

**CITY OF OAKLAND
AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 DEC -2 PM 2:00

TO: Office of the City Administrator/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 14, 2004

RE: A REDEVELOPMENT AGENCY RESOLUTION AUTHORIZING THE AGENCY TO: AMEND THE PROFESSIONAL SERVICES CONTRACT WITH CALIFORNIA CAPITAL GROUP (CCG) TO INCREASE THE ORIGINAL CONTRACT AMOUNT OF FOUR HUNDRED AND THIRTY-TWO THOUSAND AND FIVE HUNDRED DOLLARS (\$432,500) BY SEVEN HUNDRED AND FORTY-SIX THOUSAND DOLLARS (\$746,000) FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED ONE MILLION ONE HUNDRED AND SEVENTY-EIGHT THOUSAND AND FIVE HUNDRED DOLLARS (\$1,178,500), TO CONDUCT THE DESIGN DEVELOPMENT AND COST REFINEMENT PHASE OF THE RENOVATION OF THE FOX THEATER AND WRAP-AROUND BUILDINGS INTO A PERFORMING ARTS CENTER AND HOME FOR THE OAKLAND SCHOOL FOR THE ARTS

SUMMARY:

This report presents the outcomes of the schematic phase of the proposed Fox Theater renovation and requests authorization to proceed with the Design Development Phase by increasing a professional services contract with California Capital Group (CCG) in the amount of \$746,000 with an additional allocation of \$22,380 for Contract Compliance costs.

In December 2003, the Agency entered into a professional services agreement with CCG to begin a thorough analysis of the costs associated with developing the Fox Theater and wrap-around buildings. This analysis included: (1) preparation of conceptual drawings; (2) interior remediation of mold, asbestos and lead-based paint; (3) preliminary cost estimates; (4) completed grant applications and; (5) development of financing options. The analysis was conducted as part of an overall Agency strategy to re-open the long vacant Fox Theater. The concept evaluated for the Fox was for a 500- to 600-seat cabaret-style venue within the shell of the existing historic theater. The idea is predicated on the assumption that the theater could be opened relatively quickly and for a fraction of

Item: _____
CED Committee
December 14, 2004

the estimated \$60 million cost to restore the theater to its full 3000-seat potential. The cabaret concept would not preclude converting the theater into a larger venue at a later date if funds are available. The concept evaluated for the wrap-around building is for the new home of the Oakland School for the Arts (OSA).

The CCG development team prepared *schematic drawings* for the cabaret design and order of magnitude cost estimates needed for the theater renovation. The development team also prepared schematic drawings for the wrap-around building and evaluated the costs needed to convert the 50,000 square foot commercial-office and retail space into the new home for the OSA. **The estimate for renovating the theater and the wrap-around building, plus building approximately 12,700 square feet of second and third floor extensions, is approximately \$27.0 million. This includes all hard costs, design and construction contingencies, contractor overhead and profit, and all soft costs. However, it does not include an inflation factor for rising costs over time, or allowances for tenant improvements or use-specific furniture, fixtures and equipment. These costs will be included in the preferred funding option and final cost estimate, which will be brought before council at the end of the Design Development Phase of the project.**

At the request of the Agency, CCG evaluated five alternative options for funding the renovation of the theater and wrap-around buildings. These options are included in this report. Depending on the funding option selected, the amount of Agency funds needed to complete the project range from \$4.0 million to approximately \$13.0 million. A combination of Historic Rehabilitation Tax Credits (HRTC), State Grants, private funding, and other sources would pay for the balance.

Amending the contract with CCG will allow the Design Development Phase of the project to begin, which will include the preparation and completion of Design Development Drawings suitable for bidding the project and obtaining more specific cost estimates. The Agency is following the standard industry practice of estimating the cost of construction at each of three phases: the schematic phase (completed), the design development phase (now proposed), and the 95% plan phase. The Council will have the opportunity to review the costs and financing at each phase and determine whether to proceed or not. It is anticipated that the next phase, design development, will cost approximately \$746,000. At the end of this phase CEDA staff will return to the Agency with a refined cost estimate and a preferred funding option because the outcome of various grant applications will be known. At that time, the Agency can authorize the commencement of the project and its financing, reject the project entirely, or modify the proposal to renovate the theater and wrap-around buildings. Following the authorization action, the third and final phase of drawings and cost estimation will be conducted and the project will only return to the Council if costs are not within the design development estimates last seen by the Council or for other actions necessary to implement financing.

During the Design Development Phase, the contractor and Agency staff will also conduct the following activities: (1) develop a community outreach program with Friends of the Oakland Fox (FOOF) to generate \$2.5 million in donations; (2) follow-up on the Proposition 55 (\$16 million) and Proposition 40 (\$5 million) grant applications that have been submitted to the State of California and which are crucial to some of the funding options, and determine if any other grants are available and assist the Agency in applying for those grants; (3) refine all sources and uses of funds based on the outcomes of the Prop. 55 and Prop 40 grant applications; (5) analyze anticipated operating costs and projected theater incomes; (6) review the capacity of OSA and the Paramount Theater to own and operate the project; and (7) present overall findings to the Agency in early 2005.

FISCAL IMPACT:

If the Agency amends the contract with CCG, the cost associated with the amendment would be an amount not to exceed \$746,000. The money would come from a tax increment bond issued against the Central District Redevelopment Project. The funds would be available in January 2005. The funds would be transferred into the existing Fox Master Plan budget. Following the completion of the Design Development Phase of the project, Staff will return to the Agency with a comprehensive analysis of the fiscal impact to the Agency of providing funding for the project.

BACKGROUND AND HISTORY:

In the winter of 2002, after a number of unsuccessful attempts to secure a viable development proposal for the Fox, CEDA was approached by a development team that wished to do a very thorough analysis of one of the theater options outlined in the Fox Master Plan. The team, which consisted of CCG as the developer, and a variety of architects, engineers, and cost estimators, began analyzing the costs associated with restoring the theater into a cabaret-style venue that would seat approximately 600 people. Contemporaneously, the Oakland School for the Arts began seeking a new home. The Fox analysis was then expanded to evaluate the rehabilitation and expansion of the attached wrap-around building(s) into a new home for the Oakland School for the Arts (OSA).

Over an eight month period, in cooperation with Agency staff and the School for the Arts, the development team prepared, at no cost to the Agency, a proposal consisting of the following elements: (1) a concept plan for the theater's restoration; (2) a concept and use plan for the re-use of the commercial/retail buildings that wrap around the theater; (3) an analysis of improvements and "order of magnitude costs" needed to make the

structures safe and operational, (structural, mechanical, electrical, fire protection, hazardous materials, etc.); (4) a financial and operational framework (including sources and uses of funds); and (5) a schedule for implementing the improvements and reopening the Fox into a performing arts venue.

In December 2003, the Agency authorized the staff to enter into a contract for \$432,000 with CCG to detail and refine the predevelopment tasks they had undertaken earlier on a pro-bono basis, with specific emphasis on an analysis of the financing options available to complete the project. In addition, the City authorized a separate contract in the amount of \$367,500 to clean the theater of hazardous materials including mold, lead-based paint and asbestos. This contract was with Bohm Environmental Solutions, but managed by CCG.

KEY OUTCOMES OF CCG CONTRACT FOR SCHEMATIC PHASE:

The CCG team composed of The KPA Group, ELS Architecture and Urban Design, StarkWeatherBondy Architecture, Silverman & Light, and KELLCO Environmental Services, Inc. completed the initial design, cost estimates, and financial analysis needed for the restoration of the theater and expansion of the wrap-around buildings. The completed work under the terms of the contract included:

Schematic Drawings

Fox Theater: The Schematic Drawings completed by ELS Architects and dated April 30, 2004 outline the major construction elements of the project. The CCG development team's concept for the Fox Theater is very similar to the "Basics" alternative outlined in the 2001 Fox Master Plan, consisting of a 600 seat cabaret-style theater with platform seating and food and beverage service. The balcony and the basement of the building would not be used in this concept and would be closed to the public. All additions and modifications to the historic theater would be reversible and/or in compliance with the Secretary of the Interior's Standards for Rehabilitation. **(See attached design).**

Wrap-Around Buildings: The Schematic Drawings completed by StarkWeatherBondy Architects are based on programmatic needs and co-curricular goals over the next five to ten years for the Oakland School for the Arts. The concept includes performing and academic space for over 400 high school students. Fifteen classrooms including language labs, creative writing labs, and math/science labs will be located on the second and third floors of the existing wrap-around buildings. Music and dance studios will be located in two new "wing extensions" on the 18th and 19th Street sides of the theater. The historic Fox entrance will serve as the primary school entrance. A student center and art galleries on the ground floor will be located behind the historic storefronts along with restaurant

and retail space on Telegraph Avenue. The drawings are accompanied with general material specifications. *The design has a flexible floor plan allowing the Agency the opportunity to lease the space to other office and commercial users if the OSA was to vacate the space. (See attached design)*

In addition to the architectural drawings, The KPA Group provided drawings and notes with regard to structural modifications needed to improve the safety of the theater and wrap-around buildings. These included temporary bracing of the balcony; permanent bracing of the theater's proscenium stage, and new foundations and steel bracing in the wrap-around buildings as needed. All modifications have been included in the Schematic Drawings.

The Schematic Drawings also include limited HVAC, plumbing and electrical improvements needed to accommodate the intended uses. Improvements to the historic facades are briefly noted but will require a thorough field investigation.

Cost Estimates

Based on the Schematic Drawings, order of magnitude cost estimates were prepared for the theater and wrap-around buildings. The estimates included both soft costs (architecture, engineering, project management, etc.) and hard costs (demolition, structural improvements, interior construction, mechanical, electrical, plumbing, etc.). *The total cost of the theater and wrap-around building restoration needed to accommodate the cabaret and the Oakland School for the Arts would be approximately \$27,000,000. This includes all funds previously expended and requested for authorization under the CCG contract. (See attachment for detailed cost estimate)*

Project Financing Options (see also Key Issues section of this report)

At the request of the Agency, the CCG team prepared five financing options for the Fox/OSA project. Each option outlines the sources of funds including the amount of Agency funds needed to successfully complete the project. Some of the options are based on State funding from either the State School Facilities Grant (**Proposition 55**), or the California Historic Endowment Grant (**Proposition 40**), or both. Although the Agency has submitted applications for both grants, competition for funds is great and there is no guarantee that the Agency will receive either grant.

Option 1 (includes both Prop. 55 and Prop. 40 grants)

State Façade Grant and CEDA Match	\$750,000
Historic tax credits	\$1,100,000
Proposition 55 grant funds	\$8,000,000
Proposition 55 loan	\$8,000,000
Proposition 40 grant funds	\$5,000,000
Permanent Financing	\$0
Agency funds needed	\$ 4,150,000
TOTAL SOURCES	\$27,000,000

Option 2 (includes Prop 55 funding excludes all Prop. 40 funding)

State Façade Grant and CEDA Match	\$750,000
Historic tax credits	\$1,100,000
Historic tax credits	\$1,100,000
Proposition 55 grant	\$8,000,000
Proposition 55 loan	\$8,000,000
Proposition 40 grant funds	\$0
Permanent Financing	\$4,000,000
Agency funds needed	\$ 5,150,000
TOTAL SOURCES	\$27,000,000

Option 3 (includes Prop.40 funding excludes all Prop. 55 funding)

State Façade Grant and CEDA Match	\$750,000
Historic tax credits	\$4,100,000
Proposition 55 grant funds	\$0
Proposition 55 loan	\$0
Proposition 40 grant funds	\$5,000,000
Construction take-out loan	\$4,000,000
Agency funds needed	\$13,150,000
TOTAL SOURCES	\$27,000,000

Option 4 (excludes all Prop.55 and all Prop. 40 funding, and requires sale of City Center West Garage)

State Façade Grant and CEDA Match	\$750,000
Historic tax credits	\$4,100,000
Proposition 55 grant funds	\$0
Proposition 55 environmental funds	\$0
Proposition 40 grant funds	\$0
Construction take-out loan	\$4,000,000
City Contribution Of A Portion Of Proceeds From Sale of City Center Garage West, Or Agency Sale Of Some Other Garage	\$5,150,000 ¹
Agency funds needed	\$13,000,000
TOTAL SOURCES NEEDED	\$ 27,000,000

Option 5 (includes payments to OSA from Viacom)

State Façade Grant and CEDA Match	\$750,000
Historic tax credits	\$4,100,000
Proposition 55 grant funds	\$0
Proposition 55 loan	\$0
Proposition 40 grant funds	\$0
Viacom/OSA deal	\$6,500,000
Construction take-out loan	\$4,000,000
Agency funds needed	\$11,650,000
TOTAL SOURCES	\$27,000,000

Viacom may negotiate an agreement with the Port of Oakland for placement of billboards along the south side of Highway 80, the approach leading from the Bay Bridge to Oakland. If a proposed agreement with Viacom comes to fruition, Viacom would donate to the OSA (1) a one-time lump-sum payment, and (2) an ongoing stream of payments for twenty years guaranteed between \$350,000 and \$525,000. Regarding payment #1, the one-time payment is incorporated into Option 5 and represents an anticipated 3-billboard agreement. Regarding payment #2, the stream of payments would cover between \$4.0

¹ Based on preliminary bond proceed estimates and anticipated capital spending for FY 05-07, the maximum funds the Agency can contribute from bond proceeds is \$13,000,000. Any contribution in excess of this amount will require selling an Agency asset such as City Center West garage. Sale of the garage would retire \$13 million - \$19 million in debt owed to the City. The City could then contribute funds needed in excess of the \$13 million in Agency bond proceeds.

and \$6.1 million in debt service. Under options 2-5, the OSA would need to service a \$4.0 million permanent loan. Therefore, the \$4.0 million construction loan can be fully serviced with the Viacom payments with no further subsidy from the City or the Agency for the OSA. If the larger \$525,000 annual payment is attained, then the OSA will also be able to fund furniture, fixtures, and equipment (FFE) for their space with a loan of \$2.1 million over the \$4.0 million construction loan. If the lower amount is attained, then the OSA will need to find another source of revenue for FFE.

In the event the OSA was to vacate the wrap-around buildings, the Agency would service or eliminate the loan debt by either: (1) renting the 50,000 square foot wrap-around to other office tenants at market rate (this would be especially attractive because of the new building additions²); (2) using future tax increment to service debt of approximately \$380,000 annually.

KEY OUTCOMES OF THE BOHM ENVIRONMENTAL CONTRACT

In order to provide for the eventual renovation of the Fox Theater, especially as it relates to the health of tradesmen, workers and contractors, it was necessary to clean the air in the theater to meet minimum Indoor Air Quality (IAQ) standards. The theater has been closed for thirty years and contained high concentrations of airborne mold as well as asbestos and lead base paint. In the spring of 2004, Bohm Environmental Systems, managed by CCG, began the task of cleaning the theater of hazardous materials and making it ready for eventual renovation. This involved cleaning the entire theater ceiling of mold growth, HEPA vacuuming and spraying the interstitial spaces with a biocide, and sealing the entire surface. It also entailed spot abatement/repair of severely damaged asbestos insulation, HEPA vacuuming all asbestos debris in the theater, and removing all flaking lead base paint from theater walls and under the balcony ceiling. It also included encapsulating all chipping and peeling paint removed from the theater. In July 2004, after final testing, the theater complied with a Hazardous Abatement Plan prepared by KELLCO Engineering and met all necessary IAQ standards.

OUTSTANDING KEY ISSUES AND IMPACTS:

Financing, ownership and operations are the key issues surrounding the successful renovation of the Fox Theater and wrap-around buildings.

² The 50,000 square feet of space would have to be rented at a monthly rate of at least \$0.63 PSF to cover construction loan payments. This should be easy to attain as market rate is closer to \$2.00 PSF.

Financing

All of the options for renovating the Fox and the wrap-around buildings require a mixture of funding sources and techniques. The actual composition of funding sources will be brought back to the Council for review after the completion of the Design Development Phase of the project. It is anticipated that the State Grant applications will have been acted upon at that time and if funding is secured, these sources will be included in a preferred funding option.

- **State Grants**

In order to minimize the amount of Agency funds that go into the project and to avoid the sale of a major resource like City Center Garage West, (option 4), outside funding is critical. Two viable sources of state funding have been identified and applications have been made.

Proposition 55: State School Facilities Grant: Approximately \$300 million is available for schools state-wide and there are currently 49 applications for \$480 million. If funded, the money would be restricted to the Fox wrap-around buildings and the OSA school facility. However, *it will be very difficult to secure this grant!* Funding depends on attendance and the impact on facilities. Attendance in Oakland is dropping and the need to construct new facilities is dropping as well. The strategy behind this grant is to use one of the few attendance areas in the City with a surplus of students (such as Skyline and Oakland High) and then transfer that surplus, and the need to build facilities to the Fox/OSA site (this will require a legislative change). Since a charter high school in the Skyline Attendance Area is also applying for a grant and since the OSA is considering using the Skyline eligibility that the other school is pursuing, the chances of using that surplus are not good. The Oakland High area is a possibility. Under this scenario, the maximum grant/loan the OSA could get is \$16 million. If the OSA is awarded a Preliminary Apportionment of approximately \$16 million in December, the Agency and the OSA can seek the legislative modifications needed to make the transfer of need from one attendance area (Oakland High) to the OSA (Oakland Tech) area. The staff, the Council and the Mayor's Office will need to work with our state legislators to move this forward. *Presently CCG is working with a sub-consultant to track the progress of the application and report to the Agency.* The grant awards are expected to be decided in December 2004.

Proposition 40: California Conservation Historic Endowment Grant (CCHE): The focus of this grant is to promote the preservation of California history through art, architecture, historic preservation, etc. This grant, if received, would be restricted to the renovation of the Fox Theater. Two rounds of funding are

currently underway. There is \$35 million available for round one and \$15 million available for round two. The maximum amount for any one grant is \$5.0 million. An application for round one was submitted on October 1, 2004, and awards will be made by mid-December 2004. The first round is for projects that are “ready to go” and the Fox would qualify. The Oakland Museum is also submitting an application and the coordination of the two applications should be a priority since they both deal with the preservation of the social, cultural, and physical history of the City. *CCG is tracking the Prop. 40 grant program and will assist the Agency in securing the grant.* The chances of the Agency receiving the grant are good because of the historic character of the Fox and its role in the history of downtown Oakland.

- **Agency Financing**

In the coming weeks, the Agency will be issuing a *Tax Allocation Bond* relying on tax revenues that will be available to the Agency because of a one-year extension on the Central District Plan, which was approved January 2004. This will allow the Agency to amend the FY 03-05 budget, allocating \$7.0 million to the Fox Project. These bond proceeds could be available as early as the end of January 2005. This will likely be sufficient to meet the total Agency contribution toward the Fox renovation if the Agency is successful in being awarded both the Prop. 55 and Prop. 40 grants from the State, (Option 1) or at a minimum, the Prop. 55 grant (Option 2). A second bond issue could provide an additional \$6.0 million, sufficient to fund options 3 and 4.

- **Fundraising Efforts**

Friends of the Oakland Fox (FOOF): The FOOF has embarked on a program to raise \$2.5 million for the renovation of the theater. The fund-raising program will be based on an idea called the “Telegraph Avenue Walk of Fame” and will entail soliciting donations from the business community and the general public. Individuals and businesses will be able to “purchase” various ornamental building blocks for the streetscape improvements being planned for Telegraph Avenue. The program would be similar to the very successful Pioneer Square Project in Portland, Oregon. *Any development entity selected to renovate the Fox will need to coordinate all development activities with the FOOF especially as it related to the financing of the project.*

Ownership

Ownership of the Fox Theater and the wrap-around buildings will impact funding and the eventual operation of the theater.

- **Fox Theater**

The Fox Theater is owned by the Redevelopment Agency. It is an historic City landmark and is on the National Register of Historic Places. Because of its historic status, the theater is eligible for HRTCs. In fact, all of the financing options discussed rely on these tax credits to assist in the overall financing of the project. *However, in order to use the credits, the Fox would need to be transferred from the Agency to a for-profit entity.* To accomplish this, CCG has recommended that the Oakland School for the Arts (OSA) and the Paramount Theater for the Arts (PTA) form a non-profit entity called Fox Theater I Corporation. Alternately, the Fox Theater ownership could be transferred to a non-profit recently created by the Redevelopment Agency, called Oakland Renaissance NMTC. The Agency would transfer ownership of the Fox and wrap-around buildings to this non-profit entity. This would be the entity that would enter into any development agreements with the Agency. Fox I would then sell the theater and wrap-around buildings to a for-profit subsidiary called Fox Theater II Corporation, with the appropriate controls and restrictions. This entity could take advantage of the historic tax credits and contract with the City/Agency and with private lending institutions for financing. This type of ownership arrangement has already been agreed to in principal by both OSA and the PTA in a Memorandum of Understanding dated September 1, 2003. *As part of the amended contract with CCG, CCG will need to outline the specific ownership structure between the proposed for-profit and non-profit entities and how they relate to the Agency, OSA the PTA and their respective fiscal and operational roles and responsibilities.*

- **Wrap-Around Buildings**

The wrap-around buildings are owned by the Redevelopment Agency and will be the eventual home of the OSA. In order for the OSA to receive the Prop. 55 funds from the state, it would be necessary to transfer ownership of the wrap-around buildings from the Agency to the OSA. Since the wrap-around buildings are separate structures from the theater, this could be easily done. If the OSA does not receive the Prop. 55 grant, the wrap-around buildings could stay under Agency ownership and the OSA could enter into a long-term lease with the Agency. **The ownership could be structured so that if the OSA vacated the building, the ownership would revert to the Agency.**

Operations

It is intended that the operations of the Fox would be the responsibility of the Paramount Theater of the Arts and all profits would go to the PTA, which is owned by the City of Oakland. Although this operational framework seems reasonable, and has been agreed to in principal by the PTA, detailed pro-forma data on operations and how this might impact

the Paramount have not yet been done. This will need to be completed by CCG during this phase of the contract, as well as a market study showing the potential markets for the Fox and the Paramount, especially as they relate to one another.

The Fox Theater is a City cultural asset, and like the other cultural assets that are owned by the City, will almost certainly require Agency or City subsidy when fully operational. The Paramount Theater required a subsidy from the City for many years and only started to generate revenue above and beyond operations in the last three years. *If the Agency is to proceed with the development of the Fox, CCG, during this phase of the amended contract, will need to work directly with the PTA to determine the market segment and operational framework needed to make both the Paramount and the Fox economically viable.*

PROPOSED CCG SCOPE OF SERVICES

During the Design Development Phase of the project CCG will provide the following services:

- Review all construction cost budgets for the project with Alarcon Bohm. Confirm the scope of work and breakdown of the budget for each discipline.
- Prepare detailed code analysis. Meet with City officials to confirm occupancies, construction types, exiting requirements and other code issues. Develop mitigating measures, prepare AMRs (Alternative Method Requests) and document all discussions and agreements.
- Meet with City Planning Department to review planned construction and gain initial approval on the design.
- Coordinate with Alarcon Bohm with required field explorations and testing of existing materials.
- Develop the architectural and structural designs for the project, bring previously prepared drawings to the design development stage, and prepare preliminary specifications.
- Develop the design for the historic façade. Determine the extent of the required work and preliminary details and specifications.
- Develop the Mechanical / Plumbing / Fire Protection designs for the entire project. Prepare drawings and preliminary specifications
- Develop the Electrical design for the entire project. Prepare drawings and specifications.
- Make all presentations to review groups.

During the Design Development Phase, the contractor will also conduct the following activities:(1) develop a community outreach program with Friends of the Oakland Fox

(FOOF) to generate \$2.5 million; (2) follow-up on the Proposition 55 (\$16 million) and Proposition 40 (\$5 million) grant applications that have been submitted to the State of California and which are crucial to some of the funding options; (3) refine all sources and uses of funds based on outcomes of Prop. 55 and Prop 40 grant applications; (4) analyze anticipated operating costs and projected theater incomes; (5) review the capacity of OSA and the Paramount Theater to own and operate the project; and (6) present overall findings to the Agency in early 2005.

Proposed Budget for Design Development Phase of Fox Project

Sources		Amount	%	Schematic Phase	Design Development Phase
Soft Cost				Paid thru 6/30/04	Anticipated
CCG	Developer Fee	\$477,500.00	1.78%	\$74,000.00	\$153,993.75
CCG	Project Manager	\$160,000.00	0.60%	\$29,000.00	\$49,504.00
	Construction Manager	\$226,000.00	0.84%		\$10,000.00
KPA	Architecture-Shell/Core	\$196,000.00	0.73%	\$57,500.00	\$49,646.80
SB	Architecture Wrap	\$302,000.00	1.12%	\$65,000.00	\$88,304.80
ELS	Architecture Theater	\$145,000.00	0.54%	\$63,194.00	\$26,404.50
ELS	Preservation Architect	\$68,000.00	0.25%		\$27,200.00
Engineering					
KPA	Engineer-Structural	\$135,000.00	0.50%	\$52,500.00	\$27,756.00
SL	Engineer-Electrical	\$90,000.00	0.33%	\$5,000.00	\$33,525.00
SJ	Engineer-Mechanical	\$45,000.00	0.17%	\$15,000.00	\$10,485.00
TBD	Engineer-Sound	\$35,000.00	0.13%	\$5,000.00	\$11,515.00
Kellco	Environmental Hygienist	\$30,000.00	0.11%	\$30,000.00	
	Accounting	\$40,000.00	0.15%	\$3,000.00	\$14,500.00
	Legal	\$100,000.00	0.37%	\$7,500.00	\$36,250.00
	Tax Credit Consultant	\$148,000.00	0.55%	\$4,000.00	\$37,000.00
	Financing Costs	\$75,000.00	0.28%	\$5,000.00	\$7,500.00
	Appraisal for Transfer	\$15,000.00	0.06%		\$6,000.00
	33433 Report	\$35,000.00	0.13%		\$14,000.00
	Contingency	\$36,806.00	0.14%	\$16,806.00	\$20,000.00
	Total Soft Costs	\$2,359,306.00	8.78%	\$432,500.00	\$623,584.85

Sources		Amount	%	Schematic Phase	Design Development Phase
Hard Cost					
	Estimating	\$41,225.00	0.15%		\$30,225.00
	Value Engineering/ Constructability	\$17,600.00	0.07%		\$17,600.00
	Meetings	\$14,080.00	0.05%		\$14,080.00
	General Admin	\$4,500.00	0.02%		\$4,500.00
	Schedules	\$5,600.00	0.02%		\$5,600.00
	Community Outreach	\$8,100.00	0.03%		\$8,100.00
	Testing	\$15,000.00	0.06%		\$15,000.00
	Exploratory Demo	\$20,000.00	0.07%		\$20,000.00
	Partial Renovation	\$6,692,103.00	24.90%		
	Wrap	\$5,910,724.00	21.99%		
	Demolition	\$4,969,012.00	18.49%		
	Façade	\$2,551,781.00	9.49%		
	Sitework	\$1,454,750.00	5.41%		
	Miscellaneous	\$1,000,000.00	3.72%		\$7,310.15
	Total construction	\$22,704,475.00	84.47%		
	Contingency	\$1,816,358.00	6.76%		
	Total Hard Costs	\$24,520,833.00	91.22%	\$0.00	\$122,415.15
	Total Soft & Hard Costs	\$26,880,139.00	100.00%	\$432,500.00	\$746,000.00

The total cost of the Design Development Phase increases to \$768,380.00 when the City's 3% contract compliance requirement is added to the budget.

The \$122,000 budgeted for hard costs in the Design Development Phase of the project relates specifically to general contractor activities as opposed to developer responsibilities. These include general contractor meetings with subcontractors such as architects and engineers, general administration, including processing payroll and managing contracts, and schedule production and deployment of resources. In addition,

the general contractor and developer will work jointly to provide community outreach in order to ensure workforce development goals that exceed the City's 20% local business and small local business requirements (L/SLBE). During the initial phase (Schematic Phase) of this project, the developer and general contractor not only exceeded the City's L/SLBE requirements, but extended their workforce development efforts to the hiring and training of four East Oakland youths through the Allen Temple Baptist Church Training Academy. The continuation of this effort is budgeted under the proposed contract amendment.

Project Schedule

The project schedule is as follows:

ITEM	DATE
Complete Design Development Phase	March 2005
Council authorizes Development Agreement and Financing Plan with developer	March 2005
Environmental Review complete	April 2005
Development Agreement entered into between Agency and developer	April 2005
Complete Construction drawings	August 2005
Financing Complete, close of escrow	September 2005
Project Construction	October 2005
Project Completion	July 2007

If the Agency decides not amend the CCG contract and instead solicits proposals through the RFP process, the above schedule would need to be extended at least four months. In addition, the time needed to familiarize a new team with the Fox Project could add another two months to the project. Therefore, with an RFP, the delivery date for the finished school site would be January 2008. This is not workable because it would fall in the middle of a school year. Additionally, the agreement with EBHO requires OSA to vacate the current site by July 2007 at the latest, or the Agency will be in violation of the Cooperation Agreement.

SUSTAINABLE OPPORTUNITIES

Economic: This project, if developed, will contribute significantly to the elimination of physical blight in the Uptown District of Downtown Oakland. In addition, it will stimulate new investment in the area, create development opportunities in the food and entertainment sectors and support and complement adjacent development projects.

Social Equity: The project, if developed, will train and educate students in the performing arts, providing them with opportunities for future employment. The project will promote pedestrian activity and vitality and public safety to an area that lacks a critical mass of positive activity.

Environmental: The project, if developed, will remove dangerous and hazardous materials from an existing building and replace them with recycled content materials and other environmentally sensitive materials.

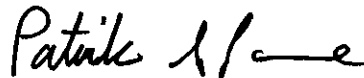
DISABILITY AND SENIOR CITIZEN ACCESS

If and when this becomes a project, it will comply with all applicable State and Federal accessibility laws and regulations.

RECOMMENDATION AND RATIONALE

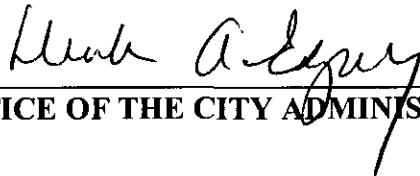
Staff recommends that the Agency adopt a resolution authorizing the Agency Administrator to amend the professional services contract with California Capital Group (CCG) to increase the original contract amount of four hundred and thirty-two thousand and five hundred dollars (\$432,000) by seven hundred and forty-six thousand dollars (\$746,000) for a total contract amount not to exceed one million one hundred and seventy-eight thousand and five hundred dollars (\$1,178,500), to conduct the Design Development and cost refinement phase of the renovation of the Fox Theater and wrap-around buildings into a performing arts center and home for the Oakland School for the Arts.

Respectfully submitted,

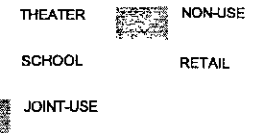
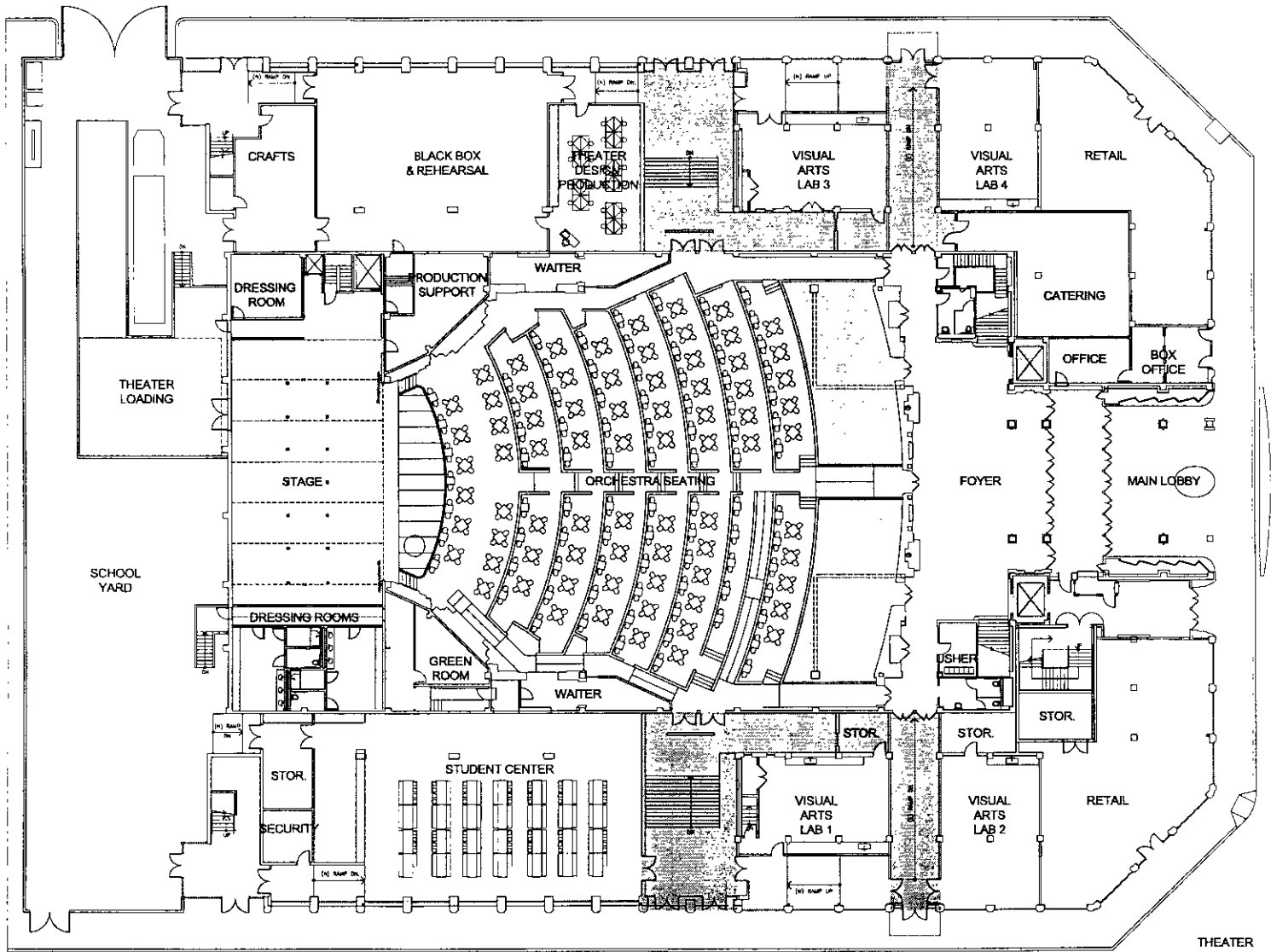


for Daniel Vanderprien, Director
Economic Development, Redevelopment,
Housing and Community Development
By: Jeff Chew

APPROVED AND FORWARDED TO THE
COMMUNITY & ECONOMIC DEVELOPMENT
COMMITTEE:



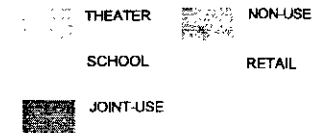
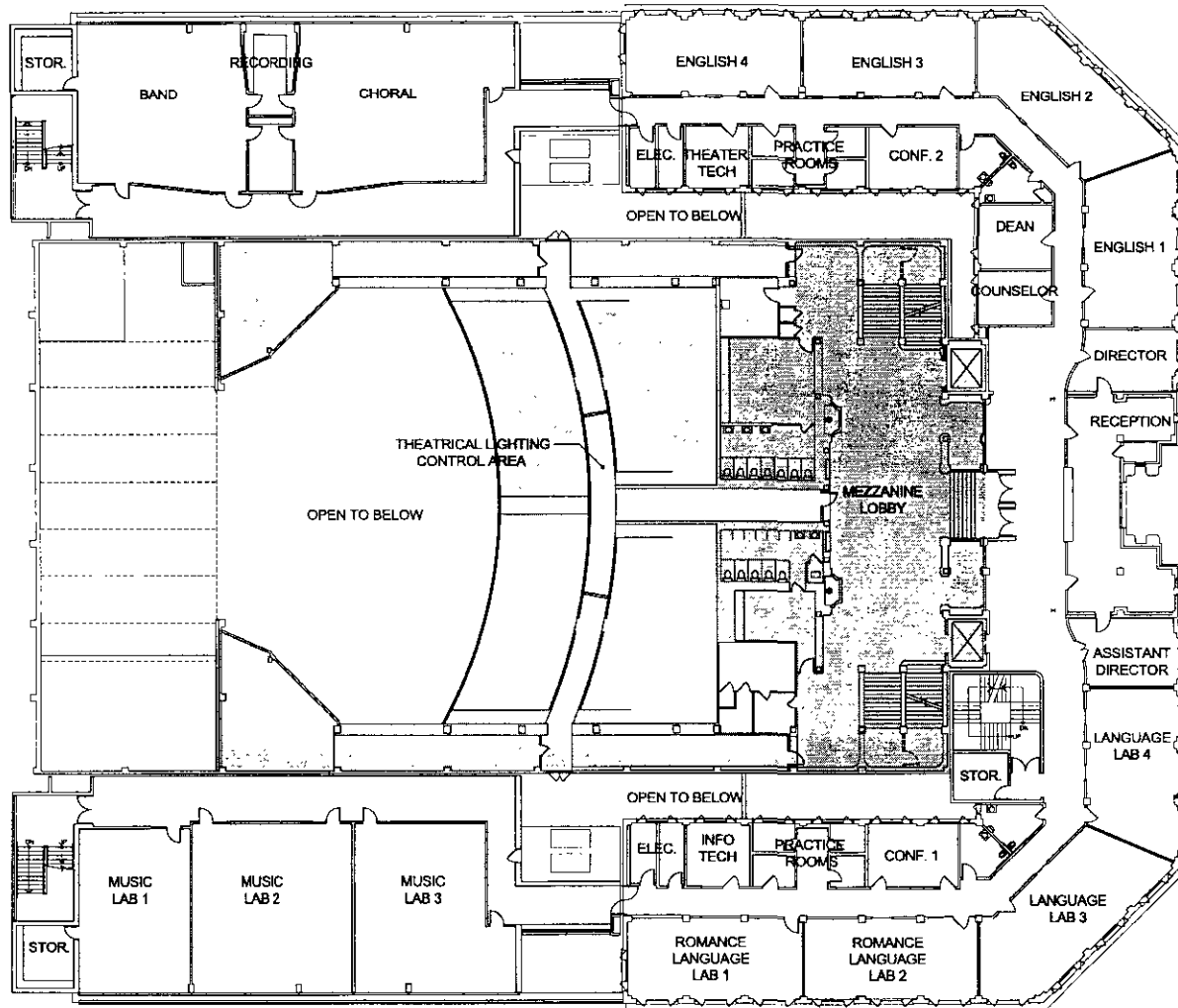
OFFICE OF THE CITY ADMINISTRATOR



FIRST FLOOR PLAN, 1"=40'-0"

THEATER CONCEPT WITH OAKLAND SCHOOL FOR THE ARTS

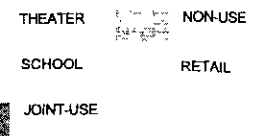
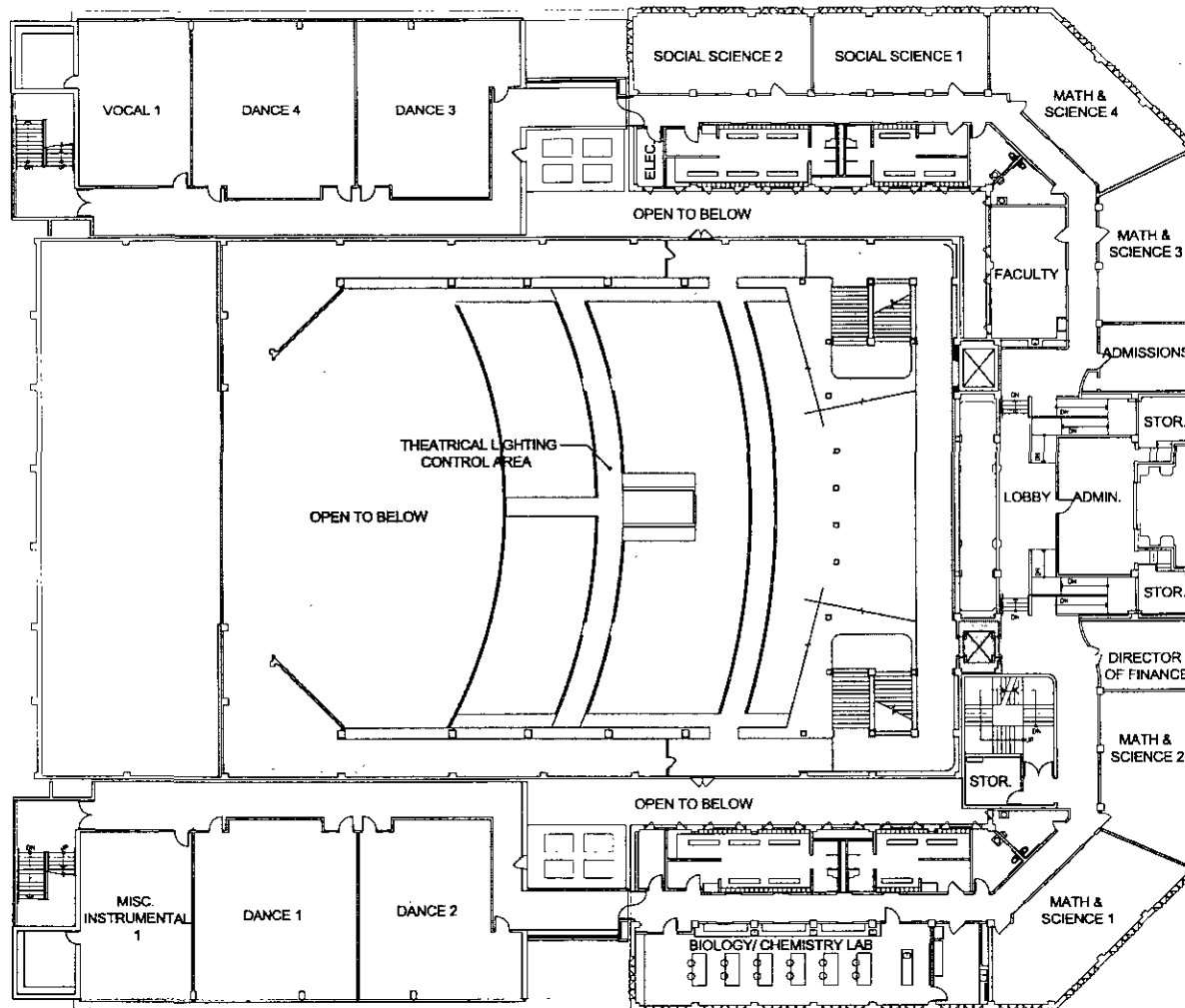
JUNE 2004



SECOND FLOOR PLAN, 1"=40'-0"

THEATER CONCEPT WITH OAKLAND SCHOOL FOR THE ARTS

JUNE 2004



THIRD FLOOR PLAN, 1"=40'-0"

THEATER CONCEPT WITH OAKLAND SCHOOL FOR THE ARTS

JUNE 2004

Sources		Amount	%	Schematic Phase	Design Development Phase	Construction Document Phase	Construction & CA Phase	Closure Claims Phase	Phase Total
Soft Cost				Paid thru 6/30/04	Anticipated	Anticipated	20% & 15% ©	5% ©	
CCG	Developer Fee	\$477,500.00	1.78%	\$74,000.00	\$153,993.75	\$153,993.75	\$71,625.00	\$23,875.00	\$477,487.50
CCG	Project Manager	\$160,000.00	0.60%	\$29,000.00	\$49,504.00	\$49,504.00	\$24,000.00	\$8,000.00	\$160,008.00
	Construction Manager	\$226,000.00	0.84%		\$10,000.00	\$90,400.00	\$124,300.00	\$11,300.00	\$236,000.00
KPA	Architecture-Shell/Core	\$196,000.00	0.73%	\$57,500.00	\$49,646.80	\$49,646.80	\$29,400.00	\$9,800.00	\$195,993.60
SB	Architecture Wrap	\$302,000.00	1.12%	\$65,000.00	\$88,304.800	\$88,304.800	\$60,400.00		\$302,009.60
ELS	Architecture Theater	\$145,000.00	0.54%	\$63,194.00	\$26,404.500	\$26,404.500	\$29,000.00		\$145,003.00
ELS	Preservation Architect	\$68,000.00	0.25%		\$27,200.000	\$27,200.000	\$13,600.00		\$68,000.00
Engineering									
KPA	Engineer- Structural	\$135,000.00	0.50%	\$52,500.00	\$27,756.000	\$27,756.000	\$27,000.00		\$135,012.00
SL	Engineer- Electrical	\$90,000.00	0.33%	\$5,000.00	\$33,525.000	\$33,525.000	\$18,000.00		\$90,050.00
SJ	Engineer- Mechanical	\$45,000.00	0.17%	\$15,000.00	\$10,485.000	\$10,485.000	\$9,000.00		\$44,970.00
TBD	Engineer- Sound	\$35,000.00	0.13%	\$5,000.00	\$11,515.000	\$11,515.000	\$7,000.00		\$35,030.00
Kellco	Environmental Hygenist	\$30,000.00	0.11%	\$30,000.00					\$30,000.00
	Accounting	\$40,000.00	0.15%	\$3,000.00	\$14,500.000	\$14,500.000	\$8,000.00		\$40,000.00
	Legal	\$100,000.00	0.37%	\$7,500.00	\$36,250.000	\$36,250.000	\$20,000.00		\$100,000.00
	Tax Credit Consultant	\$148,000.00	0.55%	\$4,000.00	\$37,000.000	\$77,343.320	\$29,600.00		\$147,943.32
	Financing Costs	\$75,000.00	0.28%	\$5,000.00	\$7,500.000	\$47,550.000	\$15,000.00		\$75,050.00
	Appraisal for Transfer	\$15,000.00	0.06%		\$6,000.000	\$6,000.000	\$3,000.00		\$15,000.00
	33433 Report	\$35,000.00	0.13%		\$14,000.000	\$14,000.000	\$7,000.00		\$35,000.00
	Contingency	\$36,806.00	0.14%	\$16,806.00	\$20,000.000				\$36,806.00
	Total Soft Costs	\$2,359,306.00	8.78%	\$432,500.00	\$623,584.85	\$764,378.17	\$495,925.00	\$52,975.00	\$2,369,363.02

Note: The current estimate does not include inflation factor. No allowance for escalation is included. Once the project schedule and delivery method is established, escalation costs and associated fees should be added. The operational nature of the Theater is currently undecided. Once set, this could impact costs. FF&E costs are not included, as well as tenant improvement costs for the school, theater, catering, and commercial lease spaces beyond warm shell.

Sources		Amount	%	Schematic Phase	Design Development Phase	Construction Document Phase	Construction & CA Phase	Closure Claims Phase	Phase Total
Hard Cost						1% ©	89% ©	10% ©	
	Estimating	\$41,225.00	0.15%		\$30,225.00	\$11,000.00			\$41,225.00
	Value Engineering/ Constructability	\$17,600.00	0.07%		\$17,600.00				\$17,600.00
	Meetings	\$14,080.00	0.05%		\$14,080.00				\$14,080.00
	General Admin	\$4,500.00	0.02%		\$4,500.00				\$4,500.00
	Schedules	\$5,600.00	0.02%		\$5,600.00				\$5,600.00
	Community Outreach	\$8,100.00	0.03%		\$8,100.00				\$8,100.00
	Testing	\$15,000.00	0.06%		\$15,000.00				\$15,000.00
	Explor Dev	\$20,000.00	0.07%		\$20,000.00				\$20,000.00
	Partial Renovation	\$6,692,103.00	24.90%			\$66,921.03	\$5,955,971.67	\$669,210.30	\$6,692,103.00
	Wrap	\$5,910,724.00	21.99%			\$59,107.24	\$5,260,544.36	\$591,072.40	\$5,910,724.00
	Demolition	\$4,969,012.00	18.49%			\$49,690.12	\$4,422,420.68	\$496,901.20	\$4,969,012.00
	Façade	\$2,551,781.00	9.49%			\$25,517.81	\$2,271,085.09	\$255,178.10	\$2,551,781.00
	Sitework	\$1,454,750.00	5.41%			\$14,547.50	\$1,294,727.50	\$145,475.00	\$1,454,750.00
	Miscellaneous	\$1,000,000.00	3.72%		\$7,310.15	\$10,000.00	\$882,700.00	\$100,000.00	\$1,000,010.15
	Total construction	\$22,704,475.00	84.47%						
	Contingency	\$1,816,358.00	6.76%						
	Total Hard Costs	\$24,520,833.00	91.22%	\$0.00	\$122,415.15	\$236,783.70	\$20,087,449.30	\$2,257,837.00	\$22,704,485.15
	Total Soft & Hard Costs	\$26,880,139.00	100.00%	\$432,500.00	\$746,000.00	\$1,001,161.87	\$20,583,374.30	\$2,310,812.00	\$25,073,848.17

Note: The current estimate does not include inflation factor. No allowance for escalation is included. Once the project schedule and delivery method is established, escalation costs and associated fees should be added. The operational nature of the Theater is currently undecided. Once set, this could impact costs. FF&E costs are not included, as well as tenant improvement costs for the school, theater, catering, and commercial lease spaces beyond warm shell.

W. Miller

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
CITY OF OAKLAND
2004 DEC -2 PM 2:00

Resolution No. _____ C.M.S.

A REDEVELOPMENT AGENCY RESOLUTION AUTHORIZING THE AGENCY TO: AMEND THE PROFESSIONAL SERVICES CONTRACT WITH CALIFORNIA CAPITAL GROUP (CCG) TO INCREASE THE ORIGINAL CONTRACT AMOUNT OF FOUR HUNDRED AND THIRTY-TWO THOUSAND AND FIVE HUNDRED DOLLARS (\$432,500) BY SEVEN HUNDRED AND FORTY-SIX THOUSAND DOLLARS (\$746,000) FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED ONE MILLION ONE HUNDRED AND SEVENTY-EIGHT THOUSAND AND FIVE HUNDRED DOLLARS (\$1,178,500), TO CONDUCT THE DESIGN DEVELOPMENT AND COST REFINEMENT PHASE OF THE RENOVATION OF THE FOX THEATER AND WRAP-AROUND BUILDINGS INTO A PERFORMING ARTS CENTER AND HOME FOR THE OAKLAND SCHOOL FOR THE ARTS

WHEREAS, the Fox Theater has sat vacant for over twenty-five years in the Uptown District of downtown Oakland and has been a blighting influence on the neighborhood; and

WHEREAS, the Redevelopment Agency purchased the Fox Theater in 1996 with the intention of restoring and re-opening the theater and the attached wrap-around buildings and stimulating new investment opportunities in the Uptown District; and

WHEREAS, the Redevelopment Agency has completed certain steps in the restoration of the theater including: replacement of the roof in 1999; completion of façade restoration and store front drawings in 2000; renovation of the historic marquee and vertical sign in 2001; completion of the Fox Master Plan in 2002; and successful recipient of a \$375,000 grant for façade restoration from the California Heritage Fund Program in 2002; and

WHEREAS, per Agency Resolution No. 2003-83, the Redevelopment Agency entered into a professional services contract with California Capital Group (CCG) in December 2003 for an amount not to exceed \$432,500 for professional services needed for the pre-development of the Fox Theater and the wrap-around buildings into a cabaret-style performing arts center and future the home to the Oakland School for the Arts; and

WHEREAS, the CCG prepared schematic drawings, cost estimates and funding options for the Fox Theater and wrap-around buildings for the purpose of renovating

them into a cabaret-style theater and the future home of the Oakland School for the Arts; and

WHEREAS, there is a need to proceed with the restoration of the Fox and wrap-around buildings as soon as possible in order to meet the July 2007 deadline for moving the Oakland School for the Arts from their present temporary location on the vacant lot adjacent to and west of the present theater before they are required to move from the site by agreement with the Agency; and

WHEREAS, the Agency has determined that CCG, because of their recent and extensive experience in analyzing the Fox Theater and wrap-around buildings, is uniquely qualified to proceed in an expeditious manner with the next phase of the project, including the preparation of the Design and Development Drawings, detailed cost estimates needed to bid the project and a specific plan for funding and financing the project; and

WHEREAS, the Agency, working in conjunction with CCG, has determined that the cost of proceeding with the next phase of the project will cost \$746,000, thus requiring an amendment to the existing contract with CCG in that amount and for those additional services; and

WHEREAS, the Agency will fund the cost of proceeding with the next phase of the project with proceeds from a tax increment revenue bond issuance arising from the Central District Redevelopment Project Area, projected to be issued by the Agency in early 2005 ("Projected Bond Proceeds"); and

WHEREAS, the Agency will not amend the contract with CCG until the funds from the Projected Bond Proceeds are secured and available to the Agency; and

WHEREAS, the City Council finds and determines that this contract is for professional services and is temporary in nature; and

WHEREAS, the City Council finds and determines that this contact shall not result in the loss of employment or salary by any person having permanent status in the competitive services; now, therefore, be it

RESOLVED: that the Agency Administrator is authorized to amend the contract with CCG: (1) to cover the Design Development and cost refinement phase of the renovation of the Fox Theater and wrap-around buildings into a performing arts center and the home of the Oakland School for the Arts, as described in this Resolution and the accompanying agenda report; and (2) to increase the original contract amount of four hundred thirty two thousand five hundred dollars (\$432,500) by seven hundred and forty-six thousand dollars (\$746,000) for a total contract amount of one million one hundred and seventy-eight thousand and five hundred dollars (\$1,178,500), and be it

FURTHER RESOLVED: that there is hereby appropriated, without the necessity of returning to the Agency Board, an amount of seven hundred and forty-six thousand dollars (\$746,000) from the Projected Bond Proceeds; and be it

FURTHER RESOLVED: that the CCG contract shall not be amended until the Projected Bond Proceeds are available to the Agency; and be it

FURTHER RESOLVED: that the amendment and any other documents related to this matter shall be reviewed and approved as to form and legality by the City Attorney before execution and delivery by the Agency Administrator.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND CHAIRPERSON DE LA FUENTE

NOES-

ABSTENTION-

ATTEST _____

CEDA FLOYD
Secretary of the Redevelopment
Agency of the City of Oakland