

**CITY OF OAKLAND**  
**AGENDA REPORT**

2004 DEC 29 PM 12: 52

TO: Office of the Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: January 11, 2005

RE: AGENCY RESOLUTION AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH SVC MANUFACTURING, INC., DBA GATORADE, FOR RETENTION, EXPANSION AND IMPROVEMENT OF ITS MANUFACTURING FACILITY AT 5625 INTERNATIONAL BOULEVARD AND AN AGENCY PAYMENT NOT TO EXCEED \$250,000 FOR REPAVING 57<sup>TH</sup> AVENUE ADJACENT TO THE FACILITY

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**SUMMARY**

On Monday, August 2, 2004, staff was contacted by State Economic Development Department (EDD) officials indicating that Oakland was in jeopardy of its Gatorade/Pepsico plant at 5625 International Blvd. relocating out of Oakland and possibly California. Gatorade officials had concluded that their Oakland facility was under-producing due to inefficiencies of the facility's aging equipment and water capacity below that of company required specifications. Gatorade identified three drawbacks to the existing Oakland facility that would require upgrading for the company to remain in Oakland. Onsite and offsite improvements included: 1) repaving and obstruction management of 57<sup>th</sup> Avenue, 2) increasing the water line diameter to increase water flow and pressure to the facility, and 3) a major upgrade and retrofit of facility equipment to meet current company standards. City staff was further informed that Gatorade officials would determine within a week whether to upgrade the Oakland facility or relocate out of Oakland.

Economic Development staff convened a meeting that same week with representatives from California EDD, PG&E, EBMUD, Oakland Redevelopment Agency, Oakland Public Works and Workforce Development to meet with Gatorade/Pepsico officials. Prior to the meeting, Gatorade/Pepsico inquired about incentive programs from the City of Oakland and the State of California to financially underwrite portions of needed facility improvements and ultimately, retain Gatorade. During the meeting, all parties tentatively identified what each could do to contribute to the overall incentive package to retain Gatorade in Oakland.

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Since these negotiations occurred during the Council's summer recess, staff constructed a letter for Mayor Brown's signature pledging to pursue authorization by the City Council and Agency Board of up to \$250,000 for repaving of 57<sup>th</sup> Avenue as the City/Agency's contribution (See Attachment #1 - Mayor's letter). The State EDD office committed Employment Training Panel (ETP) funds, valued at \$1.1 million. PG&E committed energy efficient design assistance through its "Savings by Design" program. EBMUD agreed to research and consider a water main upgrade. In return, Gatorade's commitment to Oakland would be to maintain its existing 57<sup>th</sup> Avenue facility, retrain existing staff and complete equipment upgrades of approximately \$20 million.

The following Tuesday, August 10, staff learned that Gatorade officials had decided to remain in Oakland provided that the pledged commitments by all parties were actualized. It wasn't until mid-October that the last commitment was solidified, a pledge by EBMUD to pay to upgrade water service to the Gatorade plant. This comprehensive action by multiple public agencies will retain approximately 160 employees in this unionized Oakland firm, one third of whom are Oakland residents.

### **FISCAL IMPACT**

No more than \$250,000 will be expended from Coliseum Redevelopment Area funds. This expenditure will be from the Economic Development Division (Fund 9450, Org 88559, Project S82620, Program SC11). This account is designated for Target Industry Sector work.

Gatorade will gut their facilities and retrofit the entire plant with over \$20 million in fixed assets and equipment. City revenue that would be gained from the investment of Gatorade/Pepsico in upgraded equipment at the facility is approximately: \$1,153,415 in net additional property tax payments over ten years; \$12,000 in net additional Business License Tax payments over ten years due to increased productivity. If Gatorade were to leave Oakland the estimated fiscal impact over ten years would be the loss of about \$90,000 in Business License Tax payments and about \$2.8 million in property taxes, for an estimated ten year total of \$2.9 million.

Cost = up to \$250,000; Benefit = estimated at \$1,165,415 over 10 years

### **KEY ISSUES AND IMPACTS**

Gatorade is a Food Processing firm and therefore, part of Oakland's "Target Industry Sectors", meriting specialized economic development attention. The Oakland plant, one of seven Gatorade plants throughout the United States, has been in operation since 1969 and employs approximately 160 staff. The plant was previous owned and operated by Stokley VanCamp as a food processing facility. The current operations are seriously restricted in output volume by the aging plant, equipment and water supply. Gatorade's multi-million dollar investment in plant, equipment and

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staff retraining will allow the plant to substantially increase its production. This increase in production will bring the Oakland facility up to par with other Gatorade plants throughout the country.

One key issue is that 57<sup>th</sup> Avenue is not a public street. It is a series of easements over private properties with multiple owners. The City merely retains a sewer easement. Gatorade has typically paved the street as street conditions deteriorated. Acquisition of the roadway properties by the City for a dedicated street would be time consuming, costly and complex as there are multiple property owners. Additionally, if the street upgrades were performed on a City-owned street, curbs, gutters and sidewalks would be required. This would narrow the street width to an unacceptable operational level for large trucks. Currently, certain potential vendors will not pick up at Gatorade due to the size of their trucks and the limited street size, causing lost local business. After consultation with Public Works and the City Attorney's office, it has been determined that the optimal way to meet our business retention commitment to Gatorade for paving of the private street is for the Agency to reimburse Gatorade for the paving.

Other commitments pledged by other public agencies in support of this business retention include:

- EBMUD will pay approximately \$430,000 for water line upgrades, including 1,025 feet of 12" and 800 feet of 8" steel pipe replacement and upgrade. This will also enhance fire safety in the area as Gatorade's water usage draws so much water during peak output as to endanger fire fighting capacity in the area.
- State EDD has pledged to spend up to \$1.1 million in Employment Training Panel (ETP) monies to retrain all workers in the use of the updated equipment.
- PG&E will work with Gatorade's architects to design and install environmentally efficient systems and equipment under PG&E's "Savings By Design" Program.
- The City's Workforce Development Unit will enable Gatorade's use of extensive Enterprise Zone tax credits, previously unused by the firm.

## **PROJECT DESCRIPTION**

In return for these public benefits, Gatorade will retain and retrain its Oakland workforce and comply with Oakland's Living Wage Ordinance. Additional commitments by Gatorade are detailed in the OPA Term Sheet, attached to the Resolution as Exhibit A, which will be used to draft an Owner Participation Agreement (OPA) with Gatorade. CEDA staff will coordinate the implementation of the street paving with Public Works, EBMUD and Gatorade. Staff has already begun coordinating meetings with PG&E and delivering available Enterprise Zone tax credits.

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## **SUSTAINABLE OPPORTUNITIES**

Economic: This project will not only retain 160 unionized employees in Oakland, but roughly 54 of these employees are Oakland residents. Property tax and business license tax payments from Gatorade will increase by this action. Through the execution of a First Source Hiring agreement, the number of Oakland residents employed at the facility would increase.

Environmental: Gatorade will be replacing its inefficient, outdated equipment and is working with PG&E to install the most energy efficient equipment and operating systems possible. Upgrades to the existing water lines will minimize waste due to possible water line cracks or fissures.

Social Equity: Gatorade currently operates a union plant at the 57th Avenue site and the preservation of these union jobs is an important policy consideration for the City Council and Redevelopment Agency.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

The physical plant upgrades will conform to modern Building Codes, which include ADA accessibility improvements at the site.

## **RECOMMENDATION(S) AND RATIONALE**

Authorize negotiation and execution of an Owner Participation Agreement (OPA) between the Redevelopment Agency and SVC Manufacturing, dba Gatorade, for the retention of Gatorade and its 160 employees in Oakland and for the Redevelopment Agency to expend an amount not to exceed \$250,000 for the repaving of 57<sup>th</sup> Avenue. In return, Gatorade will expend approximately \$20 million in facility and equipment upgrades as well as worker retraining.

## **ACTION REQUESTED OF THE CITY COUNCIL**

Authorize an Agency resolution for an Owner Participation Agreement with SVC Manufacturing, Inc., dba Gatorade, for retention, expansion and improvement of its manufacturing facility at 5625

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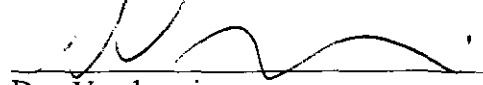
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International Boulevard and an Agency payment not to exceed \$250,000 for repaving 57<sup>th</sup> Avenue adjacent to the facility.

