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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki, Director
EWDD

SUBJECT: Authorize An Allocation of \$20 million
in New Markets Tax Credits

DATE: June 10, 2019

City Administrator Approval

Date:

6/13/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Approving An Allocation Of Up To \$20 Million Of New Markets Tax Credits By Oakland Renaissance NMTC, Inc., To ORNMTC 2, LLC, And ORNMTC 4, LLC, Sub-Community Development Entities Affiliated With Oakland Renaissance NMTC, Inc., And To Allocate Said Tax Credits To Orton Development, Inc., And The Oakland Museum Of California, Or Their Respective Affiliates, For The Rehabilitation And Adaptive Reuse Of The Historic Henry J. Kaiser Convention Center And For Accessibility Upgrades And Garden Improvements To The Oakland Museum Of California Campus, And Authorizing The City Administrator To Facilitate Said Allocation(s) Without Returning To Council.

EXECUTIVE SUMMARY

Oakland Renaissance NMTC, Inc., a California non-profit public benefit corporation ("ORNMTC") and affiliate of the City, applied for and received an allocation of New Markets Tax Credits ("NMTC") authority in an amount of \$20 million in November 2016 ("the 2016 NMTCs"). NMTCs are a valuable source of equity capital for businesses or economic development opportunities in economically distressed communities. ORNMTC requests approval to allocate all or a portion of the 2016 NMTCs to ORNMTC 2, LLC, A Sub-Community Development Entity ("CDE") affiliated with ORNMTC, which will allocate said tax credits to Orton Development, Inc. ("Orton") or its affiliates, for the rehabilitation and adaptive reuse of the historic Oakland Civic Auditorium, also known as the Henry J. Kaiser Convention Center (the "Kaiser Auditorium"). ORNMTC also requests approval to allocate all or a portion of the 2016 NMTCs to ORNMTC 4, LLC, a sub-CDE affiliated with ORNMTC, which will allocate said tax credits to the Oakland Museum of California ("OMCA"), or its affiliates, for improvements to the Oakland Museum of California campus (the "Museum").

Both projects offer significant benefits to the community. The proposed development program for the Kaiser Auditorium includes the renovation of the shuttered 90,000 square feet Calvin Simmons Theatre (the "Theatre") for reuse as a performing arts venue, the adaptive reuse of the arena and basement into 76,000 square feet of office space with a focus on attracting local art and nonprofit organizations as tenants, and improved building access, public spaces,

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parking, and landscaping. The planned Museum improvements include accessibility upgrades, garden improvements, and café enhancements.

ORNMTC has two significant deadlines in 2019:

July 2019 Deadline - ORNMTC desires to apply for another NMTC allocation upon release of the 2019 Notice of Allocation Availability ("NOAA"), anticipated in late Summer or early Fall 2019. To have a competitive 2019 application, ORNMTC must have funded its current allocation with a project prior to the application due date. Closing on an allocation typically requires an escrow period of up to 12 weeks, so project approval is requested by July 2019 to allow sufficient time to meet this deadline.

If ORNMTC is unable to fund a project by the July 2019 deadline, ORNMTC will miss the next NOAA from the Community Development Financial Institutions ("CDFI") Fund that administers the program. If this deadline is missed, it is estimated that the soonest ORNMTC can be awarded another allocation is in 2-3 years.

September 2019 Deadline - ORNMTC's current 2016 allocation must be funded into an approved project by December 31, 2019 to remain in compliance with the allocation agreement and avoid risking recapture of the allocation and loss of ability to apply for future funding. Given the typical 12-week closing period, meeting this deadline would require project approval before September 2019.

If ORNMTC does not deploy 60 percent of its 2016 allocation before December 31, 2019, ORNMTC will trigger an "Event of Default" with the CDFI Fund. Triggering an "Event of Default" will result in termination of this 2016 allocation, reallocation of the 2016 allocation to another CDE, and will negatively impact ORNMTC's ability to receive future NMTC allocations and could even result in ORNMTC being barred from receiving future allocations. To date, no CDE has ever triggered an Event of Default with the CDFI Fund in the NMTC arena.

Staff seeks authorization for the City Administrator, without returning to City Council, to allocate all or a portion of the \$20 million 2016 NMTC allocation to either or both projects, without further delay and prior to the City Council's summer recess to meet these deadlines.

BACKGROUND / LEGISLATIVE HISTORY

New Markets Tax Credit Program

The U.S. Department of the Treasury's CDFI administers the NMTC Program, which targets debt and equity capital to businesses or organizations in low-income, economically distressed communities. Intended to address the lack of available capital for business and economic development ventures in such places, the program provides federal tax credits to those who would invest in CDEs that, in turn, invest in qualified businesses. Each business or economic development initiative or project supported by the NMTC program, involves at least three key parties:

- A CDE, such as ORNMTC, that has been competitively awarded an allocation of tax credits by the CDFI Fund and sells them to investors;

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- Individuals or corporate investor entities (that may or may not be affiliated with a CDE) that use the tax credits in return for making Qualifying Equity Investments ("QEIs") in a CDE, which the CDE subsequently uses for making loans or equity investments in projects; and
- The recipient of the qualified low-income community investments ("QLICI") termed a Qualified Active Low Income Business ("QALICB").

