

CITY OF OAKLAND

2015 JUL -2 AM 11:18

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AGENDA REPORT

TO: Sabrina B. Landreth
CITY ADMINISTRATOR

FROM: Claudia Cappio

SUBJECT: Supplemental Report - Developer Selection
and ENA for the Henry J. Kaiser Convention Center

DATE: June 26, 2015

City Administrator
Approval

Date

7/2/15

COUNCIL DISTRICT: 2

RECOMMENDATION

Staff recommends that the City Council approve:

A Resolution Authorizing an Exclusive Negotiating Agreement with Orton Development, Inc. for the Rehabilitation, Adaptive Reuse, and Operation of the Henry J. Kaiser Convention Center, also known as the Oakland Municipal Auditorium.

REASON FOR THE SUPPLEMENTAL REPORT

A supplemental report has been prepared to transmit the response prepared by the Office of Contracts and Compliance in response to an appeal of staff's recommendation submitted by Creative Development Partners ("CDP"), another respondent to the Request for Proposals (RFP) for the Rehabilitation and Adaptive Reuse of the Henry J. Kaiser Convention Center.

The report also transmits a revised summary of the two proposals received that includes a comparison of financial benefits and contains additional discussion regarding community benefits such as jobs and labor commitments. Consistent with the previous supplemental report dated May 20, 2015, this report also includes possible alternative sites for the proposed new hotel project included in the CDP proposal, which is proposed to include job training programs in the hospitality and related fields.

DISCUSSION

On September 22, 2014, the City issued a RFP to rehabilitate, adaptively reuse, and operate the Henry J. Kaiser Convention Center under a long-term ground lease from the City. Responses were due on November 12, 2014. Two development teams submitted proposals that were deemed

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complete and responsive and moved forward in the evaluation process: (1) Orton Development, Inc., based in Emeryville and (2) Creative Development Partners, based in Oakland, in a joint venture with Harbinger Development based in Boston, MA and Equinox-SynergyEB5, based in San Francisco.

A recommendation regarding authorizing an Exclusive Negotiating Agreement (ENA) with Orton Development, Inc. for the rehabilitation and adaptive reuse of the Henry J. Kaiser Convention Center was first heard at CED Committee on May 26, 2015. The item was continued to the June 9, 2015 CED Committee meeting due to lack of time to consider the item following public comment. At the June 9th meeting, the Committee voted to move the recommendation forward to full Council (3 ayes, 1 abstention).

Response to Creative Development Partners

At the May 26th CED meeting, the Committee posed a number of questions regarding the two proposals received in response to the RFP Henry J. Kaiser Convention Center RFP. Responses to all but one of those questions were addressed in a supplemental report dated June 1, 2015. The remaining question was a request for a response to a letter of appeal of staff's recommendation that Creative Development Partners (CDP) submitted on May 26, 2015 to the Office of Contracts and Compliance and distributed to City Council members.

A response from the Office of Contracts and Compliance was issued on June 5, 2015, after the publication of the June 1, 2015 supplemental report. It was distributed via email to City Council members and is included as *Attachment A*. The original correspondence from Creative Development Partners is included as *Attachment B*.

Additional Details Regarding the Two Proposals

At the June 9, 2015 meeting, the Committee voted to move the recommendation forward to full Council, but asked for a more detail about the project and two proposals, particularly regarding community benefits including jobs, revenue and labor issues.

While an ENA typically does not contain specific commitments to actual deal terms or community benefits, it does identify milestones related to negotiating and reaching agreement on these issues including specific community benefits. These commitments are then codified as part a Lease Disposition and Development Agreement (LDDA), which must return to the City Council for approval and is the binding agreement that commits the City to a particular real estate deal. In addition, accurate estimates of the number of jobs and in particular, tax revenues to the City, are often difficult to identify until the project is more defined.

However, the RFP provided a strong framework for the types of community benefits it expected from the project and the selected developer. The RFP required the rehabilitation, adaptive reuse and reopening of the building itself, and required the restoration of the Calvin Simmons Theater

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into a performing arts venue, with rent subsidies for local arts organizations. The RFP also placed priority on local and small business participation, commitment to prevailing and living wages, commitment to labor peace, creation of new jobs, and the creation of high quality new and improved public open spaces on the property. In addition, the RFP requested that developers employ new community-based financing tools that allow local, non-accredited investors to participate in the project – and ideally see some financial return - through small investments. While largely untested, this project could be a model on how these can tools can be used in real estate projects. The selected developer is also required to activate the site in the short-term through public events and activities.

