

CITY OF OAKLAND
AGENDA REPORT

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CITY OF OAKLAND
2005 FEB -3 PM 4:34

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Claudia Cappio, Development Director
DATE: February 15, 2005

RE: CITY AND AGENCY RESOLUTIONS AUTHORIZING A MEMORANDUM OF UNDERSTANDING WITH THE SALVATION ARMY REGARDING THE SALE OF PORTIONS OF BROOKFIELD PARK AT EDES AND JONES AVENUES, AND DEVELOPMENT OF A NEW RECREATION CENTER AND OTHER USES ON THE SITE

SUMMARY

The purpose of this report is to obtain Council/Agency authorization to enter into a Memorandum of Understanding (MOU) regarding the sale of an 11-acre parcel of land in Brookfield Park which includes the Ira Jinkins Recreation Center to The Salvation Army for the purpose of constructing and operating a sports complex, administrative building and performing arts center/chapel. The Salvation Army is in the process of applying for grant funding from the Kroc Foundation to build and operate the facility.

FISCAL IMPACT

The Salvation Army is proposing to build a \$60 million dollar facility on the site that will cost The Salvation Army approximately \$7 million per year to operate. If the local branch of The Salvation Army is successful in their bid for funding for the sports complex in East Oakland, they must own the land on which the sports complex will be built in order to use the grant funding.

In order to remove any church/state conflicts, The Salvation Army would purchase the portion of the Brookfield Park site that would be used for their administrative building, performing arts center, and chapel at fair market value. The Salvation Army would purchase the portion of the site that would be used for the sports complex at less than fair market value, given the benefits of such use to the City.

The Salvation Army is not asking for a commitment of any additional funds for this project. At this time, The Salvation Army is only asking for the City's commitment to enter into negotiations to sell the land.

BACKGROUND

In January of 2004, The Salvation Army received a gift estimated to be in excess of \$1.5 billion from the estate of Joan B. Kroc, wife of the founder of the McDonald's restaurant company. The

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funds are specifically designated for the development of community centers across the country, similar to the Ray and Joan Kroc Corps Community Center in San Diego that opened three years ago. \$500 million will be granted to Salvation Army programs in the western territory, in which Oakland is located, through a competitive grant application process.

The Salvation Army in Oakland is in competition with other cities throughout the western U.S. for a grant of monies in excess of \$30 million to design, build and operate a Kroc Community Center. Following a review of applications in March, cities scoring highest on a 100-point scale will advance from the Feasibility Application Phase to the Development Application Phase. Significant points are awarded during the Feasibility Application Phase in the following areas:

- The Salvation Army currently owns or will be able to acquire the project site. (20 points)
- Sufficient new funds can be raised in the community on a sustained basis to cover a significant share of operating costs. (15 points)
- The Salvation Army has been awarded all required discretionary approvals by local government or has strong neighborhood and local government support for the timely award of these approvals. (10 points)
- Committed local government and /or private support in the form of land and/or funds for the development of The Salvation Army Ray and Joan Kroc Corps Community Center are appropriate given the scale of the project. (10 points)
- The project is accessible to and targets a population of children, families and individuals that is underserved and appropriate in size to the scale of the project. (10 points)

The effort to win this competition for Oakland is being led by an advisory committee staffed by civic and business leaders under the direction of senior Salvation Army staff. The steering committee developed a proposal for the establishment of *The Salvation Army Oakland Ray and Joan Kroc Corps Community Center* at Brookfield Park at Edes and Jones Avenues. The project, as outlined by the Salvation Army and the steering committee, currently includes four full-sized basketball/volleyball courts, a 25 meter competition pool, a family “fun” pool in a natatorium setting, an 8 lane bowling alley, a fitness area including unique spaces for weight training and fitness classes with separate weight lifting and aerobics areas, a circulation lounge with pool tables, locker rooms, and a separate performing arts center and chapel, including a library, music instruction and computer lab.

Up to one-half (\$30 million) of the funds needed for construction of the Kroc Center in Oakland could come from the Joan Kroc Fund. The endowment portion of the grant from the Kroc Fund will equal the amount granted for construction, which means that up to \$30 million could be awarded from the Joan Kroc Fund for ongoing operating expenses.

The Salvation Army estimates that the Kroc Center in Oakland could cost as much as \$7 million per year to operate. Based on the experience of the Kroc Center in San Diego, the Oakland facility could anticipate the following funding for ongoing operating expenses:

- Rentals and events 39%
- Kroc Fund endowment 27%
- Donations 16%
- Membership fees 9%
- Classes and leagues 6%
- Miscellaneous 3%

The Salvation Army in Oakland is using the membership fees in the Kroc Center in San Diego as a guide for its own monthly membership and registration fees:

- Youth (3-17) \$15
- Adult (18-61) \$23
- Senior (62+) \$18
- Single-Parent Family \$45
- Family \$60
- Ultimate Fitness Adult \$29
- Ultimate Fitness Senior \$25

Eighty percent of current memberships in the San Diego Kroc Center are family memberships (\$60 per month). In addition, San Diego awards over 600 membership scholarships according to a sliding scale, based on need. This membership fee would be adjusted to the Oakland community in the 2009-2010 timeframe when the Center opens.

