

**REDEVELOPMENT AGENCY  
AND THE CITY OF OAKLAND  
AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2010 MAY 13 PM 1:40

TO: Office of the City/Agency Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: May 25, 2010

RE: **An Agency Resolution Authorizing The Agency Administrator To Enter Into A Sublease With The City Of Oakland For The George P. Scotlan Memorial Convention Center For A Term Of Up To 12 Years For Total Lease Payments Of \$2,000,000 In Fiscal Year 2009/10 And \$2,000,000 In Fiscal Year 2010/11**

**A City Ordinance Authorizing The City Administrator To Enter Into A Sublease With The Redevelopment Agency Of The City Of Oakland For The George P. Scotlan Memorial Convention Center For A Term Of Up To 12 Years For Total Lease Payments Of \$2,000,000 In Fiscal Year 2009-10 And \$2,000,000 In Fiscal Year 2010-11**

**An Oakland Joint Powers Financing Authority Resolution Approving The City Of Oakland Sublease Of The George P. Scotlan Memorial Convention Center To The Redevelopment Agency Of The City Of Oakland Under The Second Amended And Restated Lease And Sublease Agreement Between The Oakland Joint Powers Financing Authority And The City Of Oakland Dated May 1, 2001**

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**SUMMARY**

It is recommended that the City Council approve legislation authorizing a sublease between the City of Oakland ("City") and the Redevelopment Agency of the City of Oakland ("Agency") for the George P. Scotlan Memorial Convention Center, including an adjacent parking garage (collectively, the "Convention Center Facilities") for a term of up to 12 years for total lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11. The term of the sublease starts on June 15, 2010 and will end on June 12, 2022. The Agency's purpose for subleasing the Convention Center Facilities from the City is to work with the CIM Group (CIM), current owner of the adjoining Oakland Marriott City Center Hotel (the "Marriott"), and its affiliated management company, Integrated Services Corporation (ISC), to develop appropriate marketing strategies and a capital improvement program for the renovation and modernization of the aging facility in order to enhance its appearance, marketability and long-term economic success. This redevelopment effort will reduce blight and complement other successful development activities in the Central District Project Area and strengthen the Central District's existing role as a center for administrative, financial, business service and governmental activities. The City currently leases the Convention Center Facilities from the

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Oakland Joint Powers Financing Authority ("JPFA") and requires approval from the JPFA for the sublease.

## **FISCAL IMPACT**

Approval of the proposed legislation will require that the Agency make lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11 to the City. These payments equal the present value of the estimated future net cash flow to be generated by the Convention Center Facilities over the term of the sublease with the City. The sublease payments for both Fiscal Years 2009-10 and FY 2010-11 will be deposited into the City's General Purpose Fund (1010), Citywide Activities Org (90591), non-project.

Agency funds for these payments are available from the following sources:

- \$3,000,000 in the Agency's taxable Central District Tax Allocation Bond Series 2009T Funds (Fund 9536), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 2009 (Project T314550)
- \$900,000 in the Agency's Chinatown: Parking Lot Fund (Fund 9515), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 9515 (Project T314530)
- \$100,000 in the Agency's Unrestricted Land Sales Proceeds Fund (Fund 9553), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 9553 (Project T314540)

The City currently budgets \$675,000 per year in the General Fund to subsidize the Convention Center Facilities utility expenses, and an annual management fee of \$45,000 to ISC for a total of \$720,000 per year. Per the terms of the proposed sublease, the City will continue to budget this amount for the term of the sublease with the Agency.

Upon execution of the proposed sublease with the City, the Agency, in close collaboration with CIM, will complete a final scope for upgrading the Convention Center Facilities. Any agreement between the Agency and CIM to fund and implement a capital improvement program for the Convention Center Facilities will be submitted to the City Council/Agency Board for approval in the fall of 2010. If approved, Agency funding for these capital improvements will be reallocated from the Agency's Central District Tax Allocation Bond Series 2005 (Fund 9533), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 2009 (Project P128670).

## **BACKGROUND**

The City leases the Convention Center Facilities and subleases the land below from the Joint Powers Finance Authority. The City also owns the land underlying the adjacent Marriott, a 21-story, 484-room, full-service hotel located on 1001 Broadway in downtown Oakland. On March 6, 2007, pursuant to Resolution No. 80446 C.M.S., the City approved the assignment of a ground

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lease for the land under the Marriott to CIM, which subsequently bought the Marriott from Oakland Renaissance Associates. CIM also acquired a majority interest in ISC, the property manager for the Marriott and the Convention Center Facilities.

