



FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2012 NOV 28 PM 12:10

# AGENDA REPORT

TO: DEANNA J. SANTANA  
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Frank H. Ogawa Plaza Tenants

DATE: November 9, 2012

City Administrator  
Approval

Date

11/27/12

COUNCIL DISTRICT: 3

## RECOMMENDATION

Staff recommends that the City Council adopt:

An Ordinance, Amending Ordinance No. 12079 C.M.S., Authorizing The City Administrator To Negotiate and Execute Tenant Leases In The City Administration Building Complex

## OUTCOME

City staff would amend existing leases with tenants in the City Administration Building Complex ("Complex") in an effort to retain existing Oakland businesses at the Complex and offer competitive lease rates to attract new tenants to the Complex.

City staff would execute a lease with Popuphood.com for the 1425 Broadway space for one year at no cost. Staff would execute a lease with Popuphood.com for the 1423 Broadway space for a four month period at no cost, with a City option to extend for another two months at no cost.

## BACKGROUND/LEGISLATIVE HISTORY

Ordinance 12079 C.M.S. was passed on July 28, 1998, authorizing staff to negotiate and execute tenant leases within the City Administration Building Complex ("Plaza") which is comprised of the Wilson Building (150 Frank H. Ogawa Plaza), the Dalziel Building (250 Frank H. Ogawa Plaza), the Plaza Building (200 Frank H. Ogawa Plaza), City Hall, and Frank H. Ogawa Plaza itself. The ordinance established minimum monthly rents and potential rent credit scenarios for each of the buildings within the Plaza based on a market survey of rents in 1998.

Item: \_\_\_\_\_  
CED Committee  
December 11, 2012

In the interim between passage of the ordinance in 1998 and today (late 2012) the US, California, regional and Oakland economies have experienced two major economic collapses/downturns. The most recent in 2008, resulted in significant losses in real estate values and significant reduction in asking rents across all segments and regions of the US economy. Commercial and retail tenancy in the Plaza during this time period has been volatile with significant turnover in business and tenants. Other than the East Bay Community Foundation located in the Plaza Building, the Rising Loafer (2004) and Sankofa (2007) are by far the longest running City tenants in the Plaza. They are both currently more than 120 days past due on rent. The remaining businesses have all recently become Plaza tenants in the past two years.

The two most recent City retail tenants are Nneka and Betti Ono Gallery sharing the long vacant space at 1427 Broadway. In March 2011, staff worked with two small business owners (dba Oakcollectiv) to apply a pop-up approach to the use of 1427 Broadway. The approach was successful and in the summer of 2012, one of the business owners opened her own shop at 45 Grand Avenue called Owl N Wood and the small business owner opened her shop (dba Nneka) at 1427A Broadway. At the same time the City executed an agreement with Betti Ono Gallery for 1427B Broadway transitioning an existing small business located at 1755 Broadway into the space at 1427 Broadway.

Additionally, the events surrounding and following the occupation of Frank H. Ogawa Plaza in 2011 have also negatively affected the businesses and tenants in the Plaza. The occupation of the Plaza had indirect, direct and immediate impacts on the businesses and tenants.

### ANALYSIS

An informal survey of rents in and around the immediate vicinity of the Plaza shows a range of \$1.00 to \$2.50 for commercial and retail rents. The City's plaza tenant(s) rents are within this same range. Staff recommends Council authorize up to 30% reduced rent rates for retail space in the Plaza for a limited, 28-month period, beginning retroactively on September 1, 2012. The City's Plaza tenants generate approximately \$280,000 in annual rent and common area maintenance revenue for the City. Included in the \$280,000 annually is approximately \$120,000 generated by retail businesses and tenants. While this revenue is not insignificant, staff believes a stable, sustainable retail presence in the Plaza is beneficial to the City and the Plaza, and to the residents of Oakland and its visitors and guests. Staff is concerned that without the proposed rent reduction a number of the retail tenants in the Plaza may close, which could have a larger impact on City revenues than these proposed rent reductions. In order to support a stable retail (and possibly commercial) tenant base within the Plaza, staff recommends the Council authorize the City Administrator to execute City Administrator Building Complex leases that fall within the following parameters:

- A. Applicable leases for the Dalziel Building shall be in compliance with the Wetmore/Pardee Relocation Agreement dated April 20, 1995; and

Item: \_\_\_\_\_  
CED Committee  
December 11, 2012

- B. Minimum monthly gross rent for non-Wetmore/Pardee Relocation Agreement retail tenants in the Dalziel Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- C. Minimum monthly triple net rent for retail tenants in the Lionel J. Wilson Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- D. Minimum monthly gross rent for office tenants in the Dalziel Building shall be not less than \$1.50 per square foot excluding any rent credits for tenant improvements and a credit for possessory interest; and
- E. Maximum tenant allowances for the Lionel J. Wilson Building retail and Dalziel Building retail and office spaces shall be \$25.00 per square foot; and
- F. Lease terms may be month-to-month or greater. There shall be no minimum lease term requirement; and
- G. As an incentive to retain existing tenants and attract new tenants, City Administrator may offer up to 30% monthly rent reduction until December 31, 2014.

Please note the proposed language in Section G above and in the attached proposed ordinance would allow the City Administrator to provide the 30% reduced rent rate to commercial tenants as well as in circumstances the City Administrator deems appropriate.

Staff from City Council offices, the City Administrator's Office, the City Attorney's Office, the Oakland Police Department, the Public Works Agency's Facilities Services division, the Office of Workforce and Economic Development, and the Real Estate Services division continue to work internally and with Plaza businesses and tenants to address public safety, crime, landscaping and maintenance issues in the Plaza.

Staff from the Office of Workforce and Economic Development and the Real Estate Services Division are marketing the remaining spaces available in the Lionel J. Wilson Building to obtain a long term tenant for the former Tully's space at 1423 Broadway. Staff's goal is to negotiate and execute a lease for a long term tenant by spring 2013.

#### **PUBLIC OUTREACH/INTEREST**

Staff from a range of City departments have met on numerous occasions with Plaza business owners and tenants, including Awaken Café, Rising Loafer, Sankofa and others, to discuss (among other things) business retention strategies, public safety, crime, security services, grounds, landscaping, maintenance, utilities, property damage, and Occupy Oakland impacts.

## COORDINATION

This report and the actions discussed have been coordinated with staff from City Council offices, the City Administrator's Office, the City Attorney's Office, the Oakland Police Department, the Public Works Agency's Facilities Services division, the Office of Workforce and Economic Development, and the Real Estate Services division.

## COST SUMMARY/IMPLICATIONS

### FISCAL IMPACT:

The annual rent generated to the City from all City Administration Building Complex tenants is approximately \$280,000. Under the reduced rent for retail businesses only, the impact to the City budget would be a loss of approximately \$82,000 in (retail rent) General Fund revenue over the 28-month period between September 2012 and December 2014. If the reduced rent program were expanded to include commercial businesses/tenants in the Plaza, the fiscal impact would be a loss of approximately \$194,000 over the same 28-month period.

## SUSTAINABLE OPPORTUNITIES

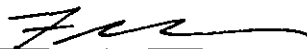
*Economic:* This proposed action does not provide any economic benefits or opportunities.

*Environmental:* This proposed action does not provide any environmental benefits.

*Social Equity:* This proposed action does not provide any social equity benefits.

For questions regarding this report, please contact John Monetta, Real Estate Agent, at (510) 238-7125.

Respectfully submitted,



---

Fred Blackwell  
Assistant City Administrator

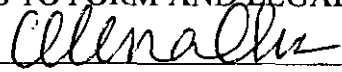
Prepared by:  
John Monetta, Real Estate Agent  
Real Estate Service Division

Item: \_\_\_\_\_  
CED Committee  
December 11, 2012

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2012 NOV 28 PM 12:10

APPROVED AS TO FORM AND LEGALITY

  
CITY ATTORNEY

ORDINANCE NO. \_\_\_\_\_ C.M.S.