Investors are incentivized to participate in a NMTC transaction largely through the redemption of the tax credit allocation from a CDE. The investor will be eligible to claim a tax credit equal to five percent of its equity investment in the CDE for each of the first three years and a six percent credit for each of the next four years (for a total of thirty-nine percent) over a seven-year compliance period. In the past, investors have paid 70 to 80 cents per dollar of tax credit. There are additional transaction costs and fees associated with the placement and administration of the tax credit, which further reduce the amount of the investment by another 10 to 15 percent. The investment in the CDE cannot be redeemed before the end of the seven-year period. The NMTC Program is designed to rely on the CDE's local knowledge and expertise when deciding what business to invest in or lend to with the funds it raises.

Oakland Renaissance NMTC, Inc.

ORNMTC is a California non-profit public benefit corporation formed in August of 2004, and is an affiliate of the City. ORNMTC's mission is to serve low-income communities and low-income persons in Oakland by promoting economic development and job creation in such communities, including providing investment capital for these purposes. In 2005, ORNMTC received its CDE certification from the CDFI Fund.

ORNMTC is governed by a six-member Board of Directors (the "Board") made up of City department directors, managers, and senior staff. The current Board is comprised of the following individuals:

- Mark Sawicki, Director - Economic & Workforce Development Department
- Betsy Lake, Deputy City Administrator – City Administrator's Office
- Katano Kasaine, Director - Finance & Management Agency
- Jens Hillmer, Development Manager - Public/Private Development Division
- Larry Gallegos, Development Manager - Public/Private Development Division
- Kimani Rogers, Urban Economic Analyst – Public/Private Development Division

Each member serves on the Board while performing his or her respective duties within the City. The Board is responsible for making investment decisions for projects. In addition to the Board, ORNMTC has enlisted a six-member Advisory Committee comprised of residents, business owners and community leaders located in ORNMTC's service area. Committee members chosen to represent these communities and neighborhoods have historically been affiliated with former redevelopment agency Public Advisory Committees ("PAC") or business associations, and are knowledgeable or have expertise in local Oakland nonprofit, business, and community-based development projects.

Projects identified as potential ORNMTC allocation recipients are chosen at the recommendation of ORNMTC staff, legal counsel, NMTC consultants, and nonprofit community-

based organizations active in the local NMTC community. These pipeline projects must meet several criteria for consideration, which includes:

- Complying with City of Oakland's Local and Small Local Business Enterprise and Local Employment Program (the "City Programs").
- Being located in a CDFI Fund designated "Severely Distressed" census tract.
- Establishing a QALICB that creates and/or retains jobs.

ORNMTC applied for NMTCs in 2004 and 2005, however neither of those applications were successful. In September of 2012, ORNMTC applied for tax credit authority for a third time, seeking an amount of \$100 million under the NMTC Program to provide primarily real estate financing to support retail business attraction and retention in the City. In July of 2013, pursuant to Resolution No. 84517 C.M.S., the CDFI Fund awarded an allocation of tax credit authority of \$20 million to ORNMTC. ORNMTC applied again in September of 2013 for another allocation, but this application was not successful.

The \$20 million 2013-2014 NMTC award was allocated to two projects in Oakland. Pursuant to Resolution No. 84519 C.M.S., \$6 million in NMTCs was allocated to East Bay Asian Local Development Corporation ("EBALDC") for a joint project comprised of Swan's Marketplace at 538 9th Street, and EBALDC's offices with ground floor retail at 1825 San Pablo Avenue. The remaining \$14 million of the 2013-2014 NMTC award was allocated to Sunfield Development LLC's Seminary Point project located at Foothill and Seminary. On April 20, 2015, pursuant to Resolution No. 85604 C.M.S., the City Council authorized the allocation of the additional \$8 million to the Seminary Point project, resulting in a total investment of \$14 million in NMTCs for that project. The Seminary Point project was completed in 2018, and developed into a new neighborhood commercial retail center on 1.69 acres of vacant land in an underserved portion of East Oakland. The project included four new buildings totaling 26,950 square feet of commercial space, and 73 off-street parking stalls. Walgreens anchors the commercial retail center with It's A Grind Coffee House and Metro PCS as additional tenants.

The 2016 NMTC Allocation Application and Award

In 2015, ORNMTC applied for tax credit authority under the NMTC Program, and on November 17, 2016, ORNMTC received an award in an amount of \$20 million from CDFI. On July 18, 2017, the City Council, pursuant to Resolution No. 86865 C.M.S., authorized ORNMTC to accept the 2016 NMTC award.