Since CIM acquired the Marriott in 2007, it has begun to renovate the hotel and worked with City staff to assess the existing conditions of the Convention Center Facilities in order to prepare a capital improvement program aimed at enhancing the marketability and financial performance of the Convention Center Facilities, as well as the Marriott.

## **PROJECT DESCRIPTION**

The Convention Center Facilities, which are contiguous with the Marriott, are located at 550 10th Street in downtown Oakland. The Convention Center Facilities opened in 1983 and feature 64,000 square feet of convention, exhibit, social gathering and meeting room space, as well as a public garage with 585 spaces.

The Convention Center Facilities and the Marriott are managed by ISC. The management agreement between the City and ISC, which is intended to provide coordinated use of the Marriott and the Convention Center Facilities, will be assigned to the Agency as part of the sublease.

Upon approval and execution of the proposed sublease with the City, the Agency, in close collaboration with CIM, will complete a final scope for upgrading the Convention Center Facilities. Any agreement between the Agency and CIM to fund and implement a capital improvement program for the Convention Center Facilities will be submitted to the City Council for approval in the fall of 2010.

## **KEY ISSUES AND IMPACTS**

The physical condition of the Convention Center is inferior to competing facilities in the Bay Area because of the age of the building and limited capital funds for renovation and modernization of its features. During the current fiscal year, the substandard condition of the Convention Center coupled with the lingering effects of the recession on the hospitality and meetings, conventions, and exhibitions industries have resulted in a significant decrease in event bookings, and weakened the Convention Center's financial performance. The Agency's purpose for subleasing the Convention Center from the City is to work with CIM and ICS to develop a capital improvement program for the renovation and modernization of the aging facility, as well as a marketing strategy to enhance the Convention Center's appearance and long-term economic success. This redevelopment effort will complement and enhance other successful development activities in the Central District Project Area.

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### ***Convention Center Facilities' Physical Condition***

The Convention Center has not been substantially renovated or modernized since its opening in 1983. Many of its major physical components are in need of substantial upgrades, including:

- Required improvements to the facilities' Fire/Life Safety Systems
- Better integration of the Convention Center Facilities and the Marriott
- Replacement of existing restrooms
- Upgrades to parking elevator landings
- Replacement of furniture, fixtures and equipment
- Renovation of main convention hall and first-floor lobby
- Redesign of second floor meeting spaces
- Redesign of second floor lobbies and corridors

### ***Convention Center Facilities' Financial Condition***

The Convention Center Facilities' financial performance in Fiscal Year 2008-09 was an improvement over previous years. During this period, the complex generated net cash flow of approximately \$200,000. It should be noted in this context that the Convention Center Garage generated all net revenue and subsidized the Convention Center's on-going operating deficit. However, ISC, as part of its two-year budget forecast for Fiscal Years 2009-11, projected a loss of \$177,000 for the Convention Center Facilities for Fiscal Year 2009-10 and a net revenue gain of \$46,000 for Fiscal Year 2010-11. Net revenues for the period beginning July 2009 and ending February of 2010 show a deficit of \$133,652. This indicates that total actual losses at the Convention Center Facilities for Fiscal Year 2009-10 may exceed projected shortfalls. Moreover, this data suggests that actual net revenues for next fiscal year may also lag behind projections. As of March 15, 2010, the Convention Center Facilities' operating and capital reserves hold funds in the amount of \$200,000 and \$244,739, respectively.

### ***City Payment for the Convention Center Facilities***

Pursuant to the terms of the management agreement between the City and ISC, the City is responsible for a separate annual payment to cover certain Convention Center Facilities' expenditures comprised of direct utility expenses, the City's proportional share of the building's central plant expenditures, equipment leases, maintenance and replacement contracts and ISC's management fee. This annual payment, which is budgeted by the City each year, is an indispensable source of extra revenue for the Convention Center Facilities since these expenditures cannot be covered by operating revenues.

For Fiscal Years 2009-11, the City has budgeted \$675,000 for utility expenses and \$45,000 for the management fee, although ICS, as part of its two-year budget proposal for Fiscal Years 2009-11, requested that the City fund an amount of \$767,622 (excluding the management fee) for Fiscal Year 2009-10, and \$798,324 for Fiscal Year 2010-11 because of rising utility costs. If

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ISC's expenditure projections are correct, this means that there will be shortfalls of \$92,622 for Fiscal Year 2009-10 and \$123,324 for Fiscal Year 2010-11 in this separate expense category.

