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OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

2010 JUL 22 PM 4:49 COUNCIL AGENDA REPORT

TO: Office of the City Manager
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: July 27, 2010

RE: **A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO AN EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE CITY OF OAKLAND AND PERALTA COMMUNITY COLLEGE DISTRICT FOR THE SALE OF THE HENRY J. KAISER CONVENTION CENTER LOCATED AT 10 TENTH STREET IN OAKLAND.**

SUMMARY

At the closed session of the City Council on July 20, 2010, the City Administrator was directed to enter into an Exclusive Negotiating Agreement ("ENA") with the Peralta Community College District ("Peralta") for the Henry J. Kaiser Convention Center ("Kaiser Center") in order for CEDA staff to negotiate terms for the sale or sublease of the Kaiser Center. Staff was directed to prepare a report and resolution authorizing the City Administrator to enter into an ENA with Peralta and to conclude negotiations at the end of 120 days from the date of the adoption of the resolution.

FISCAL IMPACTS

If the ENA results in a sale or sublease of the Kaiser Center, all proceeds of the sale or sublease payments would go to the City's General Fund for inclusion in the Fiscal Year 2011- 12 budget as revenue. If the City sells the property to Peralta, it will no longer be required to pay for annual maintenance and security in the amount of approximately \$50,000, currently paid from the City's Building Fund (4400).

BACKGROUND

The Kaiser Center is located at 10 Tenth Street at the southern end of Lake Merritt. It was constructed between 1913 and 1915, and underwent major refurbishment in 1985. The building houses the 1,789-seat Calvin Simmons Theater, a 4,000-8,000 seat capacity arena and three large ballrooms. The Kaiser Center is listed on the California Register of Historic Buildings. It has many historic features, including a series of murals by Alexander Stirling Calder on the north face

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of the building. The building is in such a prominent location that it has become a recognizable symbol of Oakland.

In 2001, the Oakland Joint Powers Financing Authority (“JPFA”) issued \$134,890,000 of Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001, for the purpose of refinancing the acquisition and improvement of the Kaiser Center and the George P. Scotlan Memorial Convention Center. As of July 1, 2009, the outstanding principal on the 2001 Bonds is \$72,080,000, with annual debt service payments averaging \$14.1 million. The last payment is due on October 1, 2014.

Title to the Kaiser Center was transferred to the JPFA as security for the bonds. The JPFA subleased the property to the City pursuant to a May 2001 Second Amended and Restated Lease and Sublease Agreement (“Sublease Agreement”).

On June 30, 2010, Peralta requested in writing to enter into an ENA with the City to negotiate the terms and conditions for a sale of the Kaiser Center to Peralta.

KEY ISSUES AND IMPACTS

An ENA means that for the term of the agreement, the City will not solicit, offer or negotiate a sale or sublease of the property with prospective purchasers or sublessors other than Peralta. The City will negotiate in good faith in order to reach a deal with Peralta that maximizes the potential revenue to the City and includes deal terms that are favorable to the City. The City Administrator and staff have 120 days from the time of the adoption of the resolution to negotiate and sign an ENA and to conclude negotiations of the terms for the sale or sublease of the property.

Any proposed sublease or sale of the City’s interest in the Property would be subject to two conditions previously established by the City Council:

- 1) That it remain a facility that provides public access and use for the community; and
- 2) That the structure will be maintained as a historic landmark.

Additionally, the City may consider making one of the conditions of transfer that the City will have the right of first refusal to repurchase the Kaiser Center at the same price for which it was sold.

The terms to be negotiated are:

- Size and exact boundaries of the site
- Sale price or sublease terms
- Other conditions of sale or sublease as determined by the parties

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- Potential tenants or development partners to be enlisted by Peralta, if any

Staff will recommend that Peralta identify third parties, such as the Oakland Ballet, the Oakland Symphony, and the Women's National Basketball Association ("WNBA") that might become Peralta's tenants or development partners if Peralta were to purchase the building from the City. These third parties could contribute to the public access and community uses, and also increase the sales price or sublease rate.

SUSTAINABLE OPPORTUNITIES

Economic

Any reuse and renovation of the Kaiser Center will complement other successful development activities in the Central District Project Area and strengthen the Central District's economic vitality resulting in increased tax revenues for the City and Agency.

Environmental

Future use of the site is predicted to be similar to past uses. In that case the change of owner will have no impact on the environment. However, Peralta would explore and implement, where appropriate, sustainable building technologies in the renovation of the facility.

Social Equity

There are no social equity opportunities that apply to the proposed legislation.