On July 18, 2017, the City Council approved Resolution No. 86865 C.M.S, which initially authorized the allocation of the \$20 million 2016 NMTC award for two projects: \$14 million for People's Community Market at 3103 Myrtle Street and \$6 million towards a Commercial Loan Pool program with Main Street Launch, to benefit commercial businesses located in low-income communities in Oakland. However, People's Community Market declined ORNMTC's tax credit allocation, citing problems with unsupportable project cost increases related to compliance with the City's Local and Small Local Business Enterprise and Local Employment Program. Main Street Launch Oakland, formerly Oakland Business Development Corporation, also declined ORNMTC's tax credit allocation, after determining that it would be unable to issue enough additional debt to accommodate this new program.

Identifying additional pipeline projects that are ready and willing to use this funding source has been a challenge, particularly since it requires compliance with City local hire and contracting programs. The Kaiser Auditorium project has been identified as the most viable opportunity to deploy these tax credits before the allocation expires given both the substantial pre-development efforts of the City and Orton to date, and the level of economic, cultural, jobs, and other community benefits it would yield. OMCA has also been identified as a potential recipient of all or a portion of the NMTCs, assuming the project could obtain the approvals necessary to start the closing process in time to meet the ORNMTC deadlines outlined above.

ORMNMTTC is preparing to submit another NMTC application in response to the imminent 2019 NOAA. ORNMTC must close on a QEI with its 2016 NMTC allocation before the application deadline, which is expected to be announced in late summer or early fall of 2019, with an anticipated application deadline in October 2019. Additionally, ORNMTC must deploy substantially all of its 2016 NMTC allocation by the end of this calendar year to satisfy the requirements of the NMTC allocation agreement with the CDFI Fund and avoid an "Event of Default" which could negatively impact ORNMTC's future applications and result in recapture of the 2016 allocation.

ANALYSIS AND POLICY ALTERNATIVES

The Kaiser Auditorium

ORMNMTTC staff selected the historic Kaiser Auditorium for several reasons. The prominent City-owned building has been closed since 2006 and the vacant 105-year-old structure is losing its usefulness and falling into disrepair from repeated vandalism, theft and weather damage to interior and exterior surfaces. As the Kaiser Auditorium continues to remain closed, it is at increased risk of further damage and deterioration, and any effort to restore and adaptively reuse the building will become increasingly extensive and costly.

Pursuant to a Request for Proposals, Orton submitted a feasible proposal to reopen the Theatre as a performing arts venue and to adaptively reuse the arena and basement of the Kaiser Auditorium as commercial private office space. Orton's rehabilitation of the Kaiser Auditorium consists of a major exterior and interior building renovation. Orton's most recent estimate indicates total Project development costs of \$64.5 million (see **Attachment A**).

The Developer will focus on attracting local art and non-profit organizations as tenants, and will operate the Theatre as a performing arts center, with subsidized rents for local nonprofit performing arts groups. Concurrent with the proposed legislation recommended in this report, but in a separate action, staff is recommending approval of an Ordinance to the City Council, that would authorize the City Administrator to negotiate and execute with Orton, or its affiliate, a Lease Disposition and Development Agreement ("LDDA") and 99-year lease (the "Lease") for the Kaiser Auditorium. The City will only execute the Lease with Orton if the Developer satisfies numerous pre-conveyance conditions related to the development of the Project. The Kaiser Auditorium previously received Planning Commission approval on April 3, 2019, and the project would otherwise be ready to move forward for adoption by City Council of the Ordinance described above. However, the City Council must first consider an appeal of the Planning Commission approval, scheduled for June 18, 2019.

Orton is seeking all or a portion of ORNMTC's 2016 allocation of \$20 million, which will yield net equity to the project between approximately \$4.6 and \$5.3 million. This would be coupled with Orton's own equity investment and debt financing of more than \$46 million, a City grant of redevelopment agency bond funds of \$3 million, additional NMTCs from other CDEs, and Historic Tax Credits.

The Oakland Museum of California

The Oakland Museum opened in September 1969 and was heralded as a revolution in museum architecture with a campus designed to be part of the urban fabric of the City.

From 2008 to 2010, the Museum undertook the first major renovation of its landmark campus in a project led by architect Mark Cavagnero and Associates. For the renovation, a new entry was added to Oak Street to provide a stronger street presence and sense of arrival to the building and the three levels of galleries were connected by a covered canopy to create a greater sense of cohesion as well as protection in inclement weather. Two new galleries were added onto the third level Gallery of California Art from two previously outdoor sculpture courtyards, enlarging the exhibition space as well as providing higher ceilings for the display of larger scale artwork. An American Disabilities Act ("ADA") compliant ramp on the Oak Street side was added to provide accessible entry from the new more prominent entrance, various infrastructure improvements were made both within the galleries themselves and with systems throughout the building, and visitor amenities including a new store and ticketing desk were added to support the Museum's initiatives related to both visitor experience and revenue generation.

