATTACHMENT D**

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OFFICE OF THE CITY CLERK  
OAKLAND

CITY OF OAKLAND



2004 JUN -3 PM 7:51

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Office of the City Auditor  
Roland E. Smith, CPA  
City Auditor

JUNE 8, 2004

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IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: CITY AND AGENCY RESOLUTIONS AUTHORIZING A DISPOSITION AND DEVELOPMENT AGREEMENT WITH ROTUNDA GARAGE, LP FOR THE DEVELOPMENT OF A PARKING GARAGE STRUCTURE BETWEEN 16TH AND 17TH STREETS AND SAN PABLO AVENUE, OAKLAND; THAT INCLUDES SELLING THREE PARCELS OF LAND FOR \$99 EACH AND LEASING A FOURTH PARCEL FOR \$1.00 PER YEAR FOR 20 YEARS; AND ASSIGNING TO ROTUNDA GARAGE, LP, \$4 MILLION PLUS INTEREST OF A \$12 MILLION PROMISSORY NOTE PAYABLE TO THE REDEVELOPMENT AGENCY BY THE ROTUNDA BUILDING DEVELOPER, AND FURTHER REQUIRING AGENCY TO PAY THE NET PROPERTY TAX INCREMENT GENERATED BY THE NEW PARKING GARAGE FOR A PERIOD OF 10 YEARS TO ROTUNDA GARAGE, LP**

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**SUMMARY**

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Proposed Resolution, Agenda Report, and attachments.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The independence of the City Auditor is established by the City Charter.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only one (1) week for us to plan, perform and report on our analysis. Due to these time constraints, in making our analysis we extracted data, without verifying it, from the Agenda Report, appraisals reports, and other documents supplied by the Agency. Moreover, we did not

have available information to assess whether there is a possible conflict of interest on the part of the Developer.

**SUMMARY**

The Redevelopment Agency proposes to subdivide the site into four parcels that will be sold or leased to the Developer -- Rotunda Garage, LP. The Developer will purchase three parcels for a price of \$99 each. Parcel 1 would be used for the 320+ space parking garage. Parcel 2 and Parcel 3 would be developed as retail or other commercial uses within 5 years or the Agency would have the right to take them back at the Developer's cost for site demolition and preparation.

The Developer will be granted a permanent vehicular and pedestrian easement and a lease for up to 15 years for \$1 per year on Parcel 4. The Agency will be allowed to sell Parcel 4 for a development in the future and the Developer will have the right to make a competing offer.

The proposed uses and sales or lease prices of the four parcels are summarized below:

<u>Parcel</u>	<u>Square Feet</u>	<u>Proposed Use</u>	<u>Price</u>
1	23,445	320+ space parking garage	\$99
2	3,723	Retail or other commercial	99
3	2,775	Retail or other commercial	99
4	<u>6,700</u>	Surface parking lot	<u>15</u>
Totals	<u>36,643</u>		<u>\$302</u>

**BACKGROUND**

**Need for a garage**

In June 1998 the Agency entered into a Disposition and Development Agreement (DDA) for the Rotunda Building with Rotunda Partners I, the limited partner of the Developer. The DDA provided that:

- the Agency make a loan of \$12 million to Rotunda Partners I;
- Rotunda Partners I share with the Agency 50% of all sales proceeds over \$38 million; and
- the City/Agency provide parking for the Rotunda Building tenants and customers.

Accordingly, the City provides 50 monthly parking spaces plus short-term visitor parking in the Dalziel Building for the Rotunda Building tenants and customers, and the Agency leases the proposed development site to the Rotunda Building developer for its tenants' parking. The Agency receives all net revenues from the surface parking lot.

According to the Agenda Report, It was anticipated that the Agency would build or have another entity build a garage on the current development site primarily for use by Rotunda Building tenants and visitors. The Agency pledged 220 spaces in any new garage to the Rotunda Building, and has pursued the development of this garage for several years.

**Previous proposals**

According to the Agenda Report, the Agency issued Requests for Proposals for the garage twice, in 1998 and 1999, and negotiated with two developers, Allright Parking and Aegis Realty Partners. Both times staff could not negotiate a deal that was supported by staff or the Agency Board. Instead the Agency Board authorized staff to pursue development of an Agency-owned garage. The Agency issued a Request for Proposals for a design project management team for the garage, hired a team made up of Aegis Realty Partners, Komorous-Towey Architects, and Watry Design Group and paid \$750,000 to complete the design.

The Agency concurrently pursued a \$10 million garage construction loan from the State Infrastructure Bank. In order for the garage revenue to cover debt service, the loan would have needed to be amortized over 30 years, 14 years longer than the life of the Central District Plan Area. As a result, a loan guarantee from the City General Fund or Parking Authority would have been necessary, thereby potentially putting the general fund at risk of covering any debt service shortfalls.

**Current Proposal**

According to the Agenda Report, at about the time that Aegis completed the construction documents, Phil Tagami and Leonard Epstein submitted an unsolicited proposal to develop the garage. Messrs. Tagami and Epstein propose to form Rotunda Garage, LP ("Developer") to construct a 320 space garage (the "Project"). Rather than bidding the project immediately and selecting a contractor, the Agency asked the Developer to refine its proposal to determine if it provided a viable alternative to a pledge of the General Fund. The Developer was always interested in owning the garage, which is tied to their office building and will enhance the building's value even more if it is under control of the same owner.

**FISCAL IMPACT**

The Proposed Agency Resolution will also authorize the transfer of Agency-owned assets valued at \$ 5,255,000, consisting of:

<u>Description</u>	<u>Amount</u>
Fair market value of Agency-owned land	\$ 2,785,000
Discounted value of \$4million note payable by Rotunda Building Developer to Agency	1,875,000
Discounted value of interest on \$4million note	325,000
Discounted value of rebated net tax increment	<u>270,000</u>
 Total value of assets transferred to Developer	 <u>\$ 5,255,000</u>

In turn, the Agency will receive revenue totaling \$1,347,929, as summarized below:

Description	<u>Amount</u>
Sales price of land to Developer [3 parcels @ \$99]	\$ 297
Lease of Parcel 4 [\$15 years @ \$1]	15
Future sale of Parcel 4 @ fair market value	510,000
Estimated general property tax increment	555,477
Estimated housing set-aside	282,140
Potential earnings from increased sales by the Rotunda Building (undeterminable)	<u>0</u>
Total revenue that the Agency will receive	\$ <u>1,347,929</u>

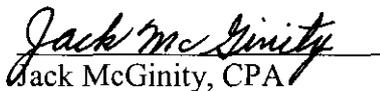
### CONCLUSION

Based on our analysis of data that was made available to us, the Proposed Resolution appears to be reasonable, for the following reasons:

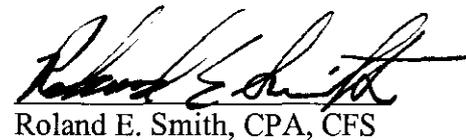
1. Additional parking space is necessary for continued use by the Rotunda, Oakland Ice Center, and other nearby buildings.
2. The City will avoid the risk that it would have as the developer of the garage.
3. The City will benefit from the development of an area that presently contains blight.

Prepared by:

Issued by:

  
Jack McGinity, CPA

Report completion date:  
June 1, 2004

  
Roland E. Smith, CPA, CFS