

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND
AGENDA REPORT

2009 APR 16 AM 11:00

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: April 28, 2009

RE: **A Resolution Authorizing The City To Lease The Alice Street Learning Center Property At 250 – 17th Street From The East Bay Municipal Utility District (EBMUD) For One Year With Two One Year Renewal Options For An Initial Rent Not To Exceed \$7,649 Per Month Plus The Cost Of Utilities, Services, Assessments, And Index Adjustments, And Accepting Approximately \$98,000 From The Oakland Unified School District For Such Costs**

SUMMARY

The City has been a tenant of the East Bay Municipal Utility District (EBMUD) since May 1, 1994 in their building located at 250 – 17th Street, Oakland. The EBMUD surplus property was converted into a downtown child care facility using \$600,000 in Redevelopment funds.

The facility over the years has proven to be an asset to employees and residents in the downtown area and is the only one of its kind currently in operation downtown. Because of its importance to the revitalization of the Downtown and Uptown Areas, the City on numerous occasions has requested that EBMUD donate their building to the City to ensure the child care center's presence will not be terminated.

In June 2004, the City Council adopted a resolution approving a lease for this 4,920 square foot building for use as a child care center for downtown workers. The present lease will expire June 30, 2009. The current rent is \$7,426 per month.

The Oakland Unified School District (OUSD) through a Memorandum of Understanding with the City provides early childhood education at the site. Funds earmarked for the continuance of the lease with EBMUD expire on June 30, 2009. OUSD has budgeted sufficient funds for the lease extension and to pay for the rent and other costs associated with renting the facility for the fiscal year of 2009-10.

Staff recommends adoption of the resolution authorizing the City Administrator to enter into a new one (1) year term lease effective July 1, 2009, with two (2) one-year options to renew. The lease renewal will allow the City to continue its lease with EBMUD for up to three (3) additional years at the fair market rent. It will also allow the continuance of the child care program beyond June 30, 2009 at its present location.

Item: _____
Finance and Management Committee
April 28, 2009

FISCAL IMPACT

The Oakland Unified School District (sub-lessee) pays for all operational costs of the facility at 250 – 17th Street (a.k.a. Alice Street Learning Center). Therefore, the fiscal impact amount to the City will be zero dollars.

All monies collected by the City from OUSD are to be deposited into City Entity (1) General Purpose Fund (1010) Child Care Section Org (78131) Facility Rentals Account (44329) Child Care Center Downtown Project (P42100) and Strengthening Children and Youth Program (YS13).

Expenditures for the location will be budgeted from the following coding blocks:

Rent: City Entity (1) General Purpose Fund (1010) Child Care Section Org (78131) Land and Building Rentals Account (44329) Child Care Center Downtown Project (P42100) and Strengthening Children and Youth Program (YS13).

Utilities (Water and Electricity): City Entity (1) General Purpose Fund (1010) Child Care Section Org (78131) Water Account (44329) Child Care Center Downtown Project (P42100) and Strengthening Children and Youth Program (YS13).

Taxes: City Entity (1) General Purpose Fund (1010) Child Care Section Org (78131) Taxes and Assessments Account (44329) Child Care Center Downtown Project (P42100) and Strengthening Children and Youth Program (YS13).

BACKGROUND

In 1993, the City's Redevelopment Agency, along with its Child Care Commission, undertook an effort to develop a child care center that would serve the needs of the growing downtown Oakland workforce. The center was envisioned as a facility providing services on a sliding scale, providing market rate child care and subsidized services to lower wage workers. The EBMUD site was identified and converted into child care space with \$600,000 in Redevelopment funds.

The City has been a tenant in the building since 1994, when construction on the site was completed. The site contains approximately 17,866 square feet of land, and is improved with a 4,920 square foot building. The Department of Human Services assumed stewardship of the building in 1997, and has supported each lease extension of the building (1999, 2001, and 2004) with the current lease expiring June 30, 2009. The lease contains a clause that gives the City the first rights of opportunity to re-lease or purchase.