Staff recommends that during the ENA period, that staff and the selected developer negotiate a public benefits plan that will be part of the final LDDA brought to City Council for review and approval. As described in the May 26 CED report, this plan should address labor peace and labor agreements, prevailing wage and living wage, specific public improvements and other requirements.

Below is a summary of what is known to date about each developer’s commitment to community benefits. In addition, Attachment C provides a revised comparison of the two proposals, including key financial benefits.

Job Creation

As noted in the staff recommendation and the attached summary of proposals, the CDP proposal estimates that their hotel project could create nearly 1,700 jobs. The proposal does not break down the type of these jobs, but a high number of them will be jobs related to the hospitality and event industries and job training slots related to 280-room hotel they are proposing on the site. Staff’s conservative estimates of the jobs created under the Orton Development proposal are 170 construction jobs and the possibility of 350 permanent jobs.

Labor Peace and Labor Agreements

At this point, staff understands that CDP has signed a project labor agreement with the Building and Construction Trades Council. Orton Development stated at the June 9 CED hearing that they would negotiate labor agreements in good faith if awarded an ENA. Orton Development uses local job programs for underserved populations. While Orton expects the vast majority of the jobs on the project will be union if they are awarded the project, it requires the necessary time to negotiate appropriate labor agreements that ensure the best project and a diverse workforce.

Annual Tax Revenue to the City

As noted above, tax revenue projections of the different proposals are difficult this early in the process until exact uses, square footages and other details are better known.

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However, staff's rough estimates of the Orton Development proposal, based on conservative estimates, finds that it could generate approximately \$300,000 in property tax and an additional \$29,000 in sales tax revenue, for a total of \$329,000.

The CDP proposal (page 37) describes that \$3.4 million in tax revenue will be generated by the project, including \$1.9 million in Transient Occupancy Tax (TOT). The proposal also assumes that a portion of the taxes generated will be returned to the project to cover debt service. Therefore, the proforma shows approximately \$2.5 million in tax revenue coming to the City in the first year of the project, with that figure increasing over time.

However, staff's analysis finds that the CDP proposal may have overstated the amount of tax revenue generated by the Henry J. Kaiser Convention Center portion of the project. CDP's proforma assumes \$1.7 million in annual tax revenue to the City generated by the Henry J. Kaiser Convention Center (separate from, and in addition to, the TOT tax generated by its proposed hotel). Given the proposed uses in the Henry J. Kaiser – sporting events and a media production facility with ancillary retail – this figure seems to assume a higher amount of sales tax than is likely. It may be that CDP provided gross tax revenue calculations, rather than the net revenue coming directly to the City.

Staff's adjusted analysis of the CDP proposal, based on conservative estimates, finds that it could generate approximately \$690,000 in property tax and \$85,000 in sales tax revenue in addition to the \$1.9 million in TOT. Subtracting CDP's requested tax rebate to support the project, the total annual tax revenue could be approximately \$1.175 million.

Local and Small Local Business participation-L/SLBE

Both teams have placed explicit priority on local and small business participation for the projects. Specific goals would be negotiated as part of the LDDA and staff will work with the Office of Contracts and Compliance to establish recommended participation levels comparable to scope of work and availability of local L/SLBEs.

Prevailing Wages

Both development teams have committed to prevailing wage, which will be codified in the LDDA. The prevailing wage requirement would be monitored and enforced by the Office of Contracts and Compliance.

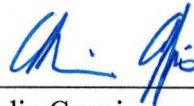
May 20th Supplemental Report Regarding CDP's Hotel Proposal

Staff prepared a supplemental report dated May 20, 2015 recommending that should Council authorize an ENA with Orton Development, that Council also direct staff to work with CDP to find alternative sites for the proposed new hotel project included in their proposal. As described in the supplemental report, staff found the proposed hotel and its concept for job training programs in the hospitality and related fields compelling. In follow-up to the report, at Council's request, staff has preliminarily identified other public sites that could be possible locations for

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the hotel. These include: properties in and around the Lake Merritt BART Station, including the BART parking lot, which will be the subject of a forthcoming RFP; locations on the Laney College campus such as the tennis courts along 10th Street, the area around the former administration building or the campus's existing parking areas as well as other sites on the campus; and several nearby sites owned by the County of Alameda including surface parking lots or existing office buildings. The County may be disposing of surplus land over the next several years. These ideas would need to be further explored and vetted with the respective property owners following Council action.