In Fiscal Year 2008-09, actual operating expenses of \$701,186 in this category exceeded the City's annual contribution by \$26,186, which necessitated an allocation from operating cash flow to cover this deficit for that year.

If ISC's projections for Fiscal Year 2010-11 are accurate, the operating reserves of \$200,000 may be depleted by the end of Fiscal Year 2010-11, since estimated shortfalls exceed available funds by \$15,000.

### ***The Sublease between the City and the Agency***

#### *The Agency Sublease Payment*

The Agency's sublease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11 equal the present value of the estimated future net cash flow to be generated by the Convention Center Facilities over the term of the sublease with the City, including the City's annual payment for utilities, central plant expenditures and the management fee for ISC. The Agency's revenue estimates are based on the assumptions that the negative effects of the national recession on the hospitality and conventions industries will subside as the regional economy improves, and that the planned capital improvement program for the Convention Center Facilities will enhance its appeal, marketability and long-term economic performance. Moreover, the Agency will assess current marketing strategies for the Convention Center Facilities to increase revenues, aim to reduce operating expenses, where possible, and encourage CIM to initiate additional improvements to the Marriott.

#### *The Agency Sublease Term*

The proposed term for the sublease between the City and the Agency is for up to 12 years, or from June 15, 2010 to June 12, 2022. The 12-year term will be contingent on approval by the City Council of an amendment to the Central District Project Area's Redevelopment Plan (the "Plan") to extend the time limit on (1) plan activities by 10 years from June 12, 2012 to June 12, 2022, and (2) receipt of its tax increment by 10 years from June 12, 2022, to June 12, 2032, as authorized by redevelopment law.

Staff will not return to the City Council with a recommendation to extend the Plan's effectiveness and activity time limitations until the spring of 2012 at the earliest. If the Plan is not extended and expires on June 12, 2012, or June 12, 2013 if the State authorizes a one-year extension, then the sublease will automatically terminate.

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***The JPFA Second Amended Lease and Sublease***

The City and the JPFA entered the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center Facilities on May 1, 2001. This Agreement specified the terms under which the City refinanced the construction and rehabilitation of the two convention centers, through the issuance of bonds which were payable from the rental payments made by the City for its leases of the two convention center facilities and subleases of the ground on which the centers were sited. The Second Amended Lease permits the City to sublease the convention facilities if 1) the City maintains the obligation to make lease payments, 2) the City provides a copy of the sublease to the JPFA and the bond Trustee, 3) the sublease requires that the facilities be used only for legally authorized purposes, and 4) the City provides the JPFA and the Trustee with a bond counsel opinion that the sublease will not jeopardize the tax exempt status of the bonds or cause them to become "private activity bonds." The City will meet the required tests.

**SUSTAINABLE OPPORTUNITIES**

***Economic:*** Any renovation of the Convention Center Facilities 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:*** There are no sustainable environmental opportunities that apply to the proposed sublease between the City and the Agency Convention Center Facilities. The Agency will ensure that any capital improvement program will include green building practices.

***Social Equity:*** There are no social equity opportunities that apply to the proposed legislation. However, the Agency will comply with the City's employment and contracting programs, including the Small/Local Business Construction Program, the Small/Local Business Professional Services Program (L/SLBE) and the Local Employment Program, as well as with the requirements of the Prevailing and the Living Wage Ordinances during the term of the sublease.

**DISABILITY AND SENIOR CITIZEN ACCESS**

The proposed legislation does not involve issues related to disability and senior citizen access.

**RECOMMENDATION(S) AND RATIONALE**

It is recommended that the City Council, the Agency, and the JPFA approve the proposed legislation. The Agency will work with CIM, and its affiliated management company, ICS, to prepare a capital improvement program aimed at enhancing the marketability of the Convention Center to a broader segment of the local, statewide, and regional convention and meetings market. This redevelopment effort will complement other successful development activities in the Central District Project Area and strengthen the Central District's existing role as a center for administrative, financial, business service and governmental activities.

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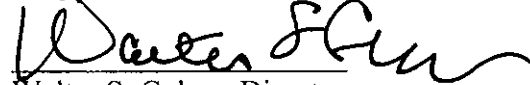
Community and Economic Development Committee

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**ACTION REQUESTED OF THE CITY COUNCIL/REDEVELOPMENT AGENCY**

It is recommended that the City Council, the Agency, and the JPFA approve legislation authorizing a sublease between the City and the Agency for the Convention Center Facilities for a term of up to 12 years for total lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11.