KEY ISSUES AND IMPACTS

The City invited OUSD to provide a preschool program, and the Oakland YWCA to operate infant care, at the center. The City and OUSD have entered into an agreement that allows OUSD to run the facility. OUSD funds the entire operating cost of the program.

City staff has been in negotiations with EBMUD staff over the years to acquire the property. The property was used by EBMUD as their Oakland Business Office. The property became surplus to EBMUD and the City agreed to rent the facility and expend \$600,000 to convert the building from its office use into a state of the art child care facility.

On July 23, 2002, EBMUD staff recommended to its Board of Directors that EBMUD sell the property to the City for its fair market value as established by an independent appraisal.

On December 16, 2002, and again on March 7, 2006, the City and EBMUD jointly commissioned an independent MAI appraisal on the property. The appraisal scope of work was jointly developed, the appraisal was jointly reviewed and approved and the cost of the appraisal was split between the two entities. The property presently consists of a one-story brick office building containing 4,920 square feet on a corner level lot containing 17,866 square feet. The highest and best use of the property is to demolish the existing interim use (one story office building) and construct an estimated forty-five (45) unit residential building that would be consistent with the sites R-90 (Downtown Apartment) zoning. The indicated value of the property as of March 7, 2006, based upon its highest and best use, is \$2,810,000. It should be noted that the property must be reappraised because of the age of the appraisal and the downturn of the real estate market.

The new one year lease with two one year options will contain the same clause that gives the City the first right of opportunity to re-lease or purchase.

PROGRAM DESCRIPTION

Child care is vital for both its contributions toward the growth and development of children and to our local economy. Currently, Oakland's demand for child care significantly outpaces its supply, especially concerning infant care. Conservative counts indicate that infant and school-age care provided in Oakland is in very high demand, especially with the Redevelopment of the Uptown Corridor. Funding for the current lease expires on June 30, 2009. A replacement facility is not available at this time.

The Redevelopment Agency has a \$600,000 equity investment in the property. If the lease is terminated on June 30, 2009, the City/Agency may be responsible for restoring the EBMUD building back into an office use.

The new one year lease with two one year options allows the child care facility to remain open to its clients. The lease also allows the City/Agency to explore the possibility of buying the property for future redevelopment.

SUSTAINABLE OPPORTUNITIES

Economic: The center provides childcare to the many families with children who work or live in downtown Oakland. This amenity provides those families with a safe environment for their children while they are at work.

Environmental: This property is close to public transportation nodes and may encourage use of public transit, which will ease general pressure on the regions congested transportation infrastructure.

Social Equity: The center provides a vital service for Oakland's workforce, especially low-wage workers, through the provision of some subsidized infant, toddler, and preschool child care.

DISABILITY AND SENIOR CITIZEN ACCESS

The subject property was completely upgraded and improved by the City before taking occupancy in 1994. The property does comply with the American with Disabilities Act. Any innovations or changes to this property will comply with the Americans with Disabilities Act in providing equal access for the disabled and senior citizens.

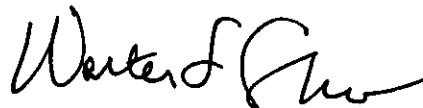
RECOMMENDATION AND RATIONALE

Staff recommends the adoption of a City Resolution authorizing a one year lease extension with two (2) one year options to renew the lease at the Alice Street Learning Center property located at 250-17th Street, from the East Bay Municipal Utility District (EBMUD) for the appraised fair market rent. The initial rent shall not exceed \$7,649 per month or \$91,788 per year, plus the cost of utilities and services and other CPI index adjustments. The total cost of the lease will be paid by OUSD, which is the provider and operator of the child care services.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt the Resolution and to authorize the City Administrator to enter into a one year lease extension with two one year options to renew at the Alice Street Learning Center property located at 250 – 17th Street, from the East Bay Municipal Utility District for the appraised fair market rent.