Respectfully submitted,



Claudia Cappio
Assistant City Administrator

Prepared by:
Kelley Kahn, Special Projects Manager, Office of the City
Administrator

Attachment A: Letter from Deborah Barnes, Office of Contracts and Compliance to Randolph Belle, Creative Development Partners (dated June 5, 2015)

Attachment B: Appeal to the Staff Recommendation from Creative Development Partners (submitted May 26, 2015)

Attachment C: Summary of Proposals Received (revised)

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**Appeal to the Staff Recommendation on the Henry J. Kaiser Convention Center RFP
Submitted May 26, 2015**

Process-related Appeal

- Review panel was misaligned with the RFP criterion, and lacked key expertise and representation from the arts community, economic, community and workforce development.
- Activist panelist, Naomi Schiff, was unable to be impartial or objective in her evaluation of the CDP proposal, based on long prior-stated opposition to the hotel development siting.
- CDP proposal was grossly underscored on key items and material misrepresentations made
- Published review process was inconsistent with the actual review process.

Substantive Content Appeal

- **The recommendation stated that the CDP team did not have the same ability to access capital for our project:**
CDP and its development partners have secured commitments of of \$66 million toward the project and a letter of interest for another \$70 million from our bond financing partner. In addition, we have standing relationships with other financing entities that are very interested in supporting our team to secure additional funds, relieving all doubt of CDP's financial capacity. The competing proposal's total budget for re-purposing the building is only \$52 million.
- **The recommendation stated that CDP's financing structure is too complicated and creates additional risk:**
While the financing structure is complex, it is not at all uncommon based on the nature of the project and the goal to include a range of stakeholders. The team has completed similar deals and the investors are all very confident in CDP's ability to successfully execute. The recommendation mentions philanthropy multiple times, giving the impression that CDP would be writing grants to help fund this project, when in fact, \$10-\$20 million in **INVESTMENTS** from philanthropic institutions will be secured to create a sustainable platform for community benefits.
- **The recommendation stated that CDP is a new entity and doesn't have sufficient experience for such a project:**
Our development team, a joint venture, was highly under-valued and under-scored in the review in terms of experience, and has excess capacity to successfully complete this project- specifically in hotel development, management and investment. Furthermore, the local team of architects, engineers and contractors matches or exceeds the competition in skill and experience.

- **The recommendation scored CDP's community benefits strategy as only slightly higher than our competitor:**

CDP's embedded training and employment program, 1LM Works, is supported by an impressive continuum of educational institutions, along with organized labor organizations including UNITE HERE 2850, Alameda County Building Trades and IATSE 107. With 1LM Works, we've identified a market-rate solution to solve a community-based problem, which creates a self-sustaining program. Additionally, our deep green development strategy, integration with neighboring institutions, community partnerships and cultural arts programming far outpaces our competition and anything that Oakland has ever seen.

In addition to significantly more permanent jobs than projected in the City's RFP, the new tax revenue that our project will produce from the hotel and event center, with the arena preserved for a full range of large concerts, sports and conventions, is \$5.1 million, which far surpasses the projections anticipated by the City. Additionally, our jobs are career and union-track jobs in a variety of mid-to-high-range industries, not just retail and foodservice, which are not considered "good" jobs.

The One Lake Merritt proposal provides tax revenue to the City of \$5.1 million annually and will contribute to the City's budget shortfall for workforce development program along with other vital services

Finally, our proposal preserves the historic Oakland Auditorium arena for public use and all of the traditional uses of the building including community and civic activities, sporting events, conventions and epic concerts, which is a community benefit in itself

- **The recommendation under-scored CDP's integration with Laney College**

Our partnership with the Peralta Community College District and specifically Laney and Merritt Colleges, is a long-standing and deep relationship that will integrate One Lake Merritt physically and programmatically. We have an MOU with the Chancellor and the two Oakland campus Presidents, that will integrate six (6) core Career Technical Education programs, along with a facility sharing agreement for additional meeting space and use of the 1,000 parking spaces at Laney College. The physical and programmatic integration with Laney College far exceeds that put forth by the competing proposal.

- **The recommendation misstated the hotel's compatibility with the Specific Area Plan**

The recommendation suggests that a hotel was not contemplated for the site and is incompatible with the Lake Merritt Specific Area Plan, posing an entitlement risk, while in fact, the EIR for the Lake Merritt Specific Area Plan refers specifically to a "boutique hotel somewhere in the Lake Merritt Station planning area, which this building falls within. There's no specific reason from a planning perspective, then, that said the EIR couldn't accommodate our proposed hotel, as the plan's own economic study said 400 rooms are supportable within the study area.

- **Based on the City's stated goal to get this extremely important historic landmark open and alive again, and to bring activity on the weekend and evening in this part of the city is a major priority, CDP's proposal accomplishes this is much less time.**

CDP has a simpler, phased development strategy, with the HJKCC redevelopment coming first, which will get the building open and active faster than the competition's plan to redevelop the interior arena space as office and retail. After getting the major systems in order, CDP will immediately open and activate the space, while continuing with upgrades. The competition's plan drastically and permanently alters the original (and historic) use of the arena and, from a preservation standpoint, there is a significant loss of the historic fabric of Oakland through a concept that builds-out the arena with interstitial floors and converts into private office space instead of maintaining its original use and re-engaging into the public sphere.

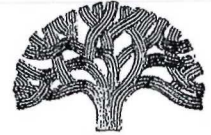


Henry J. Kaiser Convention Center Developer Comparison Submitted by Creative Development Partners

	Creative Developmnet Partners	Orton Development
Calvin Simmons theater	Performing arts theater. Resident nonprofit organizations and additional support for community access	Performing arts theater. Subsidized for non[profit arts organizations. Design to allow for smaller audiences and performances.
Operator of Calvin Simmons Theater	International third party venue operator TBD- Venue consultants CSL Intl. and Legends	Orton Entertainment LLC
	Various established local event and promotions companies- Multi-ethnic and inclusive of traditional artforms- classical, chamber...	
HJKCC Arena/ Ancillary spaces proposal	International third party venue operator TBD- Venue consultants CSL Intl. and Legends	Flexible maker and art spaces/light manufacturing
	Various established local event and promotions companies	Office space
	Arena: Headline acts, conventions and tradeshow, community and civic events, sporting event (basketball, boxing, tennis, volleyball) *Ballrooms	Bar/restaurants/food
	Ballrooms: events, exhibitions, meeting space for hotel (see note below)	Market and building dependent--more specific uses TBD based on design
	smaller performance spaces	Feasibility and market at time of leasing
	more than 130 events per year planned, using existing and built to suit space	Design approach: atrium through center of building; mezzanine in arena
	Basement: maker space, media production, stage production and broadcast	Arena to be re-purposed. No historic use
	Basement also to be used for "base-jumping" electric power generation (see below)	Other space all entirelyly TBD. Financial projections show
	Project includes new 15 story hotel on adjacent site	"commercial space" only
	Restaurant--in hotel, at HJKCC, and pop-up retail and other operators at HJKCC, plaza and grounds	
Public Realm/Circulation proposals	Parking lot remains- Two new public plazas at north and south ends of HJKCC with 24/7 activity from hotel, HJKCC, Laney, and Museum connection from museum garden level directly into hotel at upper level featuring Museum art and sculpture	Two new plazas north and south ends including new "theater plaza"
	Improved 10th street realm	Landscaped, grand connection from HJKCC to Lake across parking lot & 12th St.
		New pedestrian connection across 12th St and enhanced public realm along 10th street