Now OMCA is proposing a redevelopment program that will entail two new accessible entries to the Museum building on its corner at 12th Street and on 10th Street near the stairway to the lower level. Additionally, the Museum is proposing improving ADA access within the gardens themselves, and upgrades to the Museum café. The project will also entail replanting within the gardens to replace plantings and trees that are at the end of their lifespan, as well as to create new landscape environments that are environmentally sustainable and offer new opportunities for education and interpretation. Project costs are estimated at approximately \$20 million (see ***Attachment B***).

Currently, Planning and Building Department ("PBD") staff are preparing a Historic Resource Evaluation ("HRE") for the Museum per direction from the Landmark Preservation Advisory Board ("LPAB"). Based on the HRE findings, PBD staff will determine the appropriate entitlement path for the project and report back to the LPAB this summer. Additionally, staff intends to bring a separate informational report to the Planning Commission and City Council.

OMCA is seeking all or a portion of ORNMTC's 2016 allocation of \$20 million, which will yield net equity to the project between approximately \$4.6 and \$5.3 million. This would be coupled with OMCA's equity investment from a capital campaign underway as well as additional NMTCs from other CDEs.

FISCAL IMPACT

There are no direct fiscal impacts resulting from the approval of legislation that authorizes the awarding of the NMTCs. The proposed legislation will allow ORNMTC to execute an allocation agreement with the CDFI Fund to deploy these NMTCs.

There are several indirect fiscal impacts related to the approval of this legislation. The commitment of NMTCs to these projects will allow ORNMTC to receive various fees that will be used to aid in funding the administration and management of ORNMTC. Additionally, costs associated with the closing of the transaction and allocation of the NMTCs are included in the transaction and will require no funding from the City.

The following table illustrates estimated costs associated with a typical NMTC transaction, all as a percentage of the underlying qualifying equity investment or QEI:

Table 1. Estimated NMTC Transaction Costs

Fees	Cost	Description
CDE Administrative Costs	1% of QEI	Paid at closing
Sub-Allocation Fee	≤ 3% of QEI	Paid at closing
Asset Management Fee	≤ 1% of QEI	Ongoing fee for annual NMTC compliance
ORMNMC Legal Fees	≤ .05% to 2% of QEI	Paid at closing, legal counsel for ORNMTC
3 rd Party Legal Fees	≤ .05% to 2% of QEI	Paid at closing, legal counsel for investor and developer
NMTC Consultant Fees	≤ .05% of QEI	Ongoing LLC audits and taxes

Staff estimates indicate that the City could receive approximately \$157,000 in property taxes, \$26,000 in sales tax, \$49,000 in business license tax and \$149,000 in parking taxes annually from the Kaiser Auditorium project.

In the proposed Fiscal Year 2019-21 Capital Improvement Program (CIP), \$567,000 General Purpose Funds are included per the City's and Museum's 30-year Lease Agreement for annual allocations for major repairs to existing facilities and equipment. These CIP funds will not be applied to the campus plan project.

The Museum is also entering the final two years of a 10-year, \$43 million grant agreement to fund program activity and care for the City's collection of artwork. In the next two years, the City is committed to funding \$3.2 million and \$3.0 million, respectively, for these purposes. Under this agreement, the Museum also has 22 years remaining on a 30-year lease with the City for \$1 per year in rent.

PUBLIC OUTREACH / INTEREST

ORMNMC has a six-member Advisory Board comprised of residents, business owners and community leaders located throughout ORNMTC's service area in Downtown, East, North and West Oakland. ORNMTC staff presented the potential tax credit allocations to the Advisory

Board for review in December 2018, and the Board approved the Kaiser Auditorium project. If some or all of the allocation is awarded to the Museum, pursuant to the authorization requested in this report, that matter would be brought to the Board for approval.

Community Benefits

The Kaiser Auditorium will provide the following community benefits:

- The historic building will be renovated and reopened as a performance venue and commercial office space for nonprofit and art organizations after being closed for 14 years.
- Orton will rehabilitate the Kaiser Auditorium in accordance with the Secretary of Interior's Standards for Rehabilitation ("Secretary's Standards") and place the building on the National Register of Historic Places.
- Approximately 13,000, or 17 percent of the approximate 76,000 square feet of newly created office space in the former arena and the basement will be made available to nonprofit, local arts groups, and education users ("Target Users"), of which 3,000 square feet or 23 percent of target user space will be made available to local arts organizations at affordable rental rates.
- The Theatre will reopen as a performing arts venue with affordable rates and will be available to Target Users for two hundred (200) days in any calendar year.
- The first \$75,000 of the Kaiser Auditorium project's cash flow will be used to provide a subsidy to Target Users to defray cost of renting the Theatre.
- The project will create 270 construction jobs and 260 permanent jobs.
- Orton will comply with the City's Local Business and Employment Programs, which include 50 percent local hire, prevailing wages during construction, and living wages for staff operating the building upon completion of the rehabilitation work.
- Orton will use good faith efforts to negotiate a PLA for the Project, which must explicitly facilitate the City's Small Local For Profit and Not For Profit Business Enterprise Program, including the Local Employment Program.
- There will be public viewing access to the former arena at the Kaiser Auditorium during certain times, while the restaurant and the Theatre will be open to the public as patrons.

The Museum will provide the following community benefits:

- Create a strong sense of visibility and connection between the Museum campus and the surrounding neighborhood, and particularly Lake Merritt, the Kaiser Auditorium, Laney College, neighborhood residents and the blocks adjacent to BART.
- Provide new, more efficient, and accessible entries into critical spaces within the Museum, namely the gardens and the Museum café which serves as a primary program and event space, and to enhance the interior café space.
- Elevate the Museum gardens as a destination unto itself as a new public park for Oakland more readily accessible for use and as a site of expanded programming and interpretation open to the public outside Museum hours.

- Build upon the successful renovation of Lake Merritt by adding a visible and easily accessible entry at 12th Street so lake users can also enjoy the Museum and its gardens.
- Improve accessibility by reducing travel distances and barriers for all visitors.
- Improve infrastructure and visitor amenities that were not addressed in the last phase of the building, including lighting, security, event support, and wayfinding.

COORDINATION

The following City departments will coordinate with ORNMTC staff during the NMTC transaction and compliance period:

- Office of the City Attorney
- Finance Department
- Planning and Building Department

SUSTAINABLE OPPORTUNITIES

Economic: The Kaiser Auditorium project will provide 530 jobs and further activate the south side of Lake Merritt. The Kaiser Auditorium project will reactivate a vacant, historically significant building into a performing arts theatre and 76,000 square feet of office space targeted for arts and nonprofit users, it will also generate long-term rental income to the City once Orton has been repaid on its equity and a return thereon.

The Museum project will help attract more patrons to the Museum, the Museum gardens, and the Museum café. Upon completion, the café will have hours beyond the Museum's, and will provide a new dining destination for residents and visitors to the Lake Merritt area.

Environmental: Reusing existing historic buildings in built-out cities is one of the most powerful sustainable building strategies available. The Kaiser Auditorium will also incorporate green building and energy efficient components, and will increase the amount of new public open space and permeable surfaces around the building. The location of the Kaiser Auditorium in proximity to major public transportation nodes will likely encourage visitors and workers to use BART and AC Transit. Orton will seek Leadership in Energy and Environmental Design Silver certification for the renovation and operation of the building.

The Museum's entrance upgrades will improve walkability in and around Lake Merritt and its connection to the Lake Merritt BART station. The entrances will also allow access to the gardens during non-Museum hours, thereby creating a new park space for people recreating in and around the Museum. The new plants and landscape design in the gardens project are designed to be more sustainable and eco-friendly.

Social Equity: For the Kaiser Auditorium, Orton will rent the Theatre to local, nonprofit performing arts groups on a regular basis at subsidized rents. Orton will comply with the City's Local Business and Employment Programs, 50 percent local hire, pay prevailing wages during

construction and living wages for staff operating the building upon completion of the rehabilitation work. Orton will also use good faith efforts to negotiate a PLA for the Project, which must explicitly facilitate the City's Small Local For Profit and Not For Profit Business Enterprise Program, including the Local Employment Program.

For the Oakland Museum, improved ADA access will enhance accessibility to the Museum and the gardens. The Museum's entrance upgrades allow for more seamless access to the Museum and gardens and into Lake Merritt as visitors are traveling to and from the Lake Merritt BART station.

California Environmental Quality Act (CEQA)

The Kaiser Auditorium: A detailed California Environmental Quality Act ("CEQA") Addendum entitled "The Oakland Civic Auditorium Rehabilitation - CEQA Analysis" (the "2019 CEQA Analysis"), dated February 2019, was prepared for the Project. The 2019 CEQA Analysis concluded that the Project satisfies each of the following CEQA Guidelines (A) Section 15164 of the State CEQA Guidelines - CEQA Analysis Addendum, (B) Section 15183 of the State CEQA Guidelines - Projects consistent with a Community Plan, General Plan or Zoning, and (C) Section 15168 of the State CEQA Guidelines - Prior Program Environmental Impact Reports.

The Museum: CEQA analysis is underway, and a determination will be presented for City Council review.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Approving An Allocation Of Up To \$20 Million Of New Markets Tax Credits By Oakland Renaissance NMTC, Inc., To ORNMTC 2, LLC and ORNMTC 4, LLC, Sub-Community Development Entities Affiliated With Oakland Renaissance NMTC, Inc., And To Allocate Said Tax Credits To Orton Development, Inc., And The Oakland Museum of California, Or Their Respective Affiliates, For The Rehabilitation and Adaptive Reuse Of The Historic Henry J. Kaiser Convention Center and For Accessibility Upgrades and Garden Improvements to The Oakland Museum of California Campus, And Authorizing The City Administrator to Facilitate Said Allocation(s) Without Returning to Council.

For questions regarding this report, please contact Jens Hillmer, Development Manager – Public/Private Development Division, ext. 3317 or JHillmer@OaklandCA.gov and Alexa Jeffress, Real Estate Managing Director – EWDD, ext. 3653 or AJeffress@oaklandca.gov

Respectfully submitted,



MARK SAWICKI
Director, Economic and Workforce
Development

Reviewed by:
Alexa Jeffress, Real Estate Managing Director
Economic and Workforce Development

Prepared by:
David Le, Urban Economic Analyst
Public/Private Development Division
Economic and Workforce Development

Attachments (2):
Attachment A: ORNMTC Technical Report – Kaiser Auditorium
Attachment B: ORNMTC Technical Report – Oakland Museum of California

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Attachment A

Oakland Renaissance New Market Tax Credit Technical Report Henry J. Kaiser Convention Center

Address: *10 10th Street, Oakland, CA 94607*
Neighborhood Area: *Lake Merritt*
Project Description: *The publicly-owned Oakland Auditorium is a roughly 215,000 square foot building that sits on approximately 4.79 acres and has been shuttered since 2005. Developer will hold a long-term ground lease on City of Oakland- owned property.*

Team

Developer: *Orton Development, Inc. or affiliated*
Partners: *City of Oakland*

New Market Tax Credit Eligibility Criteria

Project Readiness *Fall 2019*
Project Completion *May 2021*
Sector Impacted *Arts, Entertainment, Events, & Retail*
Community Impact *Job Creation, Commercial Goods/Services*
Number of Jobs Created *Apprx. 520*
 Temporary *170 construction jobs (estimate)*
 Permanent *350 jobs (estimate)*

Financing

Total Development Cost *\$64.5 Million*
Acquisition Costs *Long-Term Ground Lease*
Hard Costs *\$53.9 Million*
Soft Costs *\$10.6 Million*
Development Cost per Unit/SF *Approx \$300/sqft*
Amount of Tax Credits Requested *\$20 Million*
Developer Equity *\$10.7 Million*
Debt Financing *\$35.5 Million*
Historic Tax Credits *\$7.6 Million*
City Grant for Theatre *\$3 Million*
Current Funding Gap *\$7.7 Million*

Project Specific

Type of Construction *Rehabilitation and adaptive reuse of existing building*
Number of Units *N/A*
Square Footage (By type) *N/A*

Attachment A

Experience of Developer

Orton Development Inc. is a family-owned development company located in Emeryville, California. It specializes in large-scale rehabilitation and redevelopment projects. Over the last thirty years, ODI has redeveloped over twenty million square feet spanning over eighty projects including office, industrial, research and development, loft, and warehouse space. ODI manages all aspects of the redevelopment process including zoning, environmental, design, construction, and marketing. Orton has an expertise in the reuse and rehabilitation of historic properties.

Developer's Experience with New Market Tax Credit

New Market Tax Credits were used on the Rosie the Riveter Visitor Center & Museum at Orton Development's Richmond Ford Plant project in Richmond, CA

Description of Project:

The proposed project is the rehabilitation and adaptive reuse of the historic Henry J. Kaiser Convention Center, also known as the Oakland Municipal Auditorium. The building was designed as a multi-purpose arena and theater and opened in 1914. It is located between Lake Merritt Boulevard and 10th Street, just west of the Lake Merritt Channel and immediately east of the Oakland Museum of California. The address of the building is 10 10th Street.

The building has been closed for 10 years due to the high costs of operation and renovation. Therefore, in September 2014, the City issued a Request for Proposals to find a development partner to rehabilitation and operate the building in a long-term lease with the City. In July 2015, the City selected Orton Development as the developer for the project.

The goal of the project is to bring the building back to life, and will include a mix of uses that invites public into the building, brings new activity to the building and the site, and creates a financially sustainable project. The project will include the rehabilitation and reopening of the Calvin Simmons Theater, a formal, 1900-seat performing arts theater on the west side of the building.

The building is an Oakland-designated landmark and has been rated "A" (Highest Importance) by the Oakland Cultural Survey. All changes to the building must be in conformance with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

Organizational Background and Information:

ODI will operate a nonprofit management organization for the Calvin Simmons Theater while managing the rest of the convention center.

Current Status:

Development team is obtaining site control and planning entitlements. Pre-funding of the project is conditional on allocation agreement.

Attachment B

Oakland Renaissance New Market Tax Credit Technical Report Oakland Museum of California

Address: *1000 Oak Street Oakland, CA 94607*
Neighborhood Area: *Civic Center/Lake Merritt*
Project Description: *Please see attached project description*

Team

Project Sponsor: *Oakland Museum of California*
Building and Land Owner: *City of Oakland*
NMTC Consultant: *Equity Community Builders*
Architect: *Mark Cavagnero and Associates*
Landscape Architect: *Hood Design*

New Market Tax Credit Eligibility Criteria

Project Readiness *Projected Financing Close is anticipated early December 2019*
Project Completion *December 2020*
Sector Impacted *Public space, cultural use, community use*
Community Impact *Please see attached for Community Impact description*

Financing

Total Development Cost *Approximately \$20 MM with NMTC fees*
Acquisition Costs *N/A*
Hard Costs *Approximately \$12.8MM*
Soft Costs *Approximately \$4.6MM*
Development Cost per Unit/SF
Amount of Tax Credits Requested *\$20MM allocation \$7.8MM in NMTC*
Equity Funding Amount *\$6.24 in NMTC equity*
Debt Financing *\$13.76 MM in capital campaign funds, bridge loan, ADA Funding*
Current Funding Gap *\$6.24 MM*

Project Specific

Type of Construction – *enhancement to museum campus and gardens and new entrance to museum*
Number of Units *N/A*
Square Footage (By type)

Attachment B

Experience of Developer

The project sponsor is working with an experienced architect and landscape architect to complete the project.

Developer's Experience with New Market Tax Credit

The project sponsor has hired Equity Community Builders (ECB) as their NMTC consultant. ECB has extensive NMTC experience and has closed over 30 NMTC transactions.

Description of Project:

The Oakland Museum of California proposes enhancements to its campus to provide improved access for the community to the Museum, its gardens, and its programs. The project will entail two new accessible entries to the Museum building on its corner at 12th Street and on 10th Street, improved ADA access within the gardens, and upgrades to the Museum café. The project will also entail replanting within the gardens to replace plantings and trees that are at the end of their lifespan, as well as to create new landscape environments that are environmentally sustainable and offer new opportunities for education and interpretation.

Organizational Background and Information:

Since 1969 the Oakland Museum of California (OMCA) has sought to inspire all Californians to create a more vibrant future for themselves and their communities. The museum has an audience of 400,000 visitors annually and its collection and programming explore the factors that shape California character and identity, from its extraordinary natural landscapes, to successive waves of migration, to its unique culture of creativity and innovation. OMCA visitors represent the San Francisco Bay Area's diversity: 59% are under 45 years; 50% are people of color; 38% are visiting with families (of which 49% have children under 4 years of age). OMCA offers over 150 educational and outreach programs annually that serve approximately 35,000 students and teachers with 31% coming from local Oakland schools and 40% from Title One schools that serve low-income families. Additionally, the museum offers free admission to children under 8 and discounted admission for youth ages 9 to 17. OMCA's First Sundays offer free admission for all visitors and draw an average 2,000 people monthly.

The museum has identified specific strategies to engage adults and families from four zip codes surrounding the Museum. These areas are some of the least resourced and most ethnically diverse communities in Oakland. OMCA Connect is the Museum's community engagement initiative and serves as an active, physical presence in the surrounding neighborhoods. At least eight times per year, OMCA Connect brings together community members, professional artists, community-based organizations, and Museum staff to create participatory projects in community. As a result of the community engagement outreach, OMCA has successfully engaged over 80,000 new visitors. In the past five years, OMCA has invested significant resources in Board and staff capacity-building to serve the local diverse communities, including developing staff cultural competency and leadership capacity. The current Board of Trustees includes 38 members, 40% of whom identify as people of color.

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City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

A RESOLUTION APPROVING AN ALLOCATION OF UP TO \$20 MILLION OF NEW MARKETS TAX CREDITS BY OAKLAND RENAISSANCE NMTC, INC., TO ORNMTC 2, LLC, AND ORNMTC 4, LLC, SUB-COMMUNITY DEVELOPMENT ENTITIES AFFILIATED WITH OAKLAND RENAISSANCE NMTC, INC., AND TO ALLOCATE SAID TAX CREDITS TO ORTON DEVELOPMENT, INC., AND THE OAKLAND MUSEUM OF CALIFORNIA, OR THEIR RESPECTIVE AFFILIATES, FOR THE REHABILITATION AND ADAPTIVE REUSE OF THE HISTORIC HENRY J. KAISER CONVENTION CENTER AND FOR ACCESSIBILITY UPGRADES AND GARDEN IMPROVEMENTS TO THE OAKLAND MUSEUM OF CALIFORNIA CAMPUS, AND AUTHORIZING THE CITY ADMINISTRATOR TO FACILITATE SAID ALLOCATION(S) WITHOUT RETURNING TO COUNCIL

WHEREAS, the New Markets Tax Credit program ("NMTC Program") was created by Congress in 2000 to provide tax credits to stimulate investment in low-income communities to facilitate economic and community development; and

WHEREAS, under the NMTC Program, taxpayers receive tax credits by making equity investments in qualified community development entities ("CDEs") whose primary mission is to serve or provide investment capital for low-income communities, and who maintain accountability to residents of low-income communities; and

WHEREAS, Oakland Renaissance NMTC, Inc., ("ORMNMTTC"), an affiliate of the City of Oakland, is a California nonprofit public benefit corporation established by the City in August of 2004, whose mission is to serve low-income communities and low-income persons in the City of Oakland; and

WHEREAS, pursuant to the authority granted in Resolution No. 86865 C.M.S. adopted July 18, 2017, the City Council initially authorized the allocation of the \$20 million 2016 NMTC award for two projects: \$14 million for People's Community Market at 3103 Myrtle Street and \$6 million towards a Commercial Loan Pool program to benefit commercial businesses located in low income communities in Oakland; and

WHEREAS, in 2018, People's Community Market declined ORNMTC's tax credit allocation, citing problems with unsupportable project cost increases related to compliance with the City's Local and Small Local Business Enterprise ("L/SLBE") Program and the Local

Employment Program ("LEP"). The proposed Commercial Loan Program was placed on hold when Main Street Launch Oakland, formerly Oakland Business Development Corporation, also declined ORNMTC's tax credit allocation, after determining that Main Street Launch would be unable to issue enough additional debt to accommodate this new program; and

WHEREAS, ORNMTC desires to make an allocation of up to \$20 million of New Market Tax Credits to ORNMTC 2, LLC, a sub-CDE established by ORNMTC, for the allocation of said tax credits to Orton Development, Inc. or its affiliates for the development of the historic Oakland Civic Auditorium, also known as the Henry J. Kaiser Convention Center located at 10 10th Street (the "Kaiser Center"); and

WHEREAS, ORNMTC desires to make an allocation of up to \$20 million of New Market Tax Credits to ORNMTC 4, LLC, a sub-CDE established by ORNMTC, for the allocation of said tax credits to the Oakland Museum of California or its affiliates for improvements to the Oakland Museum of California campus (the "Museum"); and

WHEREAS, ORNMTC selected the Kaiser Center for a funding allocation due to the Kaiser Center's development program proposing to renovate the Calvin Simmons Theatre (the "Theatre") and related spaces for reuse as a performing arts venue, the adaptive reuse of the arena and basement of the building as private, commercial rental spaces, all site work to improve building access, public spaces, parking, and landscaping, and based on the general Kaiser Center's conformance with the objectives of ORNMTC's NMTC application, Kaiser Center's readiness, public benefits and conformance to City planning documents; and

WHEREAS, ORNMTC selected the Museum for a funding allocation due to the Museum's development program proposing to construct two new accessible entries to the Museum building on its corner at 12th Street and on 10th Street near the stairway to the lower level, improving access within the Museum gardens in compliance with the Americans with Disabilities Act, upgrading the Museum café, replanting within the gardens to replace plantings and trees that are at the end of their lifespan, to create new landscape environments that are environmentally sustainable and offer new opportunities for education and interpretation, and based on the general Museum's conformance with the objectives of ORNMTC's NMTC application, the Museum's readiness, public benefits and conformance to City planning documents; now, therefore, be it

RESOLVED: That the City Council hereby approves the allocation of up to \$20 million of New Market Tax Credits by ORNMTC to ORNMTC 2, LLC, a sub-CDE affiliated with ORNMTC, to allocate said tax credits to Orton Development, Inc. or its affiliates for the development of the Kaiser Center; and be it

FURTHER RESOLVED: That the City Council hereby approves the allocation of up to \$20 million of New Market Tax Credits by ORNMTC to ORNMTC 4, LLC, a sub-CDE affiliated with ORNMTC, to allocate said tax credits to the Oakland Museum of California or its affiliates for the development of the Museum; and be it

FURTHER RESOLVED: That the City Council's approval of the allocations under this resolution shall also constitute the City Council's authorization of ORNMTC's allocation

of New Market Tax Credits to both ORNMTC 2, LLC and to ORNMTC 4, LLC, for the Kaiser Center and the Museum, respectively; provided, that, in the aggregate, the two allocations do not exceed \$20 million of New Market Tax Credits; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator or her designee, without returning to the City Council, to take all necessary actions with respect to the allocation of New Market Tax Credits to the Kaiser Center and or the Museum consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California