Respectfully submitted,



Dan Vanderprien

Director of Redevelopment, Economic  
Development, Housing and Community  
Development



Prepared by:

Bill Lambert, Economic Development Manager  
Community & Economic Development Agency

APPROVED AND FORWARDED TO  
THE COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE



Office of the Agency Administrator

Attachment: Letter from the Mayor

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CITY OF OAKLAND



1 FRANK H. OGAWA PLAZA • 3RD FLOOR • OAKLAND, CALIFORNIA 94612

Office of the Mayor  
Jerry Brown  
Mayor

(510) 238-3141  
FAX: (510) 238-4731  
TDD: (510) 839-6451

August 5, 2004

Mr. Russell Burton  
PEPSICO  
7701 Legacy Drive, 3A-306  
Plano, Texas 75024-4099

Dear Mr. Burton,

Thank you for visiting Oakland this week and discussing the possibility of reinvesting in your plant and personnel at the Pepsico/Gatorade facility at International Blvd and 57<sup>th</sup> Ave. I understand that your timeline for decision making is immediate and there are numerous and complex variables involved. Staff in Oakland and other state and local public agencies have presented a variety of actions that can assist Pepsico in its deliberations, including services and financing ranging from employee training to tax credits to infrastructure upgrades.

We realize that the current condition of 57<sup>th</sup> Ave. presents operational difficulties for the Gatorade facility, to the point that it hinders revenue generation. Additionally, the street is not publicly owned. Should Pepsico make the commitment to re-invest in its Oakland facility, I will recommend to the City Council and Redevelopment Agency, and work for passage of legislation, that would bring 57<sup>th</sup> Avenue under public ownership/control and invest the funds necessary to repave the street so that Gatorade has fully functional ingress and egress at the site. We estimate the cost of this upgrade to be approximately \$250,000.

The City Council is currently on summer recess and your immediate time frame does not allow greater progress towards this commitment. But I will work with Council leadership to ensure passage of this action.

I look forward to hearing of your imminent decision regarding your reinvestment in our City to preserve jobs, enhance production capacity, and to increase local revenues for both Pepsico and Oakland.

Respectfully,

Jerry Brown  
Mayor

A handwritten signature in black ink, appearing to read "Jerry Brown".

APPROVED AS TO FORM AND LEGALITY:

OFFICE OF THE CITY CLERK  
OAKLAND  
2004 DEC 29 PM 12:52  
Agency Counsel

## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. \_\_\_\_\_ C.M.S.

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A RESOLUTION AUTHORIZING AN OWNER PARTICIPATION AGREEMENT WITH SVC MANUFACTURING, INC., DBA GATORADE, FOR RETENTION, EXPANSION AND IMPROVEMENT OF ITS MANUFACTURING FACILITY AT 5625 INTERNATIONAL BOULEVARD, AND AN AGENCY PAYMENT NOT TO EXCEED \$250,000 FOR REPAVING 57<sup>TH</sup> AVENUE ADJACENT TO THE FACILITY

**WHEREAS**, SVC Manufacturing, Inc., dba Gatorade, ("Gatorade") has operated *one of its seven United States plants in Oakland since 1969 and employs 160 staff, nearly one third of whom are Oakland residents; and*

**WHEREAS**, the Gatorade manufacturing facility at 5625 International Boulevard is located within the Coliseum Redevelopment Project Area; and

**WHEREAS**, Gatorade has requested Agency assistance to rehabilitate its facility in order to maintain and enhance its operations in the Coliseum Redevelopment Project Area; and

**WHEREAS**, needed improvements to the Gatorade facility include repaving that portion of 57<sup>th</sup> Avenue adjacent to the facility, which street is now privately owned, in order to improve truck access to the facility; and

**WHEREAS**, Health and Safety Code Section 33444.6 authorizes a redevelopment agency to assist with the financing of facilities or capital improvements on properties used for industrial or manufacturing purposes within a project area and as part of an agreement providing for the rehabilitation of the property; and

**WHEREAS**, a public hearing on this funding request was held as required by Health and Safety Code Section 33444.6; and