Respectfully submitted,



Walter S. Cohen, Director

Community and Economic Development Agency

Reviewed by:

Gregory Hunter, Deputy Director

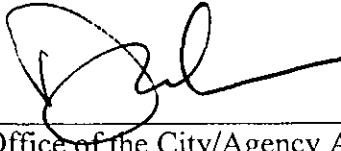
Economic Development and Redevelopment

Prepared by:

Jens Hillmer

Urban Economic Coordinator

APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:



Office of the City/Agency Administrator

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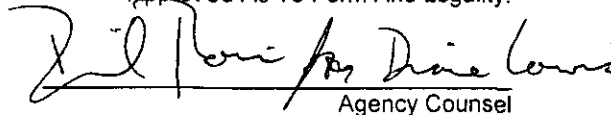
Community and Economic Development Committee

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Approved As To Form And Legality:

  
Agency Counsel

REDEVELOPMENT AGENCY  
OF THE CITY OF OAKLAND

RESOLUTION NO. \_\_\_\_\_ C.M.S.

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**A Resolution Authorizing the Agency Administrator to Enter into a Sublease with the City of Oakland for the George P. Scotlan Memorial Convention Center for a Term of Up To 12 years for Total Lease Payments of \$2,000,000 in Fiscal Year 2009/10 and \$2,000,000 in Fiscal Year 2010/11**

**WHEREAS**, the City of Oakland ("City") leases the George P. Scotlan Memorial Convention Center, which includes an adjacent public parking garage (the "Convention Center Facilities"), located at 550 10<sup>th</sup> Street in the Central District Redevelopment Project Area and more fully described in Exhibit A from the Joint Powers Financing Authority; and

**WHEREAS**, California Health and Safety Code Section 33220 authorizes any public body, with or without consideration, to sell or lease property to a redevelopment agency to promote redevelopment projects; and

**WHEREAS**, California Health and Safety Code Section 33391 authorizes a redevelopment agency to purchase or lease any real property within a project area for the purposes of redevelopment; and

**WHEREAS**, the Redevelopment Agency of the City of Oakland ("Agency") desires to sublease the Convention Center Facilities from the City for redevelopment purposes for a term of up to 12 years or from June 15, 2010 to June 12, 2022; and

**WHEREAS**, the City budgets a \$720,000 annual subsidy for Convention Center Facilities operations, paid from the General Fund, which pays for utility costs and a \$45,000 property management fee, and which payment was included as revenue in the calculation for the Agency's lease payments to the City over the 12-year term of the sublease; and

**WHEREAS**, the Agency will make two lease payments of \$2,000,000 each in Fiscal Year 2009-10 and Fiscal Year 2010-11 to the City, which equal the present value of the estimated future net cash flow to be generated by the Convention Center Facilities until June 14,



2022, including the annual revenue of \$720,000 provided by the City for the Convention Center; and

**WHEREAS**, the Agency proposes to sublease the Convention Center Facilities from the City to develop appropriate marketing strategies and a capital improvement program for the renovation and modernization of the aging facility in order to enhance its appearance, marketability and long-term economic success; and

**WHEREAS**, this redevelopment effort will reduce blight and complement other successful development activities in the Central District Project Area and strengthen the Project Area's existing role as a center for administrative, financial, business service and governmental activities; and

**WHEREAS**, the term of the sublease with the Agency of up to 12 years will be contingent on approval by the City Council of an amendment to the Central District Project Area's Redevelopment Plan to extend the time limit on (1) plan activities by 10 years from June 12, 2012 to June 12, 2022, and (2) receipt of its tax increment by 10 years from June 12, 2022, to June 12, 2032, as authorized by redevelopment law, and that absent this approval, the sublease will automatically terminate on June 12, 2012; and

**WHEREAS**, the City must comply with the terms of the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial in order to sublease its interests in the Convention Center Facilities; and

**WHEREAS**, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; and

**WHEREAS**, Agency funds for these payments will be available as follows: \$3,000,000 will be allocated from the Agency's Central District Tax Allocation Bond Series 2009T Funds (Fund 9536), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 2009 (Project T314550); \$900,000 will be allocated in the Agency's Chinatown: Parking Lot Fund (Fund 9515), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects (Project T314530); and \$100,000 will be allocated in the Agency's Unrestricted Land Sales Proceeds Fund (Fund 9553), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 9553 (Project T314540); now, therefore, be it