**Henry J. Kaiser Convention Center Developer Comparison
Submitted by Creative Development Partners**

Green construction	Commitment to build hotel and retrofit HJKCC to the greenest extent possible, including the	
	use of HJKCC 's basement as a plenum for energy production of the hotel. It will be the greenest hotel in the country. HJKCC will also be one of the greenest historic landmarks in the US.	
Total cost assumption	\$69,595,200 (HJKCC)	\$51,797,925 (HJKCC)
	\$73,145,333 (hotel)	
	\$142,740,533 (total)	
Total equity	108,000,000	14,000,000
Total debt	34,000,000	38,000,000
Debt to equity ratio	31%	72%
Support requested from City	\$3 million in a grant or deferred loan for Calvin Simmons theater; below market rent; portions of taxes generated returned to project	none at this time - TBD
Funding sources	private equity (various sources)	Construction loan
	EB-5 and private debt	Developer equity
	tax exempt bond funded from tax revenue generated by project	Historic tax credit equity
	City of Oakland funds	
	new markets tax credit equity	
	historic tax credit equity	
	CDP engages multiple financing sources by design to engage and enable more community equity.	
Rent to City	\$1/yr.	To be negotiated. Regular lease payments or single upfront lease payment
	CDP also offers an upfront payment of \$29,000,000 and total tax payments of over \$5m/yr.	
Constructions start/end	CDP has a shorter schedule to activate the HJKCC based on the competition's extensive re-purposing of the arena	December 2016/December 2018
Other key elements	15-story, 280-room hotel located between HJKCC and OMCA	Partnership with OMCA on creating sculpture gardens and building grounds
	Partnership agreements with Laney College/ Peralta/OSD and Alameda County office of Education for curriculum and career training partnerships- offering job training and employment programs for Oakland residents- Hospitality and Culinary Arts, Sustainable Facilities Management, Creative Arts, Administration of Justice, Landscape and horticulture, Computer Information Systems	
	Many letters of support from the community, especially arts, community and workforce organizations	



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Contracts & Compliance Division

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June 5, 2015

Mr. Randolph Belle
Vice President, Community and Government Relations
Creative Development Partners
490 Lakeside Drive, #16242
Oakland, CA 94610

Dear Mr. Belle:

I am in receipt of your correspondence regarding the Henry J. Kaiser Convention Center Request for Proposal (RFP) that you emailed on May 26, 2015.

The following responses are provided to the concerns described in the above referenced correspondence.

Process Related Concerns

1. *“Review panel was misaligned with the RFP criterion and lacked key expertise...”*
As explained in the Council Report for the May 26, 2015 CED Committee, the panel included staff from the Economic and Workforce Development Department, the Planning and Building Department and the City Administrator’s Office. Outside stakeholders included a panelist representing both the Oakland Heritage Alliance and the Lake Merritt Measure DD Community Coalition, and a program director at the Oakland Asian Cultural Center. The panel also included a real estate and land use attorney from the City of Alameda. Collectively, these panelists have experience in economic development, real estate, historic preservation, urban planning, landscape architecture and local arts and culture. Each panelist’s review of the proposals was weighted equally.

Establishing a panel that includes local stakeholders as well as outside subject matter experts in addition to City staff is an accepted best practice for projects of this size. Each panelist brought relevant experience based on the scope of the project contained in the RFP, based on staff’s best professional judgment. However, absolute alignment with the evaluation criteria was not intended nor required.

While your point of view is appreciated in this regard, we are of the opinion that each panelist was appropriately qualified and reviewed both proposals fairly and consistently and used his or her best judgment to score the proposals as guided by the criteria published in the RFP.

2. *“Activist panelist, Naomi Schiff, was unable to be impartial or objective...”*

The RFP simply called for the rehabilitation and adaptive reuse of the Henry J. Kaiser Convention Center. While your addition of a hotel was a very creative approach and worthy of consideration, the RFP did not request nor require a hotel component or other new construction on the site. As you know, the Henry J. Kaiser Convention Center is a local historic landmark, and received the highest possible rating, A1+, from the Oakland Cultural Heritage Survey. It was appropriate to include a representative of the Oakland Heritage Alliance, Oakland’s largest historic preservation stakeholder group, on the evaluation panel.

It may be helpful to know that according to the ratings, removing any one member’s scores from the overall average score does not change the result of the evaluation panel’s review. Each panelist, individually, rated the Orton Development, Inc. proposal higher.

3. *“CDP’s proposal was grossly underscored on key items...”*

As noted in #1 above, each panelist reviewed both proposals thoroughly and exercised his or her best judgment to score the proposals, as guided by the criteria published in the RFP. My office finds that the evaluation process was fair. In addition, City Council members received the complete proposals and have the opportunity to assess each proposal individually.

4. *“Published review process was inconsistent with the actual review process.”*

The review process was consistent with the evaluation process outlined on pages 30 – 31 of the RFP. This consistency notwithstanding, please note that the City has the right to suspend, modify or terminate any and all aspects of the selection process as described on page 44 of the RFP in the Additional Terms and Conditions section.

Substantive Content Appeal

Your observations provide a good summary of many of the strengths of your proposal. Many of the points you raise below are addressed in the staff recommendation, but we offer a few additional responses below.

5. *The recommendation stated that the CDP team did not have the same ability to access capital...CDP and its development partners have secured commitments of \$66 million toward the project...”*

The staff recommendation stated that CDP did not demonstrate the same access to available capital as the recommended developer. The financial capacity of each team was assessed based on the confidential financial materials that the RFP required each respondent to submit.

Developers were asked to include their financial statements (including balance statements, income statements, and all notes), details about their real estate portfolio, and evidence of current relationships with lenders. The assessment and score was completed by the City Controller based on a review of these materials. According to the Controller's assessment, CDP did not provide evidence of \$66 million in available, committed capital for the project in its proposal; the available capital demonstrated by CDP in its financial statements was far less than \$66 million. CDP provided a line of credit agreement from its joint venture partner, Harbinger Development in Boston, MA, that was relatively small and placed an emphasis on development projects in the greater Boston area. The City Controller found that Orton Development, Inc. has available equity more than equal to its estimated project cost. It demonstrated a line of credit in the eight figures.

The staff recommendation notes that CDP will be seeking capital and debt from a variety of sources including EB5 funding, bond issuances, foundation investments and New Market Tax Credits. However, there are no formal or specific commitments of funds from these sources in your proposal, and in many cases it would be premature for there to be commitments from these types of sources. Thus, the assessment of developer equity currently available becomes important to ensure the project can move forward.

If this assessment was in error, please identify where in the proposal CDP demonstrated commitments of \$66 million in available capital for the project.

6. *The recommendation stated that CDP's financing structure is too complicated...*
Comment noted.
7. *"The recommendation statement CDP is a new entity and doesn't have sufficient track record for such a project..."*
Comment noted
8. *"The recommendation scored CDP's community benefits strategy as only slightly higher..."*
Comment noted. You note here that CDP's proposed project will provide \$5.1 million in tax revenue to the City annually. The CDP proposal describes on page 37 that \$3.4 million in tax revenue will be generated by the project, not \$5.1 million. Page 42 of the proforma also describes a rebate of tax revenue being returned to the project to cover its debt service, so in year one the project, the proforma appears to show approximately \$2.5 million in tax revenue to the City, growing over time. The total sales tax assumptions coming to the City were also found to possibly be overstated based on staff's analysis. If this summary of the proposal is in error, please identify where the proposal demonstrates \$5.1 million in tax revenue returning to the City each year and the basis for this calculation.
9. *"The recommendation under-scored CDP's integration with Laney College."* Comment noted. Both the CED Council Report and the Supplemental CED Council report highlighted CDP's collaboration and MOU with Peralta Community College District.
10. *"The recommendation misstated the hotel's compatibility with the Specific Area Plan."*

The evaluation panel included Ed Manasse, the City's Strategic Planning Manager and Project Manager of the Lake Merritt Station Area Plan and Environmental Impact Report (EIR). Mr. Manasse noted that locating a separate hotel building on the same site of the Henry J. Kaiser Convention Center, adjacent to Lake Merritt and two designated historic landmarks – the Henry J. Kaiser and the Oakland Museum of California – was not specifically contemplated by the Station Area Plan or the EIR. He concluded that the proposed hotel portion of the project would likely trigger further environmental review and analysis (including but not limited to potential impacts related to aesthetics, historic resources, shadows and wind etc.) beyond what would be required for the rehabilitation of just the Henry J. Kaiser building. This would add to the regulatory risk and approval timeline of the project.

11. *“Based on the City’s goal to get this extremely important historic landmark open and alive again... CDPs proposal accomplishes this in much less time...”*

Comment noted. However, according to the CDP proposal on page 15, CDP would complete construction of the Henry J. Kaiser in summer 2019 with occupancy in winter 2019. Construction of the hotel would be complete in summer 2020. Orton Development's proposal on page 82 calls for the Henry J. Kaiser to reopen earlier, in the fourth quarter 2018, or by December 2018.

Staff considers the schedules provided in the proposals as estimates only, and a more detailed schedule of performance will be negotiated and approved by the City Council as part of the final Lease Disposition and Development Agreement (“LDDA”).

In addition, consistent with the RFP, the selected developer will be required to organize and host interim, public events on the property in the short term to help activate the site before construction is complete.

12. *Summary Table Contents*

Your letter included a summary table prepared by CDP of both its own proposal and of the Orton Development proposal. As noted, for the most complete and accurate information, staff provided the City Council with both proposals as well as the original RFP for their consideration.

While a thorough review of your summary table of the two proposals was not been completed, it was noted that page 2 of the table references a \$29 million upfront rent payment to the City from CDP. The payment is not mentioned in the written financing plan included in your proposal, nor is it listed as an acquisition cost or as an expense in CDP's conceptual proforma include in the proposal. CDP does state in the proposal that they are assuming to pay the City one dollar per year to lease the property. If this summary is in error, please identify where in the proposal the \$29 million is identified and how the proforma supports the feasibility of this payment.

Given a review of the information provided, it appears the RFP process was indeed fair and consistent with the terms of the RFP. Moreover, it is important to note that while the recommendations of City staff are valued, the final decision to authorize an Exclusive

Mr. Randolph Belle

June 3, 2015

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Negotiating Agreement (“ENA”) with a developer for the Henry J. Kaiser Convention Center rests under the authority of the City Council. As such, we seek their guidance in this regard.

In closing, I thank you for your passion and dedication to Oakland. I acknowledge the extensive work your team invested in this effort and your devotedness to the development of the Henry J. Kaiser Convention Center, a jewel in the crown of Oakland.

Sincerely,

A handwritten signature in cursive script, appearing to read "Deborah Lusk-Barnes".

Mrs. Deborah Lusk-Barnes

Director

Office of Contracts and Compliance

Cc:

John Flores, City Administrator

Claudia Cappio, Assistant City Administrator

Mark Sawicki, Director, Economic and Workforce Development

Rachel Flynn, Director, Planning and Building

Kelley Kahn, Office of the City Administrator

ATTACHMENT C

Henry J. Kaiser RFP

Summary of Proposals Received – July 1, 2015

1. Proposal Overview	Creative Development Partners	Orton Development
Developer Team	Joint Venture: <ul style="list-style-type: none"> • Creative Development Partners, Oakland (51%) • Harbinger Development, Boston, MA (39%) • Equinox-SynergyEB5, San Francisco (10%) 	Orton Development, Emeryville
Architect	Ken Lowney Architecture, Oakland	Heller Manus Architects, SF
Landscape Architect	PGAdesign, Oakland	Walter Hood, Oakland
Historic Architect	Alan Dreyfuss, WJE Associates, Emeryville	Rosemary Muller, Muller & Caulfield, Oakland
Community-based Financing	Jenny Kassan, Cutting Edge Capital, Oakland	Tom Lockhard, Fundrise, SF
Structural Engineer	Holmes Culley, SF	Nabih Yousseff Associates, SF
Other	Meyer Sound, Integral Group (green consultant), and various consultants related to retail, workforce, stormwater/sustainability, venue operations	Angela Tsay, Oaklandish, and Meyer Sound
Key Developer Qualifications	<ul style="list-style-type: none"> • Ames Hotel, Boston, MA, 114 rooms, \$75 million (historic rehab). Role: Harbinger Development owner and developer of record. Completed. • California Hotel, Oakland, 137 units of affordable housing (historic rehab). \$43 million. Role: Member of CDP team development lead. Completed. • Old Mint, SF. (historic rehab). Role: Project manager for project sponsor. Not completed. • Parcel 24, Boston, MA, 325 mixed-income housing units, \$125 million. Role: CDP team member part of joint venture development team. Under construction. 	<ul style="list-style-type: none"> • Ford Point, Richmond, Ca., 525,000 sf, performance/event space, office, restaurant (Historic Landmark). \$50 million. Role: Developer and operator. Completed. • Rosie the Riveter Museum, Richmond, Ca. 12,000sf, museum and exhibit hall (Historic Landmark). \$7 mil. Role: Developer. Completed. • Pier 70, San Francisco, collection of 6 Historic Landmark buildings, office/manufacturing space, 270,000 sf., \$100 million. Role: Developer and operator. Under construction. • 1440 Broadway, Oakland, 80,000sf, (Adaptive Reuse), office and retail. Role: Developer and owner. Completed. • Flint Ink, Berkeley, 50,000 sf, light manufacturing, maker space, office, \$5 million. Role: Developer and owner. Completed.
Key Design Team Qualifications	Architect <ul style="list-style-type: none"> • Whole Foods, Oakland (Historic Landmark) • Safeways, Sprouts, Walgreens and other retail throughout country Landscape Architect <ul style="list-style-type: none"> • Lake Merritt Blvd./12th St., Oakland (early design work) • Oakland Museum of California Historic Architect <ul style="list-style-type: none"> • Hibernia Bank, SF • Sherith Israel, SF Structural Engineer <ul style="list-style-type: none"> • The Cathedral Building, Oakland • 140 New Montgomery, SF 	Architect <ul style="list-style-type: none"> • Masonic Auditorium, SF, 3,300 seats • San Francisco City Hall, 500,000 sf (Historic Landmark) Landscape Architect <ul style="list-style-type: none"> • De Young Museum • Splash Pad Park, Oakland Historic Architect <ul style="list-style-type: none"> • Carnegie Library, Alameda, Ca • Frank Ogawa Plaza building, Oakland Structural Engineer <ul style="list-style-type: none"> • 50 United Nations, SF • Los Angeles City Hall