DISABILITY AND SENIOR CITIZEN ACCESS

The project will require improvements that will need to meet current accessibility requirements.

RECOMMENDATION AND RATIONALE

The Kaiser Center is an important historic resource for the City. Preservation and a return to productive reuse are important goals for the property. If the City sells its interest in the Property, it will provide immediate revenue, as well as annual and future savings.

Peralta is a viable buyer that has expressed intent for the property. It is a public-purpose institution that has a proven track record of providing benefit to the local community. Peralta would reuse both the theater and the arena for their intended purposes. The college could bring in partners that would enhance the Kaiser Center as a cultural and civic

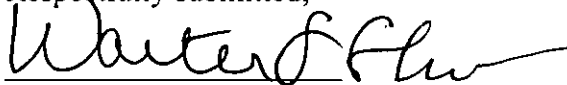
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resource, such as performing arts groups or a sports franchise. A deal with Peralta is the most likely option to realize revenue in Fiscal Year 2011-12.


ACTION REQUESTED OF THE COUNCIL AND AGENCY MEMBERS

To authorize the City Administrator to enter into an ENA between the City of Oakland and Peralta Community College District for the sale of the Henry J. Kaiser Convention Center located at 10 Tenth Street in Oakland.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

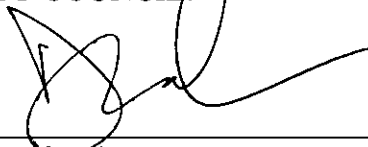
Reviewed by: 

Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Jens Hillmer
Urban Economic Coordinator

Prepared by:
Blair Miller
Urban Economic Analyst IV

APPROVED AND FORWARDED TO THE
CITY COUNCIL:



OFFICE OF THE CITY ADMINISTRATOR

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FILED
OFFICE OF THE CITY CLERK
OAKLAND

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Approved as to form and legality:

By: *D. Lewis*
City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO AN EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE CITY OF OAKLAND AND PERALTA COMMUNITY COLLEGE DISTRICT FOR A TERM OF 120 DAYS FOR THE LEASE OR SALE OF THE HENRY J. KAISER CONVENTION CENTER LOCATED AT 10 TENTH STREET IN OAKLAND

WHEREAS, the City of Oakland (the "City") leases the historic Henry J. Kaiser Convention Center (the "Kaiser Center") located at 10 10th Street in downtown Oakland, and more particularly described in Exhibit A attached hereto, from the Oakland Joint Powers Financing Authority (the "JPFA"); and

WHEREAS, the Kaiser Center has been vacant for five years, yet continues to cost the City \$50,000 per year for maintenance; and

WHEREAS, over the past few years, the Peralta Community College District ("Peralta") has expressed to the City its desire to use the Kaiser Center for classes, performances, and other activities for Laney College students; and

WHEREAS, on June 30, 2010, Peralta formally requested, in writing, to enter into an Exclusive Negotiating Agreement ("ENA") with the City to negotiate the terms and conditions for a sale of the Kaiser Center to Peralta; and

WHEREAS, the City and Peralta, the prospective lessee or purchaser, wish to enter into a period of preliminary study and negotiations over the proposed acquisition, acknowledging that this resolution does not constitute a binding commitment on the part of the City to any sale or lease of the Kaiser Center; and

WHEREAS, the requirements of the California Environmental Quality Act of 1970 ("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; now, therefore, be it

RESOLVED: That the City Administrator is authorized to negotiate and execute an ENA with Peralta for purposes of studying and evaluating the feasibility of, and negotiating terms and conditions for, the sale or lease of the City's interest in the Kaiser Center, for its renovation and use as a public facility, and be it

FURTHER RESOLVED: That the City Administrator, or his designee, is authorized to negotiate, execute and amend the ENA, and take any other actions necessary, consistent with this Resolution, to carry out the intent of this Resolution; and be it

FURTHER RESOLVED: That the exclusive negotiating period will be for one hundred and twenty (120) days from the date of this Resolution; and be it

FURTHER RESOLVED: That the City finds and determines, after independent review and consideration, that this action complies with the California Environmental Quality Act ("CEQA") because this action on the part of the Agency 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 his designee, shall cause to be filed with the County of Alameda a Notice of Exemption and an Environmental Declaration (Fish and Games Code section 711.4) for this action; and be it

FURTHER RESOLVED: That the City Attorney shall review and approve the ENA and all other necessary documents as to form and legality prior to their execution, and a copy of the documents shall be placed on file with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2010

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland