

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 JAN 15 PM 4:25

TO: Office of the City Manager / Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: January 27, 2004

RE: **AN AGENCY RESOLUTION AUTHORIZING THE SALE OF PRESERVATION PARK TO THE EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND AUTHORIZING EXECUTION OF A PURCHASE AND SALES AGREEMENT FOR THE SALE OF THE PROPERTY**

SUMMARY

A Redevelopment Agency resolution has been prepared authorizing the Agency Administrator to enter into a Purchase and Sale Agreement (PSA) with the East Bay Asian Local Development Corporation (EBALDC) for the sale of Preservation Park in an amount of up to \$7.0 million.

Preservation Park is a collection of 16 small historic Victorian buildings located on a block bounded by Martin Luther King, Jr. Way, 12th, Castro and 14th Streets in the Central District Redevelopment Area. The Redevelopment Agency acquired the property in 1995 and has operated Preservation Park as an office center for mostly non-profit organizations. During the Agency's considerable holding period of this rental property, all rehabilitation work was completed, and the buildings are now fully leased, in good condition and ready for resale.

In July of 2003, the Agency issued a Request for Proposals (RFP) soliciting purchase offers and received 4 responses. EBALDC submitted the highest bid in an amount of up to \$7.0 million for the purchase of the Park. EBALDC's offer is subject to certain negotiated terms and conditions that may result in a decrease of the sales price payable to the Agency. As part of their purchase offer, EBALDC has agreed to accept two permanent deed restrictions running with the land that would 1) require the owner to maintain the historic property in conformance with established design and maintenance guidelines, and 2) restrict the occupancy of the office complex to a composition with no less than 80 percent non-profit tenants.

FISCAL IMPACT

The proposed sale of Preservation Park would generate income of up to \$7.0 million for the Agency. These sales proceeds would be applied towards the financing gap of the proposed Uptown Project by Forest City, if that project is approved by the City Council, or other capital projects in the Central District. For Fiscal Year 2004-05, the Agency budgeted \$430,000 in revenue from the operations of Preservation Park. If Preservation Park is sold, the Agency will not generate the expected revenue in FY 2004-05 and beyond. To cover the resulting shortfall in

14.2
ORA/COUNCIL
FEB 17 2004

FY 2004-05, the Agency will need to eliminate other capital projects (including \$300,000 for the Royal Hotel project, which was withdrawn because the developer does not want to comply with State and local laws, including the SRO replacement ordinance, associated with the use of Redevelopment Agency funds) and obtain the balance from the downtown capital support fund.

BACKGROUND

History

In the 1970s, the Agency acquired 11 Victorian houses that were going to be displaced as a result of constructing the 980 Freeway. The buildings were moved to a block bounded by 12th Street, Castro, 14th Street and Martin Luther King, Jr. Way in the Central District Redevelopment Area. The site, which already included 5 historic buildings, was subsequently named "Preservation Park". From 1986 until 1991, private developers, with funding assistance provided by the Agency, renovated the buildings to preserve their historical significance and architectural quality. In order to enhance Preservation Park's revenue potential, the buildings were converted from residential to commercial office use.

Business Operation

On March 10, 1995, the Agency acquired Preservation Park through a foreclosure on an Agency deed of trust which had an outstanding balance of \$5,768,810. The Agency has operated the property as a rental Victorian business park with the assistance of CMA Asset Managers, a property management company. The sixteen houses provide about 47,992 square feet of rentable area that is currently occupied by 36 non-profit organizations, 8 for-profit organizations and one restaurant. The Park also includes a bandstand, a parking lot and public spaces with 7,612 square feet that is available for conferences, classes, meetings, receptions and other public events. Over the last years, the Agency's efforts have created a Victorian office complex that has a unique character and strong identity. Preservation Park holds a special appeal to smaller tenants because of the configuration and size of its buildings. The facility is fully leased.

Item 7
Community and Economic Development Committee
January 27, 2004

Table 1.
Preservation Park Key Facts

Land Area:	113,961 sq.ft.
Net Rentable Office Space:	47,992 sq.ft.
Net Rentable Public Space	7,612 sq.ft.
Number of Tenants:	44 office tenants & 1 restaurant
Lease Rate Range:	\$0.81 - \$1.96/sq. ft.
Average Lease Rate:	\$1.61/sq.ft.
Occupancy:	100%
Suite Size Range:	138 sq.ft. - 5,672 sq.ft.
Gross Operating Income FY 2002-03:	\$1,296,479
Operating Expenses FY 2002-03:	\$688,998
Net Operating Income FY 2002-03:	\$607,481
Leasing and Capital Reserves FY 2002-03	\$143,191
Net Cash Flow FY 2002-03:	\$464,290
Outstanding Debt:	None, debt retired in January 2002

Since the Agency assumed ownership of the Park, project net operating income has increased steadily from \$300,277 in 1995 to \$607,481 in 2003. Income from leasing the Park's public spaces constitutes about thirty-nine percent of total revenues. Operation of the Park carries significant costs for maintaining the historic buildings and public spaces at a high standard. In addition, the Agency incurs annual "capital expenses" that consist of tenant improvement allowances, funding a capital reserve account and incurring legal fees in the preparation of leases.

The conversion of the buildings from residential to office use produced inefficient floor plans best suited for single tenancies since subdividing the floors for multiple tenants created large common corridors for which no rent can be charged. These "load factors" exceed market standards for comparable Class B buildings and contribute to the high operating expenses since the maintenance and utility expenses for these common areas cannot be fully passed on to the tenants. Similarly, general building maintenance costs exceed comparable standards for Class B office space because the historic buildings and public spaces, as well as the large landscaped areas require more cost-intensive asset management. Lastly, the operating expenses for the public spaces are significantly higher on a per square foot basis than for office space since the leasing of these spaces is management intensive and requires more cleaning, repairs and other expenses due to higher traffic volume and use of the space.

Request for Proposals

On July 16, 2003, Agency staff released a Request for Proposal (RFP) to solicit purchase offers for Preservation Park. The Agency's RFP targeted mostly non-profit corporations as these types of organizations have a higher interest in preserving office space for other non-profit corporations. The Agency extended the time to reply to the RFP to accommodate longer turn-around times necessary for the boards of non-profits corporations to consider and act on the RFP.

Staff received four proposals from Peter Sullivan Associates, Inc., EBALDC, Jubilee Restoration, and Equity Community Builders, LLC. Summaries of each proposal are contained in the attached Exhibit A.

Of the four respondents to the RFP, EBALDC's proposal was most attractive as it offered the highest purchase price among those respondents that agreed to retain the current tenant composition and to abide by design and maintenance standards in perpetuity through deed restrictions.

Table 2.
Comparison of Purchase Offers for Preservation Park

Entity	Amount	Financing Terms	Maintain Non-Profit Tenancy in Perpetuity
Peter Sullivan Associates, Inc.	\$7,500,000	Upfront Cash, plus Installment Payments	No, 5 years only
EBALDC	\$7,000,000	Cash	Yes
Jubilee Restoration	\$6,800,000	Cash	Yes
Equity Community Builders and Tides Foundation	\$6,000,000	Cash	Yes

KEY ISSUES AND IMPACT

EBALDC's Offer to Purchase

EBALDC is a private, non-profit community development corporation that has focused on neighborhood revitalization and affordable housing development efforts in the East Bay for 28 years. Since 1975, EBALDC has developed and managed over 133,000 square feet of gross leasable office and retail space for community serving businesses and non-profit community organizations. EBALDC has also developed 784 units of affordable housing in 15 projects, including 97 owner-occupied units. EBALDC's purchase offer included 25 letters of support from current tenants at Preservation Park.

EBLADC and the Agency have executed a letter of intent (attached as Exhibit B), which is subject to approval of the sale by the Agency's governing body. EBALDC's offer of \$7.0 million is conditioned on the following negotiated terms and conditions:

- The purchase price is contingent on confirmation by appraisal.
- EBALDC is purchasing the property on an "as-is, where-is" basis.
- EBLADC has agreed that the property be subject to covenants running with the land that would require a) certain maintenance and landscaping standards, and design guidelines for the purpose of maintaining the current use, condition and historical character of the property; and b) certain leasing restrictions intended to retain at least the current percentage of non-profit tenants in approximately the same percentage of net rentable office space. The Agency will not subordinate the leasing restriction to private financing.

Item ~~7~~
Community and Economic Development Committee
January 27, 2004

- EBALDC will have a certain period of time to review and investigate the economic, physical and environmental condition of the property to determine if the property is acceptable to the buyer.
- If EBALDC has not obtained committed financing for the contemplated acquisition within 90 days of execution of a PSA (with a 60-day extension period if EBALDC can demonstrate a good-faith effort of securing private financing), EBALDC or the Agency have to option to terminate the PSA.

Three of these terms may have a significant impact on the transaction. First, EBALDC requires a property appraisal for the purpose of securing acquisition financing. If the appraisal concludes that the "as-is" fair market value of Preservation Park is less than \$7.0 million, EBALDC will either terminate the agreement or attempt to negotiate a price that is equal to the appraised value of the property. Based on past appraisals, Agency staff estimates that the fair market value for Preservation Park is likely to range between \$6.5 million and \$7.0 million.

Second, EBALDC and the Local Initiative Support Corporation (LISC), who is assisting EBALDC in securing financing commitments from private investors, have expressed concern about the Agency's unwillingness to subordinate its leasing restriction to private financing. Staff has insisted on this requirement because this covenant could be eliminated in a foreclosure action if it only has second priority behind a first deed of trust on the property. However, staff has agreed that after seven years, it will present for consideration to the Agency's governing board a possible request from EBALDC to subordinate the leasing restriction if such subordination is absolutely necessary to secure permanent financing. Despite this reasonable accommodation, EBALDC and LISC may be unable to obtain project financing without subordination, which would result in termination of the PSA.

Third, EBALDC may discover certain physical or environmental deficiencies during the due diligence period. If this is the case, EBALDC may want to negotiate a reduction of the purchase offer to retain resources for curing such conditions. Agency staff will evaluate any request for a price reduction from EBALDC, as long as EBALDC can demonstrate that such a reduction is reasonable and warranted. In any event, Agency staff will only consider any reduction in the purchase price if the final sales price still equals or exceeds the fair market value of the property.

Restrictions on Agency Property Ownership and Disposition of Preservation Park

The Agency's ownership of Preservation Park has created a unique rental property that is completely rehabilitated, fully leased-up, in good condition and ready for resale. Generally, redevelopment agencies are not authorized by law (Health and Safety Code Section 33402) to own or operate rental property acquired and rehabilitated in prospect of resale beyond a reasonable period necessary to effect such resale. This restriction does not apply to the ownership of parking facilities, which are considered to provide an on-going primary public benefit to the project area. Accordingly, the Agency will need to sell Preservation Park regardless of how the sale proceeds are used.

Agency staff has indicated in past reports to the Council that a sale of Preservation Park is an integral part of the Agency's financing plan for Forest City's Uptown Project. Even if Forest City's project does not proceed, the Agency needs to generate funds for the proposed renovation of the Fox Theater and other redevelopment efforts in the Central District, such as the Mayor's and City Council's 10K initiative, public improvements and blight abatement. Tax increment available to the Agency in the Central District has been reduced by \$4.4 million for Fiscal Year 2003-05 to cover the increased Educational Revenue Augmentation Fund (ERAF) contribution recently adopted by the California State legislature. This ERAF funding shift in combination with increased debt obligations have limited the Agency's discretionary funds more significantly than in past years. This new situation has been addressed in the Fiscal Year 2003-05 Agency budget by borrowing from the Agency's fund balances to cover Central District operations.

Nonetheless, private and public requests for Agency funding assistance in the Central District continue, and projects such as the Uptown Project or the Fox renovation carry tremendous public benefits that warrant significant Agency involvement. The Agency will not be able to initiate these projects unless funding sources from property sales are made available.

Alternatives to the Sale of Preservation Park

1. Recommended Alternative

A sale of Preservation Park to an entity that is prepared to accept the Agency's deed restrictions meets the Agency's public policy objectives for the property, provides the needed financial resources for the Agency's Central District redevelopment efforts, and meets statutory requirements prohibiting the indefinite ownership of property that has already been redeveloped and is ready for resale.

2. Issuance of Lease-Revenue Bonds for Preservation Park

Issuing lease-revenue bonds based on Preservation Park's project revenue instead of selling the property would only yield about \$4.6 million in cash to the Agency, net of the cost of issuance, underwriter's discount, and required bond reserves. This option is problematic because it does not generate the required amount of sales proceeds, and it does not address the statutory requirement prohibiting the Agency from owning this rental property indefinitely.

3. Future Redevelopment Bond Issuance

An issuance of Redevelopment Agency tax increment bonds over the next 24 months is constrained by the current negative cash flow condition of the Central District Redevelopment Project Area, which resulted from the diversion of additional Agency's tax increment revenues to the State's ERAF. After cutting administrative positions charged to the Central District, this Project Area still has an annual negative cash flow of over \$500,000. The tax increment in the Central District Project Area must grow sufficiently to offset this negative cash flow balance and create a sufficient surplus to allow for the issuance of another tax allocation bond. Current projections, which do not include any additional shifts to the ERAF contemplated by the current

budget proposal for the State's 2004-05 budget, indicate that tax increment revenues must grow over a period of at least two years before the Agency would be in a position to consider issuance of a small bond. Therefore, this is not a recommended alternative to the sale of Preservation Park.

4. Redevelopment Area Time Extension and Bond Issuance

Staff is also exploring the potential of issuing another tax allocation bond by extending the Central District's debt repayment time limitation by one year. Currently, any bonds that have been issued for the Central District Project Area must be repaid by 2019. However, during the State budget adoption process, which resulted in tax increment diversion back to the State's ERAF, legislation was passed (SB 1045) to allow agencies to extend the time limit on debt repayment by one year to compensate for the ERAF shift. Hence, the Agency could extend its time limitation for debt repayment from 2019 to 2020, and theoretically issue a tax allocation bond that would be retired with one payment in 2020. The tax increment available in the Central District Project Area to make such a single payment in 2020 could be considerable as all of the other Agency bonds issued for the Central District would be paid off in 2019.

The RFP for bond services and the analysis of this option have not yet commenced. However, if such a tax allocation bond were possible, it could provide capital for Agency projects. For example, bond proceeds could be applied to refill Agency funds used in the purchase of site T-10 (which was acquired by the Agency from the City for \$7.0 million to generate cash for the City's Fiscal Year 2003-05 budget), if this site cannot be sold to a private developer for the same amount. Additional tax allocation bond proceeds could also be used to reduce the need for private financing that is necessary for the renovation of the Fox Theater. The financial feasibility of the Fox Theater project would be enhanced if the Agency were able to increase its capital contribution and thus decrease the need to rely on private financing that would have to be repaid with net operating income generated by a fully renovated Fox Theater. Lastly, proceeds from this bond could be used to fund Fiscal Year 2005-07 capital improvements projects.

The limitations related to the options described above, in combination with the statutory restriction on ownership of redeveloped property, do not favor a recommendation for any of these alternatives over a sale of Preservation Park.

SUSTAINABLE OPPORTUNITIES

Economic

The sale of Preservation Park to EBALDC will preserve office space for many Oakland nonprofits that serve the area.

Environmental

The buyer of Preservation Park would be required to use sustainable or "Green Building" technologies in the operation of the property wherever reasonably possible.

Social Equity

EBALDC is a local business that will benefit from the ownership of Preservation Park.

DISABILITY AND SENIOR CITIZEN ACCESS

Preservation Park is wheelchair accessible and generally meets the requirements of the American with Disabilities Act.

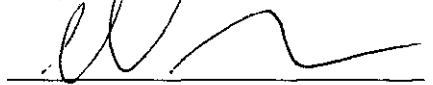
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Agency authorize the Agency Administrator to enter into a Purchase and Sale Agreement with EBALDC and pursue negotiations for the sale of Preservation Park at its fair market value. The sale will include provisions that will protect the buildings' historic architecture and retain the current proportion of non-profit tenants. A sale of Preservation Park represents the optimal way for the Agency to generate maximal funding needed for redevelopment activities in the Central District.

ACTION REQUESTED OF THE AGENCY

It is requested that the Agency approve the attached resolution authorizing the Agency Administrator or his or her designee to enter into a Purchase and Sale Agreement with East Bay Asian Local Development Corporation for the sale of Preservation Park in the amount of up to \$7.0 million.


Respectfully submitted,



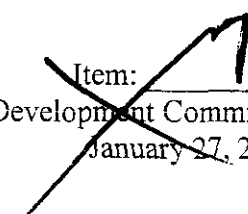
Dan Vanderprie, Director of Redevelopment,
Economic Development, Housing and
Community Development

Prepared by:
Jens Hillmer,
Urban Economic Analyst IV
CEDA Redevelopment

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE


Deborah Edgerly
Interim Agency Administrator

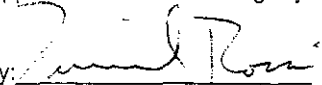
Attachments

Item: 
Community and Economic Development Committee
January 27, 2004

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 JAN 15 PM 4:25

Approved as to form and legality:

By: 
Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C.M.S.

A RESOLUTION AUTHORIZING THE SALE OF PRESERVATION PARK TO THE EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION AND AUTHORIZING EXECUTION OF A PURCHASE AND SALES AGREEMENT FOR THE SALE OF THE PROPERTY

WHEREAS, the California Community Redevelopment Law, Health and Safety Code Section 33430, authorizes a redevelopment agency within a survey (project) area to sell real property, Section 33432 requires that any sale of real property by a redevelopment agency in a project area must be conditioned on use of the property in conformity with the redevelopment plan, and Section 33439 provides that a redevelopment agency must retain controls and establish restrictions or covenants running with the land for property sold for private use as provided in the redevelopment plan; and

WHEREAS, the Central District Urban Renewal Plan adopted on June 12, 1969, as subsequently amended, as well as the Five-Year Implementation Plan for the Central District (1999-2004) (together, the "Central District Redevelopment Plan" or "Redevelopment Plan"), authorizes the Agency to sell property in the Central District Redevelopment Project Area (the "Central District"); and

WHEREAS, the Redevelopment Agency owns property on a the block bounded by Martin Luther King, Jr. Way, 12th Street, Castro Street, and 14th Street in the Central District , commonly known as Preservation Park, as more fully described in Exhibit A attached to this Resolution ("Preservation Park"); and

WHEREAS, the Oakland Redevelopment Agency Adopted Budget for Fiscal Year 2004-05 assumes net revenue from Preservation Park in the amount of \$430,000 for each year to balance the budget; and

WHEREAS, the Fiscal Year 2003-05 Agency budget includes a \$300,000 allocation for the Royal Hotel; and

14.2
ORA/COUNCIL
FEB 17 2004

WHEREAS, the Agency desires to sell and the East Bay Asian Local Development Corporation ("EBALDC") desires to purchase Preservation Park from the Agency in order to maintain it as a historic Victorian office complex and operate it as a business park primarily occupied by non-profit organizations; and

WHEREAS, staff has negotiated the terms of a Purchase and Sales Agreement ("PSA") with EBALDC which sets forth the terms and conditions of the sale of Preservation Park to EBALDC, and which governs the operation and maintenance of Preservation Park, as well as the use of the Preservation Park by EBALDC and any successors in interest to the property subsequent to sale through recorded covenants running with the land in perpetuity; and

WHEREAS, the PSA will require that EBALDC operate Preservation Park consistent with the Redevelopment Plan and restrict the use of the property to commercial uses; and

WHEREAS, the PSA will require that EBALDC 1) maintain the historic property in conformance with established design and maintenance guidelines, and 2) restrict the occupancy of the office complex to a composition of at least 81 percent non-profit tenants through recorded covenants running with the land; and

WHEREAS, the PSA and the grant deed that will convey the property to EBALDC will adequately condition the sale of Preservation Park on the use of Preservation Park in conformity with the Central District Redevelopment Plan, and such documents prohibit discrimination in any aspect of the property as required under the Central District Redevelopment Plan and the California Community Redevelopment Law; and

WHEREAS, Agency staff anticipates the sale to close in Fiscal Year 2004-05; and

WHEREAS, the California Community Redevelopment Law (Health & Safety Code Section 33431) requires that before any property of a redevelopment agency is sold, the Agency must first hold a public hearing; and

WHEREAS, a public hearing by the Agency was held to hear public comments on the sale of Preservation Park; and

WHEREAS, notice of the sale of Preservation Park and the public hearing was given by publication at least once a week for not less than two weeks prior to the public hearing in a newspaper of general circulation in Alameda County; and

WHEREAS, the requirements of the California Environmental Quality Act of 1970 ("CEQA"), the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied because this transaction is exempt from CEQA under section 15312 of the CEQA Guidelines (sale of surplus government property); now, therefore, be it

RESOLVED: That the Redevelopment Agency hereby authorizes the sale of Preservation Park to EBALDC, or to an affiliated entity satisfactory to the Agency Administrator, for a purchase price of up to \$7,000,000, subject to the terms and conditions of the PSA; and be it further

RESOLVED: That the Agency finds and determines that the purchase price equals or exceeds the fair market value of the Property at its highest and best use permitted under the Redevelopment Plan, that there are no Agency subsidies to the purchaser in this transaction, and that therefore the Agency's employment and contracting programs do not apply; and be it further

RESOLVED: That the transaction shall include the following terms and conditions:

- EBALDC to purchase the property on an "as-is, where-is" basis.
- EBALDC to purchase the property subject to covenants running with the land that would impose a) maintenance and landscaping standards, and design guidelines for the purpose of maintaining the current use, condition and historical character of the property; and b) leasing restrictions to retain at least the current percentage of non-profit tenants in approximately the same percentage of net rentable office space, which is 81 percent.
- No subordination of the leasing restriction to private financing, except that after seven years, Agency staff would present for consideration to the Agency's governing board a possible request from EBALDC to subordinate the leasing restriction if such subordination is absolutely necessary to secure permanent financing for Preservation Park.
- EBALDC to have a certain period of time to review and investigate the economic, physical and environmental condition of the property to determine if the property is acceptable.
- If EBALDC has not obtained committed financing for the contemplated acquisition within 90 days of execution of a PSA (with a 60-day extension period if EBALDC can demonstrate a good-faith effort of securing private financing), EBALDC or the Agency to each have the option to terminate the PSA.

and be it further

RESOLVED: That in order to mitigate the resulting revenue shortfall with the Fiscal Year 2004-05 Agency budget from the sale of Preservation Park, the Agency hereby removes the \$300,000 allocation for the Royal Hotel; and be it further

RESOLVED: That the Agency hereby authorizes the use of proceeds from the sale of Preservation Park to cover any remaining revenue shortfall and negative fund balance associated with Preservation Park; and be it further

RESOLVED: That the Agency hereby authorizes the use of proceeds from the sale of Preservation Park to cover the Agency's closing costs associated with the transaction, and hereby appropriates funds as necessary for that purpose; and be it further

RESOLVED: That the Agency Administrator or her designee is hereby authorized to negotiate and execute a PSA with EBALDC, or an affiliated entity or entities approved by the Agency Administrator, negotiate and execute other documents necessary to facilitate the sale of Preservation Park, and negotiate a possible reduction of the purchase price, which in no event shall be less than the fair market value of Preservation Park, due to property defects, if any, that may be discovered during EBALDC's due diligence period or due to the results of EBALDC's appraisal; and be it further

RESOLVED: That all documents related to these transactions shall be reviewed and approved by Agency Counsel for form and legality prior to execution, and copies will be placed on file with the Agency Secretary; and be it further

RESOLVED: That the custodians and locations of the documents or other materials which constitute the record of proceedings upon which the Agency's decision is based are respectively: (a) the Community & Economic Development Agency, Projects Division, 250 Frank H. Ogawa Plaza, 5th Floor, Oakland CA; (b) the Community & Economic Development Agency, Planning Division, 250 Frank H. Ogawa Plaza, 5th Floor, Oakland CA; and (c) the Office of the City Clerk, 1 Frank H. Ogawa Plaza, 1st Floor, Oakland, CA; and be it further

RESOLVED: That the Agency hereby appoints the Agency Administrator or her designee as agent of the Redevelopment Agency to take any other action with respect to the sale of Preservation Park consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2004

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
Secretary of the Redevelopment Agency
of the City of Oakland

14.2
ORA/COUNCIL
FEB 17 2004

Exhibit A

Proposal by: East Bay Asian Local Development Corporation (EBALDC)

EBALDC is a non-profit developer of over 784 units of affordable housing, as well as 133,000 square feet of retail and office space located in Oakland and Emeryville.

Offer Price: \$7.0 million, pending appraisal and due diligence property investigations.

Proposal Highlights:

- Maintain Preservation Park indefinitely as an affordable, historic office space with a composition with no less than 80 percent non-profit tenants.
- Written Support of Preservation Park Tenants Association; EBALDC will involve tenants in the management of the Park.
- Signed a Letter of Intent to purchase Preservation Park.
- Financing to be provided through private loans.

Proposal by: Peter Sullivan Associates, Inc. (PSA)

Peter Sullivan Associates, Inc. is a real estate investment firm. PSA owns and manages the Latham Square Building that provides 51,000 square feet of office space to for-profit and non-profit tenants.

Offer Price: \$7.5 million, subject to due diligence property investigations.

Proposal Highlights:

- Maintain current non-profit tenant composition for 5 years only.
- No explicit commitment to accept historic preservation covenants.
- Non-profit tenants to pay market rate rent for same space after the 5-year deed restriction expires. Tenant will have option to relocate to Latham Square.
- Requires 40 parking spaces at City Center West Garage at fair market rents.

- No details on source of financing, sales price to be paid in installments, with \$500,000 at close of escrow, \$41,667 per month to be paid for 12 months, followed by a payment of \$6.5 million at end of 12 months period.

Proposal by: Jubilee Restoration

A non-profit corporation that provides community services in Berkeley in the form of economic development, educational and family programs, and affordable housing to low-income families.

Offer Price: \$6.8 million, subject to due diligence property investigation.

Proposal Highlights:

- Maintain or exceed the deed restriction requirements by potentially increasing the percentage of non-profits beyond the current level.
- Will maintain the Park's historic character.
- Use Low Income Investment Fund and the Northern California Loan Fund for financing the purchase.

Proposal by: Equity Community Builders, LLC and Tides Foundation

Equity Community Builders (ECB), a limited partnership, is a San Francisco based real estate developer and project manager specializing in in-fill residential, commercial and historic rehabilitation projects. Tides Foundation is a non-profit organization that brings donors and non-profits together. ECB and Tides Foundation jointly own and manage the Thoreau Center, an office park similar to Preservation Park in the Presidio, which was converted from a historic military hospital to an office complex providing office space to 55 tenants, 99% of which are non-profits. The facility is 100% occupied.

Offer Price: \$6.0 million, subject to due diligence property investigation

Proposal Highlights:

- Sponsor will maintain the current non-profit tenant mix at Preservation Park.
- Proposal implies commitment to historic preservation covenants.

EXHIBIT B

CITY OF OAKLAND



250 FRANK H. OGAWA PLAZA, SUITE 5313 • OAKLAND, CALIFORNIA 94612-2034

Community and Economic Development Agency
Redevelopment Division

November 24, 2003

(510) 238-3015
FAX (510) 238-3691
TDD (510) 839-6451

VIA FACSIMILE (510-763-4143) AND MAIL

Ms. Lynette Jung Lee
Executive Director
East Bay Asian Local Development Corporation
310 Eighth Street, Suite 200
Oakland, CA 94607

RE: Preservation Park (See Attached Exhibit A for a list of Assessor's Parcel Numbers)

Dear Ms. Lee:

I am pleased to present the following proposal ("Letter of Intent") on behalf of the Redevelopment Agency of the City of Oakland (the "Agency") to the East Bay Asian Local Development Corporation ("EBALDC") relating to real property known as "Preservation Park" as more particularly described in Exhibit A, and located in the City of Oakland's Central District Redevelopment Area as indicated on the attached map (the "Property"). The Property is composed of approximately 113,356 square feet of public and office space, of which approximately 55,604 square feet is net rentable office space serving mostly non-profit tenants. It is contemplated that the property will be conveyed by the Agency to EBALDC or a non-profit affiliate of EBALDC to be operated as public and commercial office space for mostly non-profit organizations.

This Letter of Intent is expressly subject to and conditioned on approval of the sale of the Property by the Agency's governing body (i.e., the Oakland City Council acting as the Agency's governing body) through passage of appropriate legislation. If the Agency's governing body, in its sole and absolute discretion, decides not to approve the sale of the Property, this Letter of Intent will be automatically withdrawn.

1. PRICE: The purchase price to be the cash sum of \$7,000,000, contingent on confirmation by appraisal to be completed no later than 75 days from the date of this Letter.
2. TERMS OF PAYMENT: Purchase price to be due and payable in cash at the close of escrow.
3. ENVIRONMENTAL REVIEW AND SITE CONDITIONS: EBALDC to bear costs, if any, associated with assessment of the environmental condition of the Property. EBALDC to bear costs, if

any, associated with remediation of hazardous materials contamination on the Property. EBALDC to release the Agency and City from any liability for contamination on the Property. It is understood that EBALDC is purchasing the Property on an "as is, where is" basis. However, the Agency shall complete any regularly scheduled Fiscal Year 2003/2004 maintenance and capital improvements prior to conveyance.

4. PROPERTY DESCRIPTION: Preservation Park is composed of 17 parcels measuring a total of approximately 113,356 square feet, with 16 historic buildings offering public and net rentable office space covering approximately 55,604 square feet that currently serves 47 tenants. As of the date of this Letter of Intent, non-profit organizations comprise 81% of the tenant mix at the Property

5. DOCUMENTATION: Following the expiration of the Property Approval Period (as defined below), Agency and EBALDC will negotiate and execute a Purchase and Sale Agreement ("PSA") consistent with the terms of this Letter of Intent and including such other reasonable and customary terms (including due diligence contingencies and Agency preconveyance conditions) as are mutually acceptable. The execution of the PSA to be subject to review and prior Agency/Council approval. PSA to specify condition of title to be conveyed by Agency. Title is to be free and clear of all encumbrances except for specific matters provided in the PSA.

6. AGENCY REQUIREMENTS: Conveyance of title to the Property to EBALDC to be subject to certain ongoing obligations and conditions regarding the following:
 - Maintenance and landscaping standards and design guidelines, with the purpose of maintaining the current use, condition, and historical character of Preservation Park; and
 - Leasing restrictions ("Leasing Restrictions") to retain at least the current percentage of non-profit tenants in approximately the same percent of net rentable office space, which the parties agree is 81 percent.

These obligations and conditions to be recorded on title as ongoing deed covenants running with the land, enforceable by the Agency or the City. The Agency will not subordinate deed restrictions to private liens. However, after seven years the Agency's governing body will consider, in its reasonable discretion, a request by EBALDC to subordinate the Lease Restrictions to take-out financing if subordination is necessary.

The Leasing Restrictions to provide that in the event EBALDC cannot lease space in the Property to eligible non-profit tenants as needed to maintain the current mix, EBALDC may lease space to for-profit entities, for up to one year, and month-to-month thereafter, provided the subject space continues to be marketed to non-profits, and if EBALDC first demonstrates good faith in having marketed the space to eligible non-profits.

7. DEPOSIT:

Deposit of \$35,000 by EBALDC upon execution of this Letter of Intent, and another \$65,000 at execution of the Purchase and Sale Agreement. Deposit and any interest thereon to be applied towards the purchase price.

If the purchase and sale of the Property is not completed and this Letter of Intent is terminated prior to the expiration of the Property Approval Period, then the initial deposit and all interest thereon to be returned to EBALDC. If the purchase and sale of the Property is not completed after execution of the PSA for any reason, then the deposit and all interest accrued thereon to be retained by the Agency. Interest will accrue for the benefit of EBALDC, at the market rate of the escrow company's interest bearing account.

8. PROPERTY APPROVAL PERIOD:

Commencing on the date of this Letter of Intent and ending on the later of (i) 120 days from the date of the Letter of Intent; or (ii) Agency/City Council approval (the "Property Approval Period"), EBALDC to review and investigate the economic, physical and environmental condition of the Property. EBALDC to determine whether or not the Property is acceptable within the Property Approval Period.

9. FINANCING CONTINGENCY: If within 90 days of the execution of a PSA, EBALDC has not obtained committed financing for the purchase of the Property, EBALDC to have the right to terminate the PSA; provided, however, EBALDC may have an extension for a period not to exceed 60 days to obtain committed financing so long as diligent efforts to obtain such financing are being pursued by EBALDC and such financing cannot be obtained within the first 90-day period. In the event that EBALDC does not obtain committed financing within the 60-day extension period, EBALDC or the Agency will have the right to terminate the PSA, in which case the Agency will retain half of the deposit.

10. APPROVALS:

Transaction subject to the discretionary approval of the City Council acting as the Agency's governing body.

11. OPEN & CLOSE OF ESCROW: Upon signing of this Letter of Intent, escrow shall be opened at a title company in Oakland. Close of escrow shall occur no later than 30 days after the release of the Financing Contingency provided above.
12. TITLE INSURANCE: EBALDC is to secure title insurance policy, if desired, at its own expense.
13. CLOSING COSTS: EBALDC to bear all title and escrow fees and closing costs. EBALDC to pay Alameda County transfer tax. EBALDC and the Agency to share City of Oakland transfer taxes equally.
14. STUDIES AND REPORTS: Within 10 days of executing this Letter of Intent, Agency to provide copies of studies or reports relating to the Property including soils tests, surveys, regulatory reviews, engineering studies, complete copies of all leases and title. After City Council approval or EBALDC's disapproval, EBALDC shall provide copies of requested reports within 5 business days to the Agency.
15. LEASES: Prior to the close of escrow, Agency to deliver to EBALDC estoppel certificates signed by all tenants. The estoppel certificates shall be updated no more than thirty (30) days before closing.
16. RIGHT OF ENTRY: The Agency to grant right of entry to EBALDC to conduct tests and other feasibility studies. EBALDC to indemnify the Agency and City for entry.
17. BROKER'S COMMISSION: EBALDC represents that no brokers have acted on its behalf in connection with the Property.

This Letter of Intent is not intended to be contractual in nature, but is a statement of the general terms and conditions upon which the parties are prepared to consider and discuss entering into a Purchase and Sale Agreement.

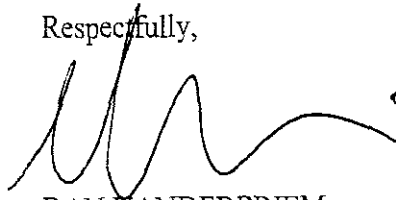
This Letter of Intent shall automatically be null and void and of no force and effect unless EBALDC has signed the acknowledgment on this Letter and returned the acknowledgment within ten (10) business days of the date of this Letter.

If the terms contained in this Letter of Intent are acceptable, please so indicate by signing in the spaces provided below and return to the undersigned.

Ms. Lynette Jung Lee
November 24, 2003
Page 5

Thank you for your consideration of the above terms and conditions. If you have any questions regarding this transaction please contact our Manager of Real Estate Services, Frank Fanelli at (510) 238-6354.

Respectfully,

A handwritten signature in black ink, appearing to read 'Dan VanderPriem', with a stylized flourish at the end.

DAN VANDERPRIEM
Director of Redevelopment, Economic
Development and Housing

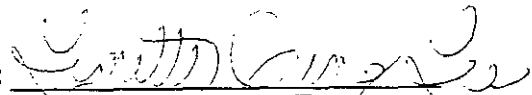
Ms. Lynette Jung Lee

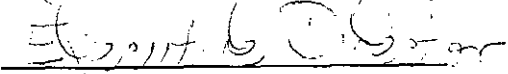
November 24, 2003

Page 6

AGREED AND ACCEPTED:

EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION

By: 

Its: 

Date: 11/23/03

Attachment

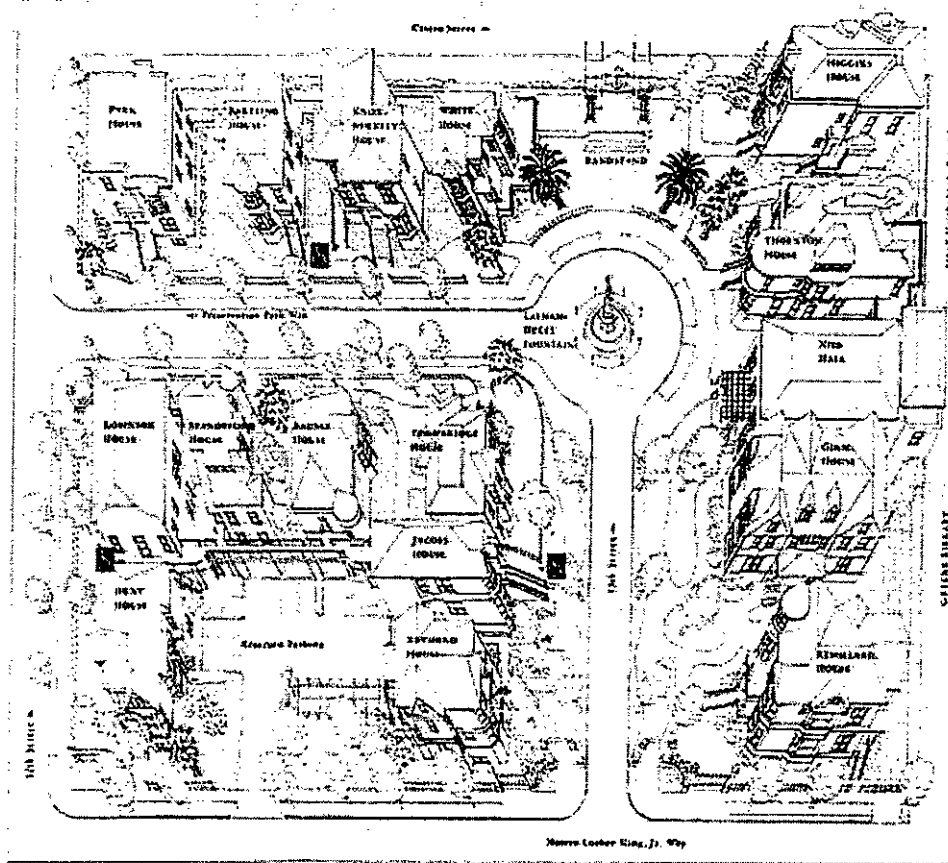
cc: Daniel Rossi, Deputy City Attorney
Jens Hillmer, CEDA, Redevelopment
Khalid Afar, CEDA, Redevelopment
Frank Fanelli, CEDA, Real Estate Services

Exhibit A

Preservation Park Addresses and APN's

<u>Property</u>	<u>Address</u>	<u>APN</u>
Bartling	1211 Preservation Park Way	002-0019-015
Bauske	1222 Preservation Park Way	002-0019-019
Buckley	1221 Preservation Park Way	002-0019-014
Ginn & Nile Hall	660 & 668 – 13 th Street	002-0019-009
Higgins	678 – 13 th Street	002-0019-011
Hunt	1201 Martin Luther King, Jr.	002-0019-024
Jacobs	663 – 13 th Street	002-0019-021
Park	203 Preservation Park Way	002-0019-016
Raymond	655 – 13 th Street	002-0019-022
Remillard	654 – 13 Street	002-0019-008
Robinson	1204 Preservation Park Way	002-0019-017
Standeford	1212 Preservation Park Way	002-0019-018
Thorton	672 – 13 Street	002-0019-010
Trowbridge	1230 Preservation Park Way	002-0019-020
White	1233 Preservation Park Way	002-0019-013
Bandstand	n/a	002-0019-012
Parking Lot	n/a	002-0019-023

Property



14.2
CRA/COUNCIL
FEB 17 2004

~~7~~
COMMITTEE ON ECONOMIC
DEVELOPMENT CMTE
JAN 27 2004