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APPROVED AS TO FORM AND LEGALITY
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Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND
2005 - 0019
RESOLUTION No. _____ C.M.S.

INTRODUCED BY AGENCY MEMBER _____

RESOLUTION AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH GRAY AND REYNOLDS PROPERTIES, INC., AND A LIMITED REBATE OF FUTURE SALES TAXES FROM BOAT TENANTS TO ASSIST IN THE DEVELOPMENT FINANCING OF A MIXED-USE BOAT MALL AND OFFICE PROJECT AT 1211 EMBARCADERO DRIVE, AND AUTHORIZING ANNUAL AGENCY TAX REBATE PAYMENTS FOR THE PROJECT

WHEREAS, the Redevelopment Agency and the City of Oakland ("City") have been requested by Gray and Reynolds Properties, Inc. ("Gray and Reynolds"), the developer of a proposed 3-story, 26,000 square foot mixed-use office building and boat mall development at 1211 Embarcadero (the "Project"), to share, on a limited basis, the sales tax revenues generated by its future boat mall tenants to ensure the financial feasibility of the Project; and

WHEREAS, the projected return on income is considered by the developer to be inadequate to compensate for the investment risk given the current soft office market, which will result in postponement or cancellation of the Project without Agency assistance; and

WHEREAS, the Project property is located within the Central City East Redevelopment Project Area; and

WHEREAS, Gray and Reynolds expects the construction of this Project to result in substantial incremental property taxes for the Agency; and increased sales taxes and business license fees for the City through high sales volume from its tenant yacht dealers; and

WHEREAS, completion and lease up of this Project will serve to eliminate blight conditions in the Central City East Project Area, and will meet the objectives of the Redevelopment Plan for the Central City East Redevelopment Project in that it will “stimulate in-fill development and land assembly opportunities on obsolete, underutilized and vacant properties in the Project Area” (section I.A.), “attract new businesses and retain existing businesses in the Project Area, providing job training and employment opportunities for Project Area residents” (section I.C), and “improve transportation, open space, parking and other public facilities throughout the Project Area” (section I.D.); and

WHEREAS, the Agency desires to support Gray and Reynolds' efforts to improve and expand boat retail sales in Oakland;; and to that end desires to negotiate and enter into an Owner Participation Agreement with Gray and Reynolds setting forth the terms and conditions under which Gray and Reynolds will complete the Project in Oakland, and the Agency will in turn provide funding to support Project construction and operations; and

WHEREAS, the Agency and the City entered into a Cooperation Agreement on July 1, 2004, which governs the provisions of assistance and the payment of funds between the two agencies; and

WHEREAS, the Agency will be reimbursed by the City on an annual basis through the Cooperative Agreement for payments made by the Agency under the Owner Participation Agreement based upon actual annual sales taxes received from the boat dealer tenants subject to the terms described herein; and

WHEREAS, completion of this Project as Phase I will set the groundwork for development of Phase II on a site adjacent to this Project and the opportunity to attract additional, high sales-tax generating boat dealers to Oakland; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the CEQA guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied, and this action complies with CEQA because, based on that Initial Study dated November 19, 2002, the Project will not have a significant adverse impact on the environment; now, therefore, be it

RESOLVED: That the Agency hereby finds and determines that the Gray and Reynolds' construction and business expansion project and the Agency financial assistance are consistent with and will further the purposes of the Redevelopment Plan for the Central City East Redevelopment Project; and be it further

RESOLVED: That the Agency hereby authorizes the Agency Administrator or her designee to negotiate and execute an Owner Participation Agreement (“OPA”) with Gray and Reynolds setting forth the terms and conditions under which Gray and Reynolds will construct the Project and expand boat retail sales within the Project, and the Agency in turn will provide funding to support the construction and business expansion; and be it further

RESOLVED: That the OPA shall include at minimum the following terms and conditions:

- Payments from the Agency will be paid annually to the developer in an amount equal to the lesser of: (1) 85% of the Project's annual sales tax receipts received by the City, less the amount of sales taxes generated during the most recent full calendar year (2004) by any boat dealers currently located in Oakland; or (2) the annual cap indicated for the corresponding year of the OPA indicated in the table below;

YEAR	% SALES TAX SPLIT BETWEEN DEVELOPER / CITY	ANNUAL CAP
1-3	85%/15%	\$250,000
4-5	85%/15%	\$225,000
6-7	85%/15%	\$175,000
8-9	85%/15%	\$150,000
10 and beyond	85%/15%	\$100,000

- The Agency payments to the developer will cease once the aggregate value of Agency payments totals a net present value of \$1,200,000, discounted at 6%, based upon the following formula:

$$\frac{\text{Annual Sales Tax Rebate Payment}}{(1.06)^x}$$

(where x=the ordinal number of the annual payments, i.e., 1st, 2nd, 3rd, etc.);

- The 2004 sales taxes paid and received by the City from the existing Oakland boat dealer, Olympic Boat Centers, will be used as a baseline for determining the incremental taxes generated by the Project and Agency payments will be calculated based only on the incremental sales taxes received by the City that are generated over this baseline amount;
- The Agency's obligation to make payments will be conditioned on (1) successful completion of the Project as proposed by the developer and approved by the Agency Administrator, and (2) the Agency's review and approval of a minimum of two executed lease agreements with two boat dealers at the Project;
- The Project will be subject to the Agency's employment and contracting requirements, including prevailing wage, living wage, equal benefits, local/small local business contracting, local employment, and apprenticeship requirements;

and be it further

RESOLVED: That the amount to be paid to the developer will be paid from the following fund: Central City East Operations Fund (9540), Miscellaneous Operating Expenditures Account (52921), Coliseum Redevelopment Organization (88659), ORA Central City East Repayment Agreement Project (S233310); and be it further

RESOLVED: That the City's reimbursement of the Agency for payments made by the Agency as described herein shall be renewable on an annual basis at the sole discretion of the City Administrator; and be it further

RESOLVED: That the Agency Administrator is authorized to negotiate and execute any agreements or documents, and to take any related actions with respect to the Project and the OPA that may be necessary in accordance with this Resolution and its basic purposes; and be it further

RESOLVED: That the OPA and all documents associated with the Project shall be reviewed and approved by Agency Counsel as to form and legality and filed with the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, APR 05 2005, 2005


PASSED BY THE FOLLOWING VOTE:

AYES- ~~BROOKS~~, BRUNNER, CHANG, NADEL, QUAN, REID, AND CHAIRPERSON DE LA FUENTE - 6

NOES- 0

ABSENT- 0

ABSTENTION- 1 - BROOKS

ATTEST: 
LATONDA SIMMONS
Interim Secretary of the Redevelopment Agency
of the City of Oakland