---

**AN ORDINANCE, AMENDING ORDINANCE NO. 12079 C.M.S.,  
AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE  
AND EXECUTE TENANT LEASES IN THE CITY  
ADMINISTRATION BUILDING COMPLEX**

**WHEREAS**, the City of Oakland owns certain property in the City Administration Building Complex currently known as the Lionel J. Wilson Building, the Dalziel Building, the Plaza Building, City Hall and the Frank H. Ogawa Plaza; and

**WHEREAS**, pursuant to Ordinance No. 12079 C.M.S. the City Administrator may execute tenant leases in the City Administration Building Complex subject to parameters provided in Ordinance No. 12079 C.M.S.; and

**WHEREAS**, the City desires to modify the leasing parameters within Ordinance No. 12079 C.M.S. to retain existing tenants and attract new tenants; now therefore,

**THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**Section 1.** The City Administrator may only execute City Administration Building Complex leases that fall within the following parameters:

- A. Applicable leases for the Dalziel Building shall be in compliance with the Wetmore/Pardee Relocation Agreement dated April 20, 1995; and
- B. Minimum monthly gross rent for non-Wetmore/Pardee Relocation Agreement retail tenants in the Dalziel Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- C. Minimum monthly triple net rent for retail tenants in the Lionel J. Wilson Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- D. Minimum monthly gross rent for office tenants in the Dalziel Building shall be not less than \$1.50 per square foot excluding any rent credits for tenant improvements and a credit for possessory interest; and
- E. Maximum tenant allowances for the Lionel J. Wilson Building retail and Dalziel Building retail and office spaces shall be \$25.00 per square foot; and
- F. Lease terms may be month-to-month or greater. There shall be no minimum lease term requirement; and
- G. As an incentive to retain existing tenants and attract new tenants, the City Administrator may offer 30% monthly rent reductions until December 31, 2014.

**Section 2.** The City Administrator may amend City Administration Building Complex leases to retroactively reduce monthly rent up to 30% as of September 1, 2012.

**Section 3.** The City Administrator is authorized to negotiate and execute a one year no cost lease for the 1425 Broadway space (Lionel J. Wilson Building) and a six month no cost lease for the 1423 Broadway space (Lionel J. Wilson Building).

**Section 4.** All leases executed by the City Administrator shall be approved by the Office of the City Attorney as to form and legality and a copy will be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

**AYES-** BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, and  
PRESIDENT REID

**NOES-**

**ABSENT-**

**ABSTENTION-**

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

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

**DATE OF ATTESTATION:** \_\_\_\_\_

## NOTICE AND DIGEST

### **AN ORDINANCE, AMENDING ORDINANCE NO. 12079 C.M.S., AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND EXECUTE TENANT LEASES IN THE CITY ADMINISTRATION BUILDING COMPLEX.**

This ordinance amends Ordinance No. 12079 C.M.S., and authorizes the City Administrator to negotiate and execute tenant leases in the City Administration Building Complex which is comprised of the Lionel J. Wilson Building, the Dalziel Building, the Plaza Building, City Hall and the Frank H. Ogawa Plaza. Through this amended ordinance, the City Administrator would be authorized to execute tenant leases in the City Administration Building Complex within the following parameters:

- A. Applicable leases for the Dalziel Building shall be in compliance with the Wetmore/Pardee Relocation Agreement dated April 20, 1995; and
- B. Minimum monthly gross rent for non-Wetmore/Pardee Relocation Agreement retail tenants in the Dalziel Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- C. Minimum monthly triple net rent for retail tenants in the Lionel J. Wilson Building shall be not less than \$1.25 per square foot excluding any rent credits for tenant improvements; and
- D. Minimum monthly gross rent for office tenants in the Dalziel Building shall be not less than \$1.50 per square foot excluding any rent credits for tenant improvements and a credit for possessory interest; and
- E. Maximum tenant allowances for the Lionel J. Wilson Building retail and Dalziel Building retail and office spaces shall be \$25.00 per square foot; and
- F. Lease terms may be month-to-month or greater. There shall be no minimum lease term requirement; and
- G. As an incentive to retain existing tenants and attract new tenants, the City Administrator may offer 30% monthly rent reductions until December 31, 2014.