**RESOLVED:** That the Agency hereby finds and determines that the capital improvement program for the renovation and modernization of the aging Convention Center Facilities will enhance the Facilities' appearance, marketability and long-term economic success, and will reduce blight in the redevelopment project area and complement other successful development activities in the Central District Redevelopment Project Area; and be it

**FURTHER RESOLVED:** That the Agency hereby authorizes the sublease of the Convention Center Facilities from the City for a term of up to 12 years for two lease payments to the City of \$2,000,000 each in Fiscal Year 2009-10 and Fiscal Year 2010-11, which equal the present value of the estimated future net cash flow to be generated by the Convention Center Facilities until June 12, 2022, including the revenue provided by the City in the form of its annual subsidy of \$720,000 to the Convention Center; and be it

**FURTHER RESOLVED:** That the sublease is contingent on final City adoption of an ordinance authorizing the transaction, approval of a resolution by the Oakland Joint Powers Financing Authority, and City compliance with requirements for subleasing set forth in the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial; and be it

**FURTHER RESOLVED:** The City agrees that the term of the sublease with the Agency of up to 12 years will be contingent on adoption by the City Council of an amendment to the Central District Urban Renewal Plan (the "Plan") to extend the time limit on plan activities and receipt of tax increment by 10 years, as authorized by redevelopment law, and that absent this approval, the sublease will automatically terminate upon termination of Plan activities; and be it

**FURTHER RESOLVED:** That funding for the sublease payments are available as follows: \$3,000,000 will be allocated from the Agency's Central District Tax Allocation Bond Series 2009T Funds (Fund 9536), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 2009 (Project T314550); \$900,000 will be allocated in the Agency's Chinatown: Parking Lot Fund (Fund 9515), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 9515 (Project T314530); and \$100,000 will be allocated in the Agency's Unrestricted Land Sales Proceeds Fund (Fund 9553), Capital Improvement Project – Economic Development Organization (#94800), Central District Public Facilities Capital Projects 9553 (Project T314540); and be it

**FURTHER RESOLVED:** That the Agency Administrator or his designee is hereby authorized to negotiate and execute, modify, amend, extend and/or terminate the sublease, management agreements and other documents necessary for the sublease of the Convention Center Facilities, consistent with this Resolution and its basic purposes; and be it

**FURTHER RESOLVED:** That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines, based on the information in the staff report accompanying this Resolution, that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA pursuant to Section 15061(b)(3) (no possibility of significant environmental impact), and Section 15301(d) (existing facilities) of the CEQA Guidelines; and be it

**FURTHER RESOLVED:** That the Agency Administrator, or his designee, shall cause to be filed with the County of Alameda a Notice of exemption for this action; and be it

**FURTHER RESOLVED:** That any and all documents necessary to effectuate the intent of this Resolution shall be reviewed and approved as to form and legality by the Agency Counsel prior to execution by the Agency Administrator or his designee and a copy shall be filed with the Secretary of the Redevelopment Agency.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2010