Respectfully submitted,

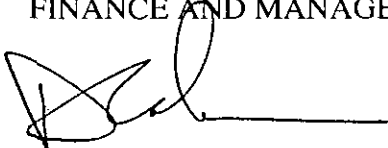


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by:
Frank Fanelli, Manager
Real Estate Services Division

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:

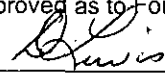


Office of the City Administrator

Item: _____
Finance and Management Committee
April 28, 2009

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2009 APR 16 AM 11:00

Approved as to Form and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

Introduced by Councilmember _____

A RESOLUTION AUTHORIZING THE CITY TO LEASE THE ALICE STREET LEARNING CENTER PROPERTY AT 250 – 17TH STREET FROM THE EAST BAY MUNICIPAL UTILITY DISTRICT FOR ONE YEAR WITH TWO ONE YEAR RENEWAL OPTIONS FOR AN INITIAL RENT NOT TO EXCEED \$7,649 PER MONTH PLUS THE COST OF UTILITIES, SERVICES, ASSESSMENTS AND INDEX ADJUSTMENTS, AND ACCEPTING APPROXIMATELY \$98,000 FROM THE OAKLAND UNIFIED SCHOOL DISTRICT FOR SUCH COSTS

WHEREAS, the City of Oakland adopted a Resolution in June 2004, approving a lease for this 4,920 square foot building owned by the East Bay Municipal Utility District (“EBMUD”) for use as a child care center for downtown workers; and

WHEREAS, the facility over the years has proven to be an asset to employees and residents in the downtown area, and is the only one of its kind currently in operation downtown; and

WHEREAS, pursuant to an Memorandum of Understanding (“MOU”) with the City, the Oakland Unified School District provides early childhood education at the site; and

WHEREAS, the source of funds earmarked for the continuance of the lease with EBMUD expires on June 30, 2009; and

WHEREAS, funds for the lease are available in the General Purpose Fund (1010), Child Care Section Org (78131), Child Care Section Downtown Project (P42100), Strengthening Children and Youth Program (YS13).

WHEREAS, the existing lease terms with EBMUD will be modified to reflect the following terms and conditions:

- a) The first year’s rent is set at \$1.56 per square foot or \$7,649 per month;
- b) The City will pay the cost of utilities, services and assessments associated with the operation of the facility;
- c) The City shall have the option to extend the lease for two one (1) year periods after the one year fixed term;
- d) The base rent will increase 3% for the first lease renewal option period to \$7,878 per month, and for the second lease renewal option period, to \$8,115 per month;

- e) The City shall have the first right of opportunity to re-lease or purchase the property from EBMUD;
- f) The City shall have the right to assign the lease or sub-let the facility to child care providers;
- g) The Oakland Unified School District is the current child care provider and will allocate approximately \$98,000 for the payment of the first year's rent and operating expenses, and will pay the City for any additional costs incurred in relation to the lease; and

WHEREAS, the requirements of the California Environmental Quality Act ("CEQA"), the CEQA guidelines as prescribed by the Secretary of Resources, and the provisions of the Environmental Review Regulation of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the City Administrator is hereby authorized to negotiate, execute, amend and extend a lease agreement with EBMUD, consistent with the modified lease terms stated above and this Resolution; and the Manager, Real Estate Services, is authorized to take any and all actions necessary to complete the lease transaction hereby approved; and be it

FURTHER RESOLVED: That the City Council authorizes approximately \$98,000 in expenditures for Fiscal Year 2009-10, and funds are available in City Entity (1) General Purpose Fund (1010) Child Care Section Org (78131) Facility Rentals Account (44329) Child Care Center Downtown Project (P42100) and Strengthening Children and Youth Program (YS13).

FURTHER RESOLVED: That the City Council has independently reviewed and considered this environmental determination and the Council finds and determines, based on the information provided in the staff report accompanying this Resolution, that this action complies with CEQA because this action is exempt from CEQA pursuant to Section 15301 (existing facilities) of the CEQA Guidelines, and directs the City Administrator, or his designee, to file a Notice of Exemption and an Environmental Declaration (under California