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

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: February 2, 2010

RE: **A Supplemental Report Requesting Additional Information by the Community and Economic Development Committee Regarding the Resolution Authorizing The Agency Administrator To Apply For, Accept, And Appropriate Grant Funds From The California Cultural And Historical Endowment Program Under State Of California Clean Water, Clean Air, Safe Neighborhood Parks, And Coastal Protection Act Of 2002, For The Historic Fox Theater Renovation In An Amount Not To Exceed One Million Dollars (\$1,000,000)**

SUMMARY

This Supplemental Report is in response to informational requests made at the January 26, 2010 meeting of the Community and Economic Development (CED) Committee concerning a proposed resolution authorizing the Agency Administrator, or his designee, to apply for, accept and appropriate grant funds from the California Cultural and Historical Endowment ("CCHE") grant program in an amount not to exceed one million dollars (\$1,000,000) for the Fox Theater.

Specifically, the committee members wanted the following additional information: (1) an explanation as to how the CCHE grant money would be used and how the grant, if received, would help reduce any loans made by the Agency to the Project and, (2) an explanation as to why the unused portion of the Agency's \$1.4 million restaurant tenant improvements loan has not been used to help pay the outstanding invoices submitted by the sub contractors who worked on the Fox Project.

KEY ISSUES AND IMPACTS

1. How will the CCHE Grant be used and how will it help reduce any loans made by the Agency to the Project?

If a CCHE Round Four Grant is awarded to the Agency, the funds will be used to help complete the final tenant improvements to the Project's restaurant space. On July 15, 2008, the Agency passed Resolution No. 2008-0077 C.M.S. providing a \$2.7 million loan to be used for tenant improvement to the Fox Project, of which \$1.4 million would be used to cover tenant improvements in the restaurant space. Approximately half of the loan funds for the restaurant space (\$700,000) were spent constructing basic tenant improvements in the restaurant space,

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including electrical, plumbing, life safety and installation of sheet rock. These improvements were required by the National Park Service in order for the Fox Project to receive the historic tax credit equity needed to complete the Project financing. This task was accomplished and those equity payments have been received.

The unused portion of the loan (approximately \$700,000) will be used to complete *final* tenant improvements to the space, but these improvements can be made only after the space is leased and specific tenant requirements and specifications are known. This is the usual and customary responsibility of the building owner. At present, negotiations are underway to lease the space, but a lease has not been signed as of this date.

Any grant money received from CCHE will be used to off-set some of the unspent portion of the Agency tenant improvement loan funds earmarked for the restaurant space (approximately \$700,000), helping to reduce the principal amount owed the Agency. For example, a \$250,000 grant would allow the Agency loan to be reduced by \$250,000 and allow the Agency to use these funds in other Central District projects. If CCHE grant funds are awarded, the scope of the Project will not be increased.

2. Why has the unused portion of the \$1.4 million restaurant tenant improvements loan not been used to help pay the outstanding invoices submitted by the sub contractors who worked on the Fox Project?

The Agency funds being used to construct the tenant improvements in the restaurant space are specifically earmarked for that purpose and cannot be used to fund other portions of the Fox Project. As stated above, Resolution No. 2008-0077 C.M.S. was passed by the Agency on July 15, 2008, providing a \$2.7 million loan to be used for tenant improvement to the Fox Project, of which \$1.4 million would be used to cover tenant improvements in the restaurant space and a portion of the rent from this space will be used to repay the loan.

The subcontractors are paid from unrestricted project sources, including tax equity payments to the Project. In addition to these funds, the Agency approved a \$2 million loan to the Project on January 5, 2010 (Resolution No. 2010-0010 C.M.S.) to pay Turner and the subcontractors. As of this date, all funds needed to pay the subcontractors are in an escrow account. Turner Construction is working with the subcontractors to coordinate mechanics lien releases and unconditional final releases in exchange for final payment. Turner is in contact with the subcontractors and is currently obtaining the required documents; as soon as the documents are obtained and verified by the escrow company the contractors can receive payment.

RECOMMENDATION(S) AND RATIONALE

The deadline for submitting the application for a CCHE Round Four Grant is February 10, 2010. The resolution authorizing the Agency Administrator to apply for, accept, and appropriate grant funds is required as part of the application. The funds received will be used to help fund the

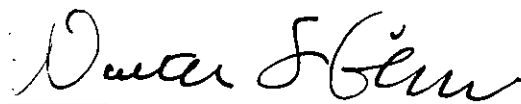
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tenant improvements in the Fox Theater restaurant space and will help reduce the principal amount of the tenant improvement loan provided by the Agency.

ACTIONS REQUESTED OF THE REDEVELOPMENT AGENCY

For the reasons stated above, it is recommended that the Agency approve the Resolution authorizing the Agency Administrator to apply for, accept, and appropriate grant funds from the California Cultural Historical Endowment Program under the State of California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002, for the historic Fox Theater renovation in an amount not to exceed one million dollars (1,000,000).

Respectfully submitted,

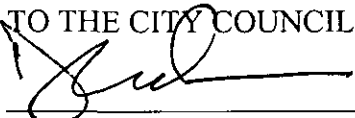


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
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Economic Development and Redevelopment, CEDA

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Redevelopment Division

APPROVED AND FORWARDED
TO THE CITY COUNCIL:



Office of the Agency Administrator