

CITY OF OAKLAND
COUNCIL/AGENCY AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2005 MAR 10 PM 12:41

TO: Office of the City/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: March 22, 2005

RE: 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

SUMMARY

The Redevelopment Agency (Agency) is requested to approve a resolution authorizing an Owner Participation Agreement (OPA) with Gray and Reynolds Properties, Inc. regarding a 26,000 s.f. office building, and a limited slip area to accommodate inventory up to 12 yachts for retail sale. The project is to be constructed at 1211 Embarcadero Cove as Phase I of a larger sales-tax generating "boat mall". A sales tax rebate has been requested by the developer to ensure an adequate return on investment (ROI) as incentive to the investors and construction lender to proceed with financing the project. Phase I is intended to "jumpstart" the development of a larger, second phase boat mall complex, which has potential to be a very lucrative sales and business license tax generator.

The funding source for this agreement is projected sales taxes that will be generated from the boat mall tenants of the subject project. The City will pay this sales tax to the Agency under an existing Cooperative Agreement. The Agency will then rebate the sales tax to the developer.

Completion and lease up of this project will serve to eliminate blight conditions in the Central City East District and will meet the objectives of the Redevelopment Plan for the Central City East Redevelopment Project.

The annual sales tax payment will be limited to 85% of the City's receipts, not to exceed an annual cap described in this report. The aggregate rebated sales taxes will not exceed the net present value (NPV) of \$1.2 million, discounted at 6%. There will not be a fixed term on this agreement, but instead will stop once the \$1.2 million NPV limit has been reached. Based upon projections, these payments will be completed within ten years from the date of the initial sales tax rebate payment.

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The rebated sales taxes will result from the initial tenancy of two yacht dealers, with existing lease commitments from Olympic Boat Center (currently located in Oakland at a temporary site and looking for a permanent location) and Delta Pacific Yachts (a business attraction).

Because the agreement utilizes the City's General Fund, the City's obligation to return sales tax revenue to the Agency is renewable annually at the City Administrator's sole discretion. Should the City Administrator elect not to continue the rebate, the City may terminate the agreement with the Agency with 30 days notice. However, the Agency would still be obligated to fulfill the terms of the OPA.

The developer has site control, all required public approvals, and bank financing.

Approval of this request will result in:

- replacement of a blighted property with an attractive new mixed-use office building and boat mall with public access to the waterfront and renovation of the Bay Trail;
- generation over the next 10 years of approximately \$421,502 of incremental property tax at NPV, discounted at 6% (\$579,000 cash value) for the Central City East Redevelopment Project area (including housing and non-housing revenues), and \$904,000 NPV (\$2.1 million cash value) of increment over the next 30 years; and approximately \$355,000 in business license fees (cash value) and \$559,000 NPV (\$857,000 cash value) in projected new sales taxes (value above existing and rebated sales tax funds) for the City.

Failure to approve this request will result in:

- rescission of the construction lender's commitment to fund construction of the project;
- the likelihood that this project will not be built;
- the decision by Olympic Boat Center, currently generating sales taxes at its location in a temporary, unimproved site on the Oakland Estuary, to relocate.

FISCAL IMPACT

Sales tax revenues received from the boat dealers occupying the project's leased space will be shared between the City and the developer, Gray and Reynolds Properties, Inc. through the following process:

1. Sales tax revenues will be received by the City on a quarterly basis. On an annual basis, Treasury staff will identify the appropriate amount to be rebated to the developer and the

amount to be retained by the City through the formulas identified in this report (see The Proposal, pg. 4).

2. The sales tax to be rebated to the developer will be transferred to the Redevelopment Agency. As authorized under the OPA, ORA will then pay the developer the appropriated funds 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).

The City's obligation to rebate sales tax revenue is renewable on an annual basis at the sole discretion of the City Administrator. This OPA will, nevertheless, require that the Agency rebate the sales taxes to the developer as described regardless of the City Administrator's annual decision to renew or not renew the obligation. Consequently, this agreement does carry financial risk to the Agency and the Central City East Plan area that the City Administrator may decide to not renew its obligation under this agreement at some time in the future.

