

# CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator

(510) 238-3301  
FAX (510) 238-2223  
TDD (510) 238-2007

February 26, 2015

Gene Hazzard  
282 Adams Street, Unit #6  
Oakland, CA 94610

RE: Report Regarding The \$12 Million Dollar Loan Provided To Rotunda Partners I/II (AKA: Phil Tagami) On The Rotunda Building In 1998

Dear Mr. Hazzard,

This letter is in response to your request for a report on the \$12 million Rotunda Loan. The loan was part of a Disposition and Development Agreement for the Rotunda Building ("DDA"), which was supplied to you in a prior public records request. The main terms for the DDA were 1) purchase price of Rotunda Building from the Redevelopment Agency was \$99; 2) the Redevelopment Agency to provide a \$12 million loan for 20 years, no interest until start of 15<sup>th</sup> year, 3% interest-only payments starting in 15<sup>th</sup> year and full principal repaid after 20 years; and 3) the Agency to receive 50% of the future sales proceeds over \$38 million.

These details and financial analysis supporting the deal structure were presented to the Council in the May 26, 1998 report and legislation for the project. This report and the 33433 report clearly demonstrate the subsidy, both the below market land price and below market loan, was required to make the Rotunda project financially feasible. These reports and the legislation are all attached to this letter. The 33433 Report included the June 1998 Reuse Appraisal by Keyser Marston Associates, Inc., which concluded that 'the fair reuse value of the Property under the restrictions and conditions under which the land is being conveyed is nominal (page 16).' That is to say that with the terms of the DDA, including the below market loan, the property had no value. Furthermore, the report determined this based on the projected development costs by the developer and 'Should the actual cost exceed those estimated by the Developer, the returns would be substantially lower' (page 12).

RE: \$12M Rotunda Loan  
February 26, 2015

Page 2

The development costs were in fact higher and the developer assumed the risks of these cost increases. In addition the Redevelopment Agency will be entitled to half of the sales proceeds over \$38 million when the project is sold. The loan subsidy and nominal sale price of the property were considered to be the fair reuse value under the DDA. The terms of the DDA were approved by the Oakland Redevelopment Agency Board. Therefore your argument that the Agency or City lost out in loan payments, while correct, does not mean that the Agency or City is in anyway entitled to the payments. The Redevelopment Agency knew it was forgoing these payments when the DDA and Loan were approved.

Rotunda Partners started making interest only payments on the \$12 million Loan in 2013 as required and is current on payments due to the Oakland Redevelopment Successor Agency for the loan. I hope this satisfies your questions about the Rotunda Loan.

With regards to the Rotunda Garage DDA, we agree with the assessment that the developer is out of compliance with the development schedule but disagree that the developer should be placed in default. Staff will instead be preparing a DDA amendment that will extend the development schedule. This amendment will require approval from the Oakland Redevelopment Successor Agency, the Oakland Oversight Board and the California Department of Finance. This process will take four to six months. You will be informed when this is completed.

Sincerely,

Henry Garner



Attachments

May 26, 1998 Council Report

ORA Resolution No. 98-32 C.M.S. Authorizing DDA

ORA Resolution No. 98-33 C.M.S. Authorizing \$12M Loan

33433 Report, including June 1998 Reuse Appraisal

---

 Letter Regarding 1998 \$12 Million Dollar Loan Provided To Rotunda Partners - Rotunda Building.pdf  
2271K

---

Gene Hazzard <genehazzard@gmail.com>  
To: "cassie.barner@acgov.org" <cassie.barner@acgov.org>

Tue, Mar 3, 2015 at 5:09 PM

Note page 2 paragraph 1 "The terms of the DDA were approved by the Oakland Redevelopment Agency Board. Therefore your argument that the Agency or City lost out in loan payments, WHILE CORRECT, does not mean that the Agency or the City is in anyway entitled to the payments. The Redevelopment Agency KNEW it was forgoing these payments when the DDA and Loan were approved.

NOTE: THE AMOUNT OF THE NO INTEREST LOAN FOR 15 YEARS @ 3% THE CITY WAS DEPRIVED OF MORE THAN \$6,500,000.00 SO HOW CAN MR. GARDNER SAY THE CITY WAS NOT ENTITLED TO THESE PAYMENTS / THIS IS A GIFT OF PUBLIC FUNDS/PROPERTY.

Note page 2 paragraph 2 "Rotunda Partners started making INTEREST only payments on the \$12 million Loan in 2013 as REQUIRED /

THIS CONTRADICTS PARAGRAPH 1 ABOVE. THIS CLEARLY SUPPORTS MY POSITION THAT INTEREST PAYMENTS FOR 15 YEARS WAS FORGIVEN.

[Quoted text hidden]

--  
Gene Hazzard  
www.cleanoakland.com  
510.472.4216

---

 Letter Regarding 1998 \$12 Million Dollar Loan Provided To Rotunda Partners - Rotunda Building.pdf  
2271K


---

Gene Hazzard <genehazzard@gmail.com>  
To: tchasm2recycle <tchasm2recycle@hotmail.com>

Tue, Mar 3, 2015 at 5:14 PM

[Quoted text hidden]

---

 Letter Regarding 1998 \$12 Million Dollar Loan Provided To Rotunda Partners - Rotunda Building.pdf  
2271K


---

Gene Hazzard <genehazzard@gmail.com>  
To: Bill Aboudi <bill@abtruck.com>

Tue, Mar 3, 2015 at 5:15 PM

[Quoted text hidden]

---

 Letter Regarding 1998 \$12 Million Dollar Loan Provided To Rotunda Partners - Rotunda Building.pdf  
2271K

---

Gene Hazzard <genehazzard@gmail.com>

Tue, Mar 3, 2015 at 5:15 PM