Calvin Simmons Theater Proposal	Performing arts theater. Subsidies for non-profit arts organizations.	Performing arts theater. Subsidies for non-profit arts organizations. Design to allow for smaller performances and audiences.
HJK Arena/Ancillary Spaces Proposal	<ul style="list-style-type: none"> Arena: sporting events (baseball, boxing, martial arts) Ballrooms: events, exhibitions, meeting space, smaller performance spaces Basement: media production and broadcast Project also includes new, 15-story hotel on site. See notes below. 	<ul style="list-style-type: none"> Market-and building-dependent – more specific uses TBD based on design feasibility Flexible maker and art spaces/light manufacturing Office space Bar/restaurant/food
Other Key Elements of Proposal	<ul style="list-style-type: none"> 15 story hotel, 280-room hotel located between HJK and OMCA offering job training programs related to new hotel in hospitality, facilities, event management etc. Agreements with Peralta/Laney/Merritt, OUSD and Alameda County Office of Education for curriculum and program partnerships Many letters of support from local arts and workforce organizations. 	<ul style="list-style-type: none"> Partnership with Oakland Museum on creating sculpture gardens on building grounds
2. Financial Summary		
Total Cost Assumption	\$69,595,200 (HJK) +\$73,145,333 (hotel) \$142,740,533 (total project)	\$51,797,925 (HJK)
Support Requested from City	\$3 million in a grant or deferred loan for Calvin Simmons Theater; portions of taxes generated returned to project	None at this time
Proposed Funding Sources	<ol style="list-style-type: none"> Private equity (various sources, inc. private foundations): \$26,269,907 Loans: \$55,221,426 EB-5 financing: \$10,530,000 Tax Exempt Bond support by tax revenue generated from project: \$13,500,000 City of Oakland funds: \$3,000,000 New Market Tax Credits: \$10,530,000 Historic Preservation Tax Credits: \$13,219,200 <p><i>Source: CDP Proposal</i></p>	<ol style="list-style-type: none"> Orton Development equity: \$5,000,000 Bank loan: \$38,875,500 Historic Preservation Tax Credits: 7,922,500 <p><i>Source: Orton Proposal</i></p>
Proposed Rent to City	\$1 per year <i>Source: CDP proposal</i>	To be negotiated. Regular lease payments or single upfront lease payment. <i>Source: Orton Proposal</i>
Jobs Estimate	1,700 jobs and job training slots <i>Source: CDP proposal</i>	170 construction jobs; 350 permanent jobs <i>Source: Staff estimate based on industry standards</i>
Estimated Annual Tax Revenue to City (excludes business taxes)	Property Tax: \$690,000 Sales Tax: \$85,000 Transient Occupancy Tax (TOT): \$1,900,000 <u>Requested Tax Rebate (year 1): - \$1,500,000</u> Total: \$1,175,000 <i>Source: Staff estimate and CDP proposal</i>	Property Tax: \$300,000 Sales Tax: <u>\$29,000</u> Total: 329,000 <i>Source: Staff estimate</i>
Construction Complete	Summer 2019 (hotel completed summer 2020)	December 2018