**PASSED BY THE FOLLOWING VOTE:**

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

NOES-

ABSENT-

ABSTENTION-

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

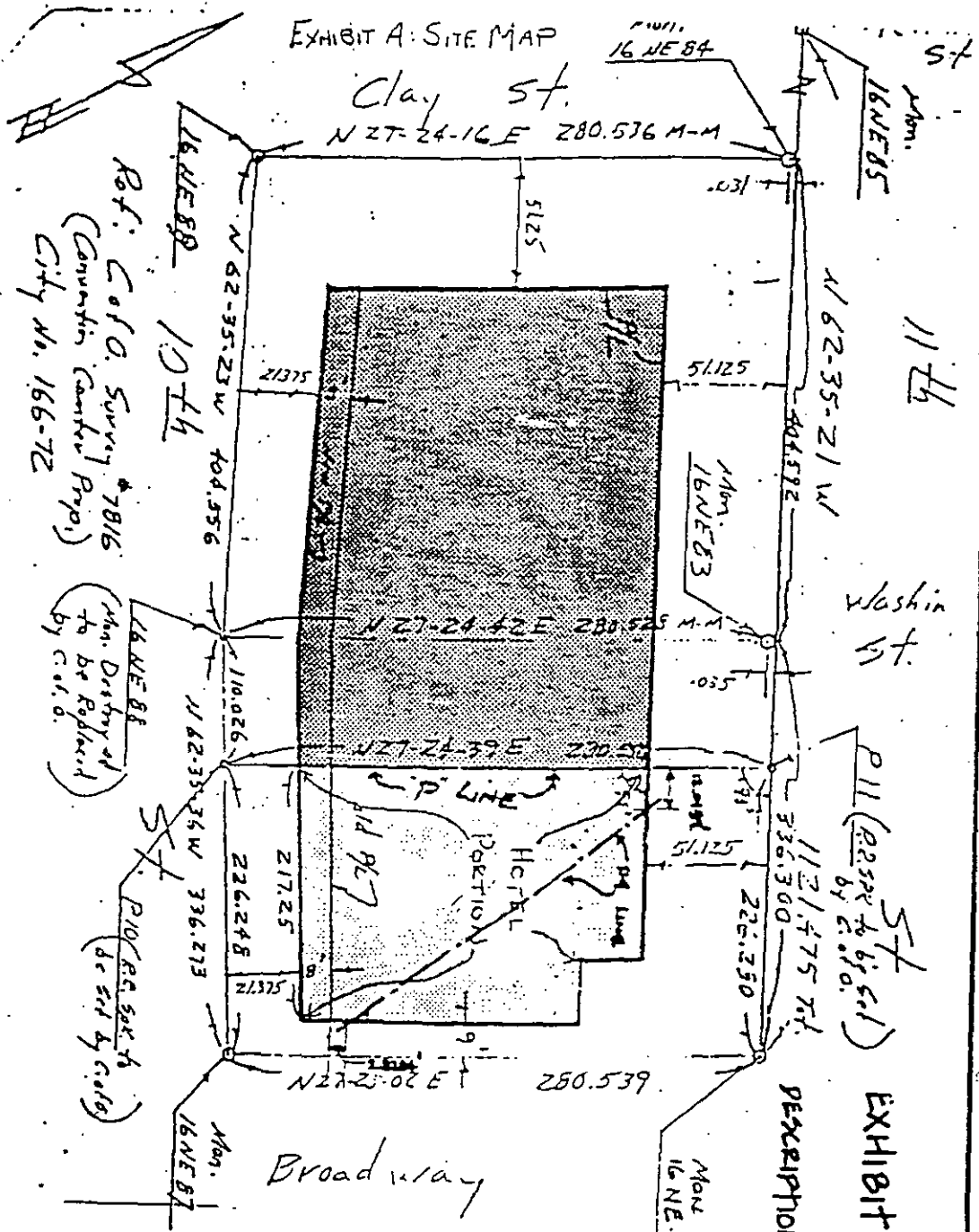
LATONDA SIMMONS  
Secretary of the Redevelopment Agency  
of the City of Oakland, California

## **EXHIBIT A**

The Area shaded in gray on the attached Description of the Real Property encompasses  
the Convention Center Facilities

81-137102

EXHIBIT A: SITE MAP



BASIS OF BEARING FOR THIS SURVEY IS THE MONUMENT LINE OF 11TH STREET BEING TAKEN AS N 67° 35' 21" W.  
 BEARING SHOWN ARE BASED ON THE CALIFORNIA COORDINATE SYSTEM, ZONE 3  
 DISTANCES SHOWN ARE GROUND DISTANCES. TO OBTAIN CURV DISTANCES  
 MULTIPLY DISTANCES SHOWN BY 0.999977

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2010 MAY 13 PM 1:41

Approved as to form and legality:

By: *Diane Lewis*  
City Attorney

## OAKLAND CITY COUNCIL

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

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**An Ordinance authorizing the City Administrator to enter into a Sublease with the Redevelopment Agency of the City of Oakland for the George P. Scotlan Memorial Convention Center for a term of up to 12 years for total lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11**

**WHEREAS**, the City of Oakland (the "City") leases the George P. Scotlan Memorial Convention Center, which includes an adjacent public parking garage (the "Convention Center Facilities") located at 550 10<sup>th</sup> Street in the Central District Redevelopment Project Area from the Oakland Joint Powers Financing Authority (the "JPFA"); and

**WHEREAS**, the Convention Center Facilities are suffering from deferred maintenance and require a number of improvements and upgrades in order to attract significantly more regional event bookings; and

**WHEREAS**, the City has adopted Ordinance No. 11603 C.M.S. which establishes procedures for the lease of property owned or controlled by the City; and

**WHEREAS**, California Health and Safety Code Section 33220 authorizes any public body, with or without consideration, to sell or lease property to a redevelopment agency to promote redevelopment projects; and

**WHEREAS**, the City and the Oakland Joint Powers Financing Authority entered the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial, on May 1, 2001, and execution of a new sublease between the City and the Agency requires compliance with certain terms in the May 1, 2001 Agreement; and,