**WHEREAS**, the Coliseum Area Redevelopment Plan and its Implementation Plan provide for participation by owners in the rehabilitation and improvement of their properties in the project area, and assistance by the Agency in such efforts; and

**WHEREAS**, other public agencies are providing inducements for Gatorade to remain in operation in Oakland; now, therefore, be it

**RESOLVED:** That the Redevelopment Agency hereby authorizes the Agency Administrator to negotiate and execute an Owner Participation Agreement (“OPA”) with Gatorade, the primary terms of which shall be based upon the “Term Sheet” attached to this Resolution as Exhibit A, for retention, rehabilitation and expansion of its manufacturing facility at 5625 International Boulevard; and be it further

**RESOLVED:** That, in connection with the OPA, the Redevelopment Agency hereby authorizes an Agency payment not to exceed \$250,000 from Coliseum Area redevelopment funds (Fund 9450, Org 88559, Project S82620, Program SC11) for the cost of repaving 57<sup>TH</sup> Avenue adjacent to the facility; and be it further

**RESOLVED:** That the Agency hereby finds and determines that the Agency financial assistance is necessary for the economic feasibility of the rehabilitation of the Gatorade manufacturing facility, and that the assistance cannot be obtained on economically feasible terms in the private market for such development, because Gatorade has indicated their intent to leave Oakland and California if financial assistance is not provided sufficient to offset offers from non-California communities; and be it further

**RESOLVED:** That the Agency Administrator or her designee is hereby authorized to take whatever action with respect to the OPA and the Agency funding which is necessary and consistent with this Resolution and its basic purpose.

**IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2005**

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_

**CEDA FLOYD**

**Secretary of the Redevelopment Agency  
of the City of Oakland, California**



EXHIBIT A

SVC Manufacturing, Inc., dba Gatorade  
OPA Term Sheet

The Redevelopment Agency shall:

- a. Provide up to \$250,000, on a reimbursement basis, towards street repaving on 57<sup>th</sup> Avenue. The Agency payment shall be conditioned on Gatorade demonstrating that it has expended no less than \$6 million for purchase and installation of new equipment and facility improvements to upgrade the existing facility. Commencement of the accrual of said expenditures shall date back to August 10, 2004, the date Gatorade notified the Agency of its intent to re-invest in Oakland.
- b. Use best efforts to facilitate Gatorade's use of available Enterprise Zone Tax Credits.
- c. Use best efforts to facilitate communication and coordination of multiple public and quasi-public agencies for the benefit of Gatorade's operational upgrade and economic viability, including Pacific Gas and Electric, East Bay Municipal Utility District, and the State Department of Business, Housing and Transportation.

SVC Manufacturing, Inc., dba Gatorade, shall perform the following and shall submit documentation at the City's request demonstrating best efforts in items a-c below:

- a. Use best efforts to retain its existing workforce of 160+ employees in Oakland.
- b. Use best efforts to apply an estimated \$1.1 million in State Employment Development Department funding to the retraining of its Oakland workforce.
- c. Use best efforts to continue to spend locally for its supplies. Average annual expenditures in recent years have approximated \$ 1.5 million.
- d. Coordinate with East Bay Municipal Utility District to upgrade water service on 57<sup>th</sup> Avenue, thereby improving the fire safety at its plant and other businesses' facilities on 57<sup>th</sup> Avenue.
- e. Execute a First Source Hiring agreement.
- f. Comply with Oakland's Living Wage Ordinance and all other terms and conditions of an Agency Owner Participation Agreement.
- g. Comply with the Agency's employment and contracting programs for the street repaving work, including prevailing wage, local construction employment, local/small local business contracting, and apprenticeship requirements.
- h. Invest no less than \$20 million in new equipment and facility upgrades at its existing site at 5625 International Blvd. in Oakland from August 10, 2004, to December 31, 2007. If it does not, it shall repay the Agency an amount equivalent to the

unexpended percentage of \$20 million, times the actual amount expended by the Agency for the repaving of 57<sup>th</sup> Avenue.

The Owner Participation Agreement shall expire June 30, 2008, except for living wage requirements, which shall be applicable for five years following the date construction of the 57<sup>th</sup> Avenue improvements commences.