Maintenance of this agreement will not involve additional staffing resources, and will be handled by existing staff.

BACKGROUND

Project Location

The 1.1 acre project site is located at 1211 Embarcadero Drive, immediately east of the Homewood Suites and west of Marine Max. The existing Marine Max site has been targeted for redevelopment as Phase II of the subject project.

The property is controlled under a 66-year ground lease with the Port of Oakland, with the term commencing at the expiration of the Construction Term of the lease (following an approximate 18-month construction period).

Project Description

The proposal is to construct a 3-story, 26,000 gross s.f., building that will house new boat showrooms, a café, and a variety of office tenants. This unique site offers both water and freeway frontage. Confirmed tenants are to include: Delta Pacific Yachts (a new dealership to Oakland), Marine Center, Inc. dba Olympic Boat Centers (existing Oakland business expansion) and the new offices for Gray & Reynolds (presently located in San Leandro). Total speculative office space is just over 15,000 s.f. of the total 24,319 net rentable s.f. that will be available. Under the ground lease with the Port, the project will also control a limited slip area that will accommodate an inventory of up to 12 yachts.

The Economic Environment

This project was approved at the City of Oakland Planning Commission on October 3, 2001, and received final approval by the Bay Conservation and Development Commission (BCDC) on December 4, 2003. All other City approvals have been obtained including determination under the California Environmental Quality Act (CEQA) on November 19, 2002 that the project will not have an adverse impact on the environment

Since the public approvals were obtained, the following events have significantly increased both the construction costs and the economic risk associated with this project:

- Three years of price increases for steel and concrete largely due to skyrocketing demand from China's rapidly expanding economy. Prices for raw steel alone have risen 60% and more since June 2003¹, and have resulted in project delays due to redesigns intended to minimize the impact of these rising costs.
- The softened office market throughout the Bay Area, with Oakland office vacancy rates ranging from 22.5% at the Oakland Coliseum/Airport to 11.0% in the downtown/Lake Merritt office district at the end of the 4th quarter 2004².
- Highly speculative nature of the project as only 38% of the building has been leased to date.

In spite of these economic challenges, the developers believe that the project, with the City's assistance, will ultimately be successful because:

- The unique, water-front location of this property that will increase project visibility and desirability and allow the upward movement of rents once the market rebounds;
- The developer's desire to move its office from San Leandro to this site and maintain a long-term business residency in the City of Oakland;
- The opportunity to develop the rest of the approximate 3.0 acres of Port property south of this project into a Phase II to house 3-4 more boat retailers, using this Phase I project as a "loss leader" for the larger project.

The Proposal

Staff has reviewed the projected budget and investment returns provided by the developer and is recommending a sales tax sharing structure as outlined in Attachment A. Staff supports this project due to the high upside potential in sales taxes, and a deal structured to have no downside risk to the City. The Agency, however, does carry financial risk in the unforeseen event that the

¹ The Miami Herald, December 8, 2004: "Asian Demand, Materials Costs Expected to Keep Steel Prices Strong".

² BT Commercial Office Report, 3rd Quarter 2004

City Administrator chooses not to renew the City's annual obligation under this agreement at some point in the future.

Key assumptions include:

1. ORA payment annually, beginning one (1) year from the date of issuance of the Occupancy Permit, based upon actual sales taxes generated by any boat dealers located at the project:
 - Payments will be in an amount equal to the lesser of:
 - 85% of the project's sales tax receipts, less the amount of sales taxes generated by any boat dealers currently located in Oakland (Olympic Boat Center); or
 - the maximum amount indicated for the corresponding year of the agreement (see Table I, below).
 - Payments will cease when the NPV of the sum of annual payments are equal to \$1.2 million. The discount rate for the NPV calculation will be 6% per annum.
 - The NPV of each annual payment will be calculated as follows:

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

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

2. Sales taxes of \$200,000 based on projected Year 1 boat sales of \$20 million; increasing to \$250,000 in Year 2, based on projected Year 2 sales of \$25,000,000; and increasing 5% each year thereafter through Year 10. These estimates are based upon revenue projections provided by Olympic Boat Centers and Delta Pacific Yachts, modified downward by staff.
3. 2004 sales taxes paid by the existing Oakland boat dealer, Olympic Boat Centers, will be used as a baseline for determining the incremental taxes generated by the project. Rebates will be paid only on the incremental sales taxes.
4. The total rebated sales taxes will not exceed the net present value (NPV) of \$1.2 million, valued at a 6% discount rate. It is projected that this maximum will be reached during Year 10 of the proposed agreement, although there will be no maximum term built into this agreement
5. Based on projected sales and an annual rebate cap, the cash-on-cash return to the investors [Total Construction Costs / (Projected Net Cash Flow after Debt Service + Projected Sales Tax Rebate)] should not exceed 12.7% in any given year (Attachment A). Sales taxes will be shared between the City and developer as identified in Table I.
6. To ensure that the return does not exceed 12.7% based on developer's net operating income projections, the following annual sales-tax rebate caps apply:

TABLE I

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

7. Rebate payments will be paid to the developer annually, upon receipt of 4 quarters of sales taxes, and will never exceed the annual cap as described in Table I.
8. The City's obligation to make payments will be conditioned on development of Phase I as proposed by the developer.
9. Since the City is providing a subsidy for the development of Phase I, all of the City's employment and contracting programs, including prevailing wage, living wage, equal benefits, SLBE, local employment, and apprenticeship requirements, will apply.
10. The agreement will be conditioned upon the City's receipt and review of a minimum of two executed lease agreements with two boat dealers at the subject project.

KEY ISSUES AND IMPACTS

- Completion and lease up of this Project will serve to eliminate blight conditions in the Central City East District, 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.)
- The proposed deal has been structured so that there is no downside financial or economic risk to the City other than failure to realize the projected positive economic and

environmental impacts if the project does not proceed, or reduced benefits if boat sales are less than expected.

- The City cannot commit General Fund payments over multiple years, but the Agency is authorized to commit to such an agreement. Therefore, the OPA will be between the Agency and the developer. City payments to the Agency, and from the Agency to the developer, will be based on receipt of actual sales taxes.
- The City's obligation to rebate sales tax revenue is renewable on an annual basis at the sole discretion of the City Administrator. This OPA will, nevertheless, require that the Agency rebate the sales taxes to the developer as described regardless of the City Administrator's annual decision to renew or not renew the obligation. Consequently, this agreement does carry financial risk to the Agency that the City Administrator may decide to not renew its obligation under this agreement at some time in the future. To date, the City has not defaulted on similar rebate agreements where the Central District redevelopment area has provided the guarantee.
- Approval of this request is anticipated to result in additional revenues to the Redevelopment Agency of approximately \$579,000 of incremental property taxes over the first ten years, and a total of \$2.1 million over 30 years (includes tax increment to be dedicated to housing). The City is projected to receive approximately \$860,000 of increased sales taxes (nominal value) and approximately \$355,000 in Business License Fees³ from the two boat dealer tenants over the first ten years (see Attachment A).

³ Business License Fee information is proprietary and cannot be disclosed to the public. Accordingly, this figure is a projection of total future business license fees, and includes fees that are currently received by the City from Olympic Boat Center, an existing Oakland business located at a temporary, unimproved site close to the proposed project.

**Table II: Ten Year Projected
 Cost/Benefit Analysis**

		Nominal (Cash) Value All Revenue Sources	NPV (6%) Benefit to City	NPV (6%) Benefit to Agency
BENEFITS:	Total New Sales Taxes Projected	\$2,496,641	\$1,778,681	N/A
	Total Property Tax Increment Projected	\$578,145	N/A	\$421,502
	Total Business License Fees Projected	\$354,797	N/A	N/A
COST:	Sales Tax Rebate	(\$1,640,402)	(\$1,200,000)	N/A
TOTAL PROJECTED BENEFIT TO CITY AND AGENCY:		\$1,789,181	\$578,681	\$421,502

Other key issues include:

- The construction lender’s commitment to finance Phase I is contingent upon the City sharing the taxes to be generated from the boat dealers as proposed.
- The projected return on income without City assistance is considered inadequate by the *developers to compensate for the investment risk given the current soft office market.* Failure to approve the proposed OPA will result in postponement or cancellation of the project.
- One of the proposed project tenants for the subject project is an existing Oakland boat dealer, Olympic Boat Centers. The Center currently occupies a temporary, unimproved site located near the proposed project and has 5-6 full-time employees. The City’s assistance will ensure that the company will not seek to leave Oakland.
- Based upon anticipated approval of the proposed tax-sharing arrangement, the developers are contemplating a larger Phase II, where they anticipate attracting several more boat dealers and resulting in greater sales tax and business license fees for the City. This request supports the development of Phase I only.

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- Approval will result in the redevelopment of a blighted property site with both waterfront and freeway frontage into an attractive office building and boat mall with public access to the waterfront at the site of the former Hungry Hunter restaurant on the Embarcadero.

SUSTAINABLE OPPORTUNITIES

Economic opportunities:

- An existing, high-sales tax generating, Oakland business will be retained (Olympic Boat Center) and a new boat dealer attracted (Delta Pacific Yachts).
- Between 50 and 100 new jobs may be created, depending upon use of the office space.
- The completed project will generate approximately \$579,000 in incremental property taxes for the Central City East Project Area over the first 10 years, and \$2.1 million total over 30 years, based on a \$6.6 million construction budget.
- This project will generate approximately \$2.5 million in sales taxes (nominal value) over the next ten years, of which \$860,000 (nominal value) will be retained by the City; and \$355,000 in Business License Fees, all of which will be retained by the City.
- Completion of Phase I will set the groundwork for development of Phase II and the opportunity to attract additional boat dealers and increased sales taxes and business license fees to Oakland.

Environmental:

- The following green practices will be used in the construction of this building and its improvements:
 1. The use of fly ash is being investigated for use in the concrete foundation, which would use a waste product in lieu of energy intensive cement.
 2. Interior finishes are intended to include carpet made of recyclable material, tile flooring made of recycled materials and doors made with materials from sustainable forests.
 3. Waste recycling and diversion of materials from the landfill are requirements of the contract for construction.
 4. Storm drainage onsite is pretreated by passing through “bioswales” before entering the City’s storm drain system or estuary.
 5. The developer’s architect is currently working with PG&E to see if there are any design changes that can be made in order to minimize energy use.

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- The proposed development conforms to the Oakland General Plan and the Estuary Policy Plan. The ground floor related marine uses and food service component will support the commercial-recreational and water-dependent use requirement. The building location, ratio of open space to building, and the proposed public access site improvements will maximize visibility and access to the shoreline (see Attachments B and C).
 - The planting in this area will be native materials.

Social Equity:

- There are required view corridors on either side of the building, a public access path from the street to the bay trail, and public parking, all with appropriate signage. The bay trail will be completely rebuilt across the length of the site, including a large plaza with benches and a cantilevered outlook over the estuary.
- All of the City's employment and contracting programs, including prevailing wage, living wage, equal benefits, SLBE, local employment, and apprenticeship requirements, will apply.

DISABILITY AND SENIOR CITIZEN ACCESS

The site and building will comply with the applicable codes regarding disabled and senior access.

RECOMMENDATION

Staff recommends that the Redevelopment Agency approve a resolution authorizing an Owner Participation Agreement with Gray and Reynolds Properties, Inc., for development of a mixed-use boat mall and office project at 1211 Embarcadero Dr. Approval of this request will serve to eliminate blight conditions in the Central City East District, will meet the objectives of the Redevelopment Plan for the Central City East Redevelopment Project, the Oakland General Plan and the Estuary Policy Plan; and provide significant potential economic and environmental benefits to the Redevelopment Agency and City in the form of significant increased property tax increment, sales and business license taxes, potential job creation, and improved public access to the waterfront.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Redevelopment Agency approve the resolution authorizing an Owner Participation Agreement with Gray and Reynolds Properties, Inc., for development of a mixed-use boat mall and office project at 1211 Embarcadero Drive.

Respectfully submitted,

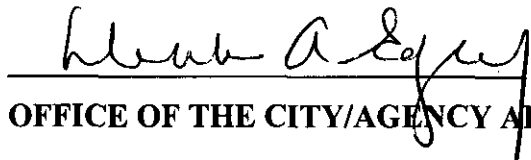


DAN VANDERPRIEM
Director of Redevelopment, Economic
Development and Housing

Reviewed by: Patrick Lane
Redevelopment Manager – West

Prepared by:
Deborah V. Acosta,
Urban Economic Analyst III
Redevelopment Agency

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



OFFICE OF THE CITY/AGENCY ADMINISTRATOR

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March 22, 2005

Gray & Reynolds Properties, Inc. **Attachment A-1**
Estuary Cove Project
Sales Tax Sharing Agreement – Projections

The preceding chart provides the analytical basis for the proposed Agreement and its terms. The following will explain the contents and its assumptions:

1) *Projected Sales Tax and Rebates, Tax Increment and Business License Fees*

- A. ORA payment will be made annually, beginning one (1) year from the date of issuance of the Occupancy Permit, based upon actual sales taxes generated by any boat dealers located at the project:
- Payments will be in an amount equal to the lesser of:
 - 85% of the project's sales tax receipts, less the amount of sales taxes generated by Oakland's existing boat dealer, Olympic Boat Center (columns B-E); or
 - the maximum amount indicated for the corresponding year of the agreement (columns N-Q).
 - Payments will cease when the NPV of the sum of annual payments are equal to \$1.2 million. The discount rate for the NPV calculation will be 6% per annum.
 - The NPV of each annual payment will be calculated as follows:

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

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

- B. Sales taxes of \$200,000 are projected for Year 1 based on boat sales of \$20 million; increasing to \$250,000 in Year 2, based on projected Year 2 sales of \$25,000,000; and increasing 5% each year thereafter through Year 10. These estimates are based upon revenue projections provided by Olympic Boat Centers and Delta Pacific Yachts, modified downward by staff.
- C. 2004 sales taxes paid by the existing Oakland boat dealer, Olympic Boat Centers, will be used as a baseline for determining the incremental taxes generated by the project. Rebates will be paid only on the incremental sales taxes.
- D. The total rebated sales taxes will not exceed the net present value (NPV) of \$1.2 million, valued at a 6% discount rate. It is projected that this maximum will be reached during Year 10 of the proposed agreement, although there will be no maximum term built into this agreement.

2) *Projected Annual Cash on Cash Return*

- A. Cash on cash returns = [Total Construction Costs / (Projected Net Cash Flow after Debt Service + Projected Sales Tax Rebate)]

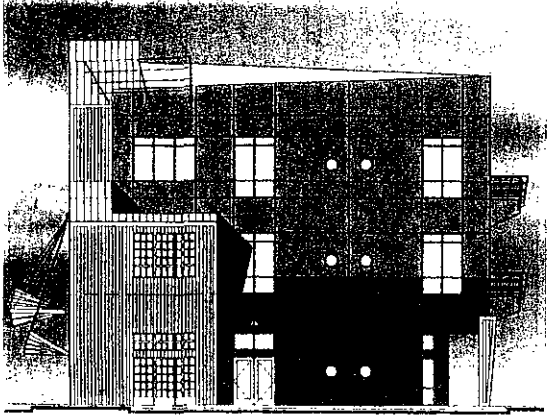
Gray & Reynolds Properties, Inc.
Estuary Cove Project
Sales Tax Sharing Agreement – Projections

Attachment A-1

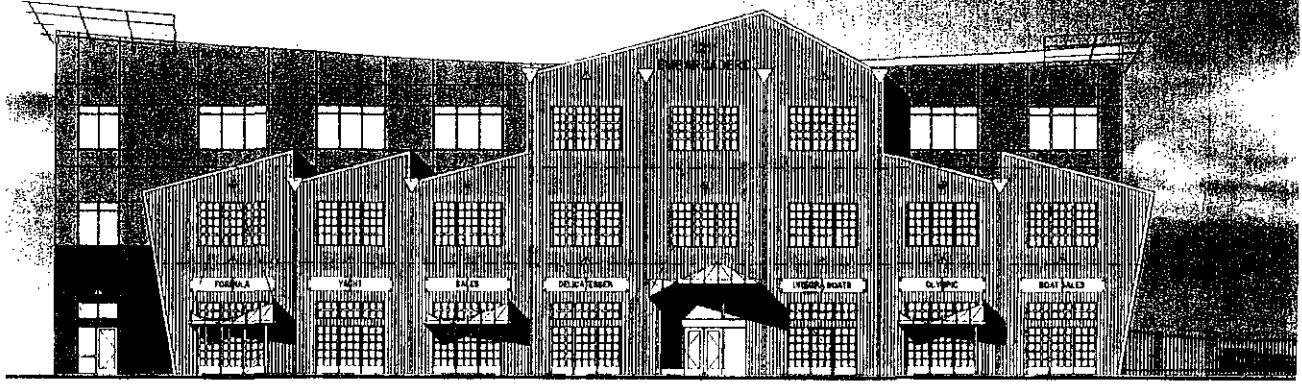
- B. Column K = Developer-generated ten-year cash flow projection based on project revenues and expenses, including debt service.
- C. Column L = Project cash flow, including sales tax rebate (columns D + K)
- D. Column M = Projected Cash on Cash return, including sales tax rebate

3) *Cash on Cash Return @ Annual Cap on Sales Tax Rebate*

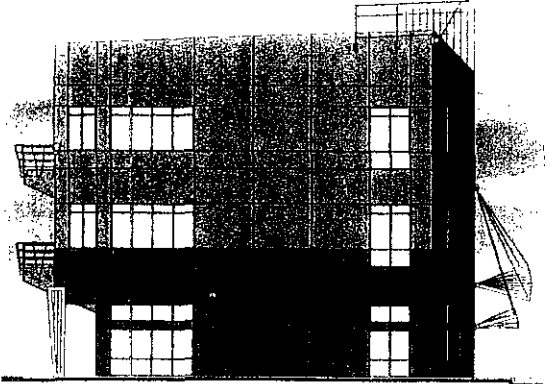
- A. It is possible that the developer's actual lease revenues may exceed projections in any given year. To ensure that the City does rebate sales taxes beyond a 12.7% cash on cash return based on developer's net operating income projections, annual sales-tax rebate caps specified in Column O will apply over the course of this agreement.
- B. Rebate payments will be paid to the developer annually, upon receipt of 4 quarters of sales taxes, and will never exceed the annual cap as described in Column O.



WEST ELEVATION



NORTH ELEVATION



EAST ELEVATION



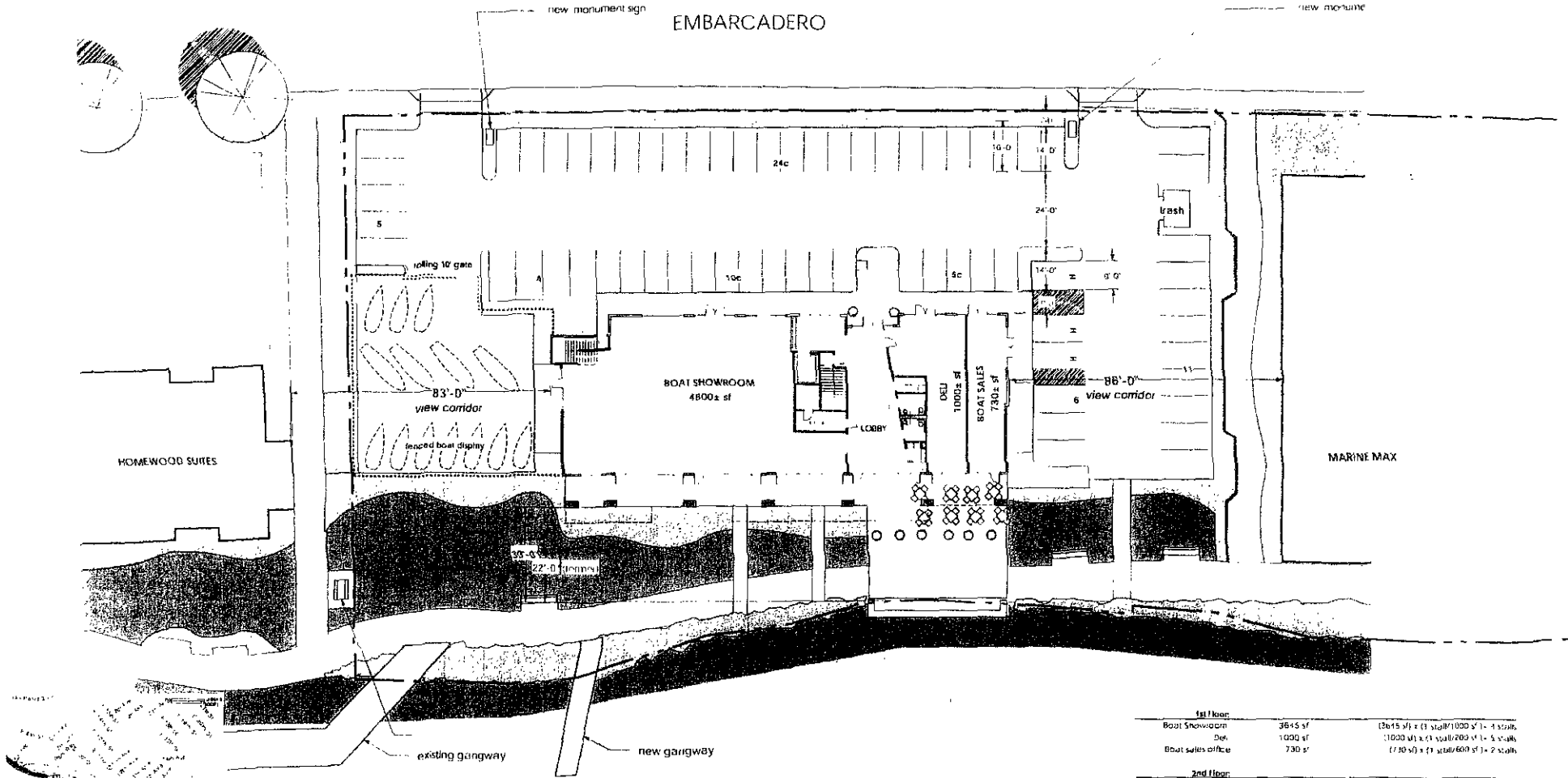
SOUTH ELEVATION

ESTUARY COVE
OAKLAND, CALIFORNIA
GRAY & REYNOLDS PROPERTIES, INC.

12,610
MARCH 10, 2004
SCALE 1/8" = 1'-0"

S.TUDIO S.M.S
Stark, Myers, Scott, LLP
architectural planning
1991

BUILDING ELEVATIONS



1st Floor		
Boat Showroom	3645 sf	(3645 sf) x (1 stall/1000 sf) = 4 stalls
Del.	1000 sf	(1000 sf) x (1 stall/200 sf) = 5 stalls
Boat sales office	730 sf	(730 sf) x (1 stall/600 sf) = 2 stalls
2nd Floor		
Office	6730 sf	(6730 sf) x (1 stall/600 sf) = 12 stalls
3rd Floor		
Office	5878 sf	(5878 sf) x (1 stall/600 sf) = 10 stalls
4th Floor		
Office	4760 sf	(4760 sf) x (1 stall/600 sf) = 8 stalls
TOTALS	22,300 usable sf	30 compact - 21 standard - 31 required stalls 29 compact - 36 standard - 65 required stalls

Site Area	1.1 acres
Existing Bldg Footprint	5762 sf 11.2% coverage
Proposed Bldg Footprint	2191 sf 15% coverage

FLYNN
CRAIG +
GRANT
ARCHITECTS
10/4/01



preliminary site plan
ESTUARY COVE PROJECT
OAKLAND

FILED
OFFICE OF THE CITY CLERK
APPROVED AS TO FORM AND LEGALITY
By: [Signature] 2005 MAR 10 PMT: 41
Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

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, _____, 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