**WHEREAS**, the City desires to sublease its interest in the Convention Center Facilities to the Redevelopment Agency of the City of Oakland (the "Agency"), and the Agency desires to sublease the Convention Center Facilities from the City for redevelopment purposes, for a term of up to 12 years, or from June 15, 2010 to June 12, 2022; and

**WHEREAS**, the City budgets a \$720,000 annual subsidy for Convention Center Facilities operations, paid from the General Fund, which pays for utility costs and provides a \$45,000 annual property management fee, and;

**WHEREAS**, the City will receive two lease payments from the Agency, of \$2,000,000 each in Fiscal Year 2009-10 and Fiscal Year 2010-11, which equal the present value of the estimated future net revenue to be generated by the Convention Center Facilities until June 12, 2022, including as revenue the City's annual subsidy of \$720,000; and

**WHEREAS**, the City is the Lead Agency for this project for the purpose of environmental review under the California Environmental Quality Act of 1970 (CEQA); and

**WHEREAS**, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore

**THE COUNCIL OF THE CITY OF OAKLAND ORDAINS AS FOLLOWS:**

**Section 1.** It is determined to be in the best interest of the City to sublease the Convention Center Facilities to the Agency, since the Convention Center Facilities (1) need redevelopment to address blighted conditions, and (2) are located in the Central District Redevelopment Project Area, and the Agency is responsible for promoting redevelopment in Oakland's redevelopment project areas.

**Section 2.** As permitted by Ordinance No. 11603 C.M.S., the City Council hereby authorizes the Convention Center Facilities sublease with the Agency for a term of up to 12 years, from June 15, 2010 until June 12, 2022 for total lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11, which equal the present value of the estimated future net cash flow to be generated by the Convention Center Facilities until June 12, 2022, including the annual revenue of \$720,000 provided by the City to the Convention Center Facilities.

**Section 3.** The City will continue to budget \$720,000 per year in the General Fund to pay for utility costs and an annual property management fee because the Agency's estimated calculations of the lease payments to the City include the City's annual operating subsidy as revenue to the Convention Center Facilities.

**Section 4.** The City agrees that the term of the sublease with the Agency of up to 12 years will be contingent on adoption by the City Council of an amendment to the Central District Urban Renewal Plan (the "Plan") to extend the time limit on plan activities and receipt of tax increment by 10 years, as authorized by redevelopment law, and that absent this approval, the sublease will automatically terminate upon termination of Plan activities.

**Section 5.** That the sublease payments for both Fiscal Years 2009-10 and FY 2010-11 will be deposited into the City's General Purpose Fund (1010), Citywide Activities Org (90591), non-project.

**Section 6.** In compliance with requirements for entering a sublease set forth in the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial, dated May 1, 2001, the City will: 1) maintain the

**Section 6.** In compliance with requirements for entering a sublease set forth in the Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial, dated May 1, 2001, the City will: 1) maintain the obligation to make lease payments used to pay off the bonds, 2) provide a copy of the new sublease to the JPFA and the bond Trustee, 3) assure that the new sublease provides that the Convention Center Facilities be used only for legally authorized purposes, and 4) provide the JPFA and the bond Trustee with a bond counsel opinion that the sublease will not jeopardize the tax exempt status of the bonds or cause them to become "private activity bonds."

**Section 7.** The City Council has independently reviewed and considered this environmental determination, and the City Council finds and determines, based on the information in the staff report accompanying this Ordinance that this action complies with CEQA because this action on the part of the City is exempt from CEQA pursuant to Section 15061(b)(3) (no possibility of significant environmental impact), and Section 15301(d) (existing facilities) of the CEQA Guidelines.

**Section 8.** The City Administrator, or his designee, shall cause to be filed with the County of Alameda a Notice of Exemption for this action.

**Section 9.** The City Administrator, or his designee, is authorized to negotiate, execute, amend, and extend the sublease and all other documents, and take any other actions necessary, consistent with this Ordinance, to carry out the intent of this Ordinance.

**Section 10.** The Sublease and all other documents necessary for the sublease of the Convention Center Facilities, such as assigning the City's property management agreement with Integrated Services Corporation to the Agency, shall be approved as to form and legality by the City Attorney's Office and a copy shall be filed with the Office of the City Clerk.

**Section 11.** This Ordinance shall become effective immediately upon final adoption if it receives six or more affirmative votes; otherwise it shall become effective upon the seventh day after final adoption.

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



B

**An Ordinance Authorizing The City Administrator To Enter Into A Sublease With The Redevelopment Agency Of The City Of Oakland For The George P. Scotlan Memorial Convention Center For A Term Of Up To 12 Years For Total Lease Payments Of \$2,000,000 In Fiscal Year 2009-10 And \$2,000,000 In Fiscal Year 2010-11**

Notice and Digest

The ordinance authorizes the City of Oakland to sublease the George P. Scotlan Memorial Convention Center, including an adjacent parking garage, to the Oakland Redevelopment Agency for a term of up to 12 years for total lease payments of \$2,000,000 in Fiscal Year 2009-10 and \$2,000,000 in Fiscal Year 2010-11 to allow the Agency to develop a plan to upgrade and better market the aging facility.

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2010 MAY 13 PM 1:41

APPROVED AS TO FORM AND LEGALITY

  
HEATHER SELMAN BOYD  
JOINT POWERS FINANCING AUTHORITY COUNSEL

OAKLAND JOINT POWERS FINANCING AUTHORITY

RESOLUTION No. \_\_\_\_\_ J.P.F.A.

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**AN OAKLAND JOINT POWERS FINANCING AUTHORITY  
RESOLUTION APPROVING THE CITY OF OAKLAND SUBLEASE OF  
THE GEORGE P. SCOTLAN MEMORIAL CONVENTION CENTER TO  
THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
UNDER THE SECOND AMENDED AND RESTATED LEASE AND  
SUBLEASE AGREEMENT BETWEEN THE OAKLAND JOINT POWERS  
AUTHORITY AND THE CITY OF OAKLAND DATED MAY 1, 2001**

**WHEREAS**, the City of Oakland (the "City") and the Redevelopment Agency of the City of Oakland (the "Agency") have heretofore executed a Joint Exercise of Powers Agreement, dated as of February 1, 1993 (the "Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement created and established the Oakland Joint Powers Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and operating pursuant to the provisions of Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

**WHEREAS**, the City and the Authority executed and entered into a Second Amended and Restated Lease and Sublease Agreement Relating to the Henry J. Kaiser Convention Center and the Convention Center-George P. Scotlan Memorial, which includes an adjacent public parking garage (the "Convention Center Facilities"), dated May 1, 2001 (the "2001 Lease"), pursuant to the provisions of which the City (the "Lessee"), continued to lease the Convention Center Facilities described therein (the "Leased Property") from the Authority (the "Lessor"); and

**WHEREAS**, the City now desires to sublease its interest in the Convention Center Facilities to the Agency for redevelopment purposes for a term of up to 12 years, in exchange for total rent payments of \$4,000,000 to be paid over two fiscal years [FY 2009-2010 and FY 2010-2011] (the "Agency Sublease"); and

**WHEREAS**, the 2001 Lease requires that in order to enter a sublease, the City must: 1) maintain the obligation to make lease payments used to pay off the bonds, 2) provide a copy of the new sublease to the Authority and the bond Trustee, 3) assure that the new sublease provides that the Convention Center Facilities be used only for legally authorized purposes, and 4) provide the Authority and the bond Trustee with a bond counsel opinion that the sublease will not jeopardize the tax exempt status of the bonds; and

**WHEREAS**, the Agency Sublease will result in significant public benefits, as the proposed upgrades to the Convention Center Facilities are expected to enhance the marketability of the facilities and increase their revenues; and it furthers the public purpose for the Authority to approve the Agency Sublease; now, therefore, be it

**RESOLVED** by the governing board of the Authority as follows:

**Section 1.** All of the recitals set forth above are true and correct, and the Authority so finds and determines.

**Section 2.** The proposed form of Agency Sublease, on file with the Secretary of the Authority and incorporated into this Resolution by reference, is hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver an Agency Sublease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 3.** The President, Vice President, Executive Director, Treasurer, Secretary and other appropriate officers of the Authority or a designee of any such official are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the execution of the Agency Sublease for the Scotlan Convention Center, the execution and delivery of any document mentioned herein and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby, including but not limited to executing and delivering any amendments to any necessary documents mentioned herein or authorized hereby, as such officer or designee may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 4.** All actions heretofore taken by the officers and agents of the Authority with respect to the transactions contemplated hereby are hereby ratified, confirmed and approved.

**Section 5.** This Resolution shall take effect from and after its adoption.

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  
Secretary of the Oakland Joint Powers  
Financing Authority of the City of Oakland