KEY ISSUES AND IMPACTS

The following are the major issues with respect to this transaction:

Development of an underserved area. This project brings a \$60 million sports center to an underserved area of Oakland, as well as the ongoing operating funds of approximately \$7 million to sustain the center. Even if the City identified alternative funding to build its own center, it would be very difficult to identify this level of funding to sustain operations. The center will bring a multitude of services to the East Oakland community that are currently non-existent, including four full-sized basketball/volleyball courts, a 25 meter competition pool, a family “fun” pool in a natatorium setting, an 8 lane bowling alley, a fitness area including unique spaces for weight training and fitness classes with separate weight lifting and aerobics areas, a

circulation lounge with pool tables, locker rooms, and a separate performing arts center and chapel, including a library, music instruction and computer lab. This is a mutually beneficial project for the City of Oakland and The Salvation Army. As our city resources and funding sources continue to shrink, we continually look for ways to bring additional resources and funding into the City. This project does both and is of great public benefit.

Commitment to sell. Ultimately, The Salvation Army must own the land for this project in fee. For the grant application, The Salvation Army needs an agreement that is as close to a commitment to sell as possible. Out of a total of 100 points in this stage of the grant process, 20 points will be awarded for land ownership.

Use Agreement. A long-term Use Agreement between The Salvation Army and the City will be developed to put the City's relationship with the Kroc Center in writing as part of the overall project deal to incorporate existing programming at the Ira Jinkins Recreation Center into the new Kroc Center. The Salvation Army will also work with OUSD to develop an agreement for the schools to use the center for their recreation and sports programs.

Compliance with City policies. A below-market rate purchaser of City property like The Salvation Army is subject to the City's and Agency's employment and contracting programs, including prevailing wage, living wage, equal benefits, local construction employment, local/small local business enterprise contracting, apprenticeship, and first-source hiring, except if, and to the extent that, the City Council waives application of program requirements.

Religious uses of the site. Religious meetings will be held only in the chapel, except for unusual circumstances where the gym would be used for a large event, such as a national youth rally for The Salvation Army. The chapel will most likely be used for church services on Sundays and a mid-week Bible study. The administrative and office functions of The Salvation Army will be housed in this building. The building will be used as a performing arts center when it is not being used as a chapel. Because of the religious nature of the proposed use, the land for this building will be sold by the City at the unsubsidized fair market value.

PROJECT DESCRIPTION

A Memorandum of Understanding (MOU) has been drafted by the Agency and is currently being reviewed by The Salvation Army. The MOU, similar to a standard redevelopment agency Exclusive Negotiating Agreement (ENA), provides for an 18-month negotiating period for The Salvation Army to apply for Kroc funding, design the project, go through CEQA review, appraise the site, and negotiate the terms of a Disposition and Development Agreement, Use Agreement, and Government Code Development Agreement. The MOU expresses the City's intention to negotiate the sale of the Brookfield Park land with The Salvation Army, as long as all conditions are met as set forth by the City, but does not legally commit the City or Agency to sell the property. The City/Agency cannot commit to sell the property until CEQA review has been completed, a public hearing has been held, and essential terms and conditions of the transaction have been defined.

The property in question contains a senior center, a library, open space and a building containing a recreation center/gymnasium. The proposed Salvation Army project would require that the property be subdivided into three parcels:

- About one acre of the property will be used for construction of facilities for the religious mission of The Salvation Army, specifically the administrative building, performing arts center and the chapel. It is proposed that the City sell this portion of the property to The Salvation Army at fair market value.
- About 10 acres of the property will be used for the construction of recreational facilities that will be constructed and operated by The Salvation Army for public benefit at below market rates. These portions of the property will be sold to The Salvation Army at a price less than fair market value. A Use Agreement will be developed between the City and The Salvation Army to ensure that the surrounding neighborhoods will have access to the center and that ongoing programs taking place at the Ira Jinkins Recreation Center will continue at the new Kroc Community Center.
- The rest of the property (approximately three acres) will be retained, maintained and operated by the City. This portion of the property includes the existing senior center and library.

SUSTAINABLE OPPORTUNITIES

Economic: This construction project will be subject to the City's and Agency's employment and contracting programs, including local/small local business enterprise contracting, which will provide job opportunities for Oakland residents. Additionally, the sports complex itself will provide up to an additional 200 jobs to the Oakland economy.

Environmental: There will be an opportunity for this building to be constructed as a model for green building technologies.

Social Equity: The center will improve the quality of life for all Oakland residents, especially those in the surrounding neighborhoods because it provides a new, affordable recreational alternative. This project brings a \$60 million sports center to an underserved area of Oakland. The center will bring a multitude of services to the East Oakland community that are currently non-existent, including four full-sized basketball/volleyball courts, a 25 meter competition pool, a family "fun" pool in a natatorium setting, an 8 lane bowling alley, a fitness area including unique spaces for weight training and fitness classes with separate weight lifting and aerobics areas, a circulation lounge with pool tables, locker rooms, and a separate performing arts center and chapel, including a library, music instruction and computer lab.

DISABILITY AND SENIOR CITIZEN ACCESS

This project will comply with all Disability and Senior Citizen access laws and regulations.

RECOMMENDATION(S) AND RATIONALE

This report recommends that the Council/Agency authorize the City Administrator and the Agency Administrator to negotiate and execute a Memorandum of Understanding with The Salvation Army to apply for Kroc funding, design the project, go through CEQA review, appraise the site, and negotiate the terms of a Disposition and Development Agreement, Use Agreement, and Government Code Development Agreement.

ACTION REQUESTED OF THE CITY COUNCIL

City Council is asked to accept this report and authorize the City Administrator and the Agency Administrator to negotiate and execute a Memorandum of Understanding with The Salvation Army to apply for Kroc funding, design the project, go through CEQA review, appraise the site, and negotiate the terms of a Disposition and Development Agreement, Use Agreement, and Government Code Development Agreement.

Respectfully submitted,



CLAUDIA CAPPIO

Development Director, Community and
Economic Development Agency

Prepared by:
Anne Campbell Washington, Assistant to the
City Administrator
Office of the City Administrator

APPROVED AND FORWARDED TO THE
CITY COUNCIL:


Office of the City Administrator

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February 15, 2005

FILED
OFFICE OF FORM AND LEGALITY:
OAKLAND
APPROVED AS TO FORM AND LEGALITY:
By: [Signature] 2005 FEB 3 PM 4:34
Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING A MEMORANDUM OF
UNDERSTANDING WITH THE SALVATION ARMY AND
THE CITY FOR THE SALE OF PORTIONS OF
BROOKFIELD PARK AT EDES AND JONES AVENUES,
AND DEVELOPMENT OF A NEW RECREATION CENTER
AND OTHER USES ON THE SITE

WHEREAS, the City of Oakland ("City") owns real property known as Brookfield Park (the "Property"), located at Edes Avenue and Jones Avenue in the Coliseum Redevelopment Project Area; and

WHEREAS, the Property is currently a City park that contains a senior center, public library, open space, and a recreation center/gymnasium; and

WHEREAS, the City has contemplated redeveloping a portion of the Property with a new recreation center; and

WHEREAS, the Salvation Army has proposed acquiring and redeveloping a portion of the Property; and

WHEREAS, the Salvation Army's proposal calls for demolition of the existing recreation center/gymnasium and replacing that facility with a more extensive recreational facility (the "New Center"); and

WHEREAS, the New Center possibly could include a new gymnasium, library, tutoring facility, computer lab, swimming pool, recreational water feature, and bowling alley, among other uses; and

WHEREAS, the Salvation Army has also proposed acquiring another portion of the Property for the construction of an administrative facility and performing arts center/chapel; and

WHEREAS, the existing senior center would be retained by the City in its current use; and

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WHEREAS, the Salvation Army will be applying for financial support from the Joan Kroc gift and other sources for the development and operation of the New Center; and

WHEREAS, the development of a New Center and other uses on the Property will support the goals of the Coliseum Area Redevelopment Plan for the Project Area; and

WHEREAS, the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) authorizes a redevelopment agency to acquire real property in a redevelopment project area from another governmental agency, and to convey property for redevelopment purposes; and

WHEREAS, the Agency desires to enter into a Memorandum of Understanding ("MOU") with the City and the Salvation Army to facilitate the sale and redevelopment of portions of the Property for recreational and other uses; now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby declares its support for the development of a New Center on the Property by the Salvation Army; and be it further

RESOLVED: That the Redevelopment Agency hereby authorizes the Agency Administrator to negotiate and enter into a Memorandum of Understanding with the Salvation Army and the City for the purchase of portions of the Property by the Agency from the City, the sale of such property by the Agency to the Salvation Army, and the development and operation of a New Center and other uses by the Salvation Army on the site; and be it further

RESOLVED: That the MOU shall provide for an 18-month negotiating period, with the option to extend such period up to an additional 12 months at the discretion of the Agency Administrator; and be it further

RESOLVED: That the MOU shall provide that, during the negotiating period, the parties will study and evaluate the feasibility of the project, apply for project funding, and negotiate the terms of a Disposition and Development Agreement, Use Agreement, and other documents governing the conveyance of the site and the development and operation of a New Center and other uses on the site; and be it further

RESOLVED: That the MOU shall be reviewed and approved as to form and legality by Agency Counsel prior to execution; and be it further

RESOLVED: That the Agency finds and determines, upon its independent review and consideration, that the authorization of the MOU under this Resolution complies with the California Environmental Quality Act of 1970 ("CEQA") because this action is exempt from CEQA pursuant to Section 15262 (feasibility and planning studies), Section 15306

(information collection) and Section 15061(b)(3) (general rule) of the CEQA Guidelines; and be it further

RESOLVED: That the Agency Administrator or her designee shall cause to be filed with the County of Alameda a Notice of Exemption for this action; and be it further

RESOLVED: That the Agency Administrator is authorized to take whatever action is necessary with respect to the MOU and in support of the proposed project consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

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

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FILED
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APPROVED AS TO FORM AND LEGALITY:
By: [Signature] 2005 FEB - 3 PM 4:34
Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING A MEMORANDUM OF UNDERSTANDING WITH THE SALVATION ARMY AND THE REDEVELOPMENT AGENCY FOR THE SALE OF PORTIONS OF BROOKFIELD PARK AT EDES AND JONES AVENUES, AND DEVELOPMENT OF A NEW RECREATION CENTER AND OTHER USES ON THE SITE

WHEREAS, the City owns real property known as Brookfield Park (the "Property"), located at Edes Avenue and Jones Avenue in the Coliseum Redevelopment Project Area; and

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WHEREAS, the City has contemplated redeveloping a portion of the Property with a new recreation center; and

WHEREAS, the Salvation Army has proposed acquiring and redeveloping a portion of the Property; and

WHEREAS, the Salvation Army's proposal calls for demolition of the existing recreation center/gymnasium and replacing that facility with a more extensive recreational facility (the "New Center"); and

WHEREAS, the New Center possibly could include a new gymnasium, library, tutoring facility, computer lab, swimming pool, recreational water feature, and bowling alley, among other uses; and

WHEREAS, the Salvation Army has also proposed acquiring another portion of the Property for the construction of an administrative facility and performing arts center/chapel; and

WHEREAS, the existing senior center would be retained by the City in its current use; and

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FEB 15 2005

WHEREAS, the Salvation Army will be applying for financial support from the Joan Kroc gift and other sources for the development and operation of the New Center; and

WHEREAS, the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) authorizes a redevelopment agency to acquire real property in a redevelopment project area from another governmental agency, and to convey property for redevelopment purposes; and

WHEREAS, the City desires to enter into a Memorandum of Understanding ("MOU") with the Redevelopment Agency and the Salvation Army to facilitate the sale and redevelopment of portions of the Property for recreational and other uses; now, therefore, be it

RESOLVED: That the City Council hereby declares its support for the development of a New Center on the Property by the Salvation Army; and be it further

RESOLVED: That the City Council hereby authorizes the City Administrator to negotiate and enter into a Memorandum of Understanding with the Salvation Army and the Redevelopment Agency for the sale of portions of the Property by the City to the Agency, the sale of such property by the Agency to the Salvation Army, and the development and operation of a New Center and other uses by the Salvation Army on the site; and be it further

RESOLVED: That the MOU shall provide for an 18-month negotiating period, with the option to extend such period up to an additional 12 months at the discretion of the City Administrator; and be it further

RESOLVED: That the MOU shall provide that, during the negotiating period, the parties will study and evaluate the feasibility of the project, apply for project funding, and negotiate the terms of a Disposition and Development Agreement, Use Agreement, and other documents governing the conveyance of the site and the development and operation of a New Center and other uses on the site; and be it further

RESOLVED: That the MOU shall be reviewed and approved as to form and legality by the City Attorney's Office prior to execution; and be it further

RESOLVED: That the City Council finds and determines, upon its independent review and consideration, that the authorization of the MOU under this Resolution complies with the California Environmental Quality Act of 1970 ("CEQA") because this action is exempt from CEQA pursuant to Section 15262 (feasibility and planning studies), Section 15306 (information collection) and Section 15061(b)(3) (general rule) of the CEQA Guidelines; and be it further

RESOLVED: That the City Administrator or her designee shall cause to be filed with the County of Alameda a Notice of Exemption for this action; and be it further

RESOLVED: That the City Administrator is authorized to take whatever action is necessary with respect to the MOU and in support of the proposed project consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, AND PRESIDENT DE LA FUENTE,

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
Interim City Clerk
of the City of Oakland

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ORACOUNCIL

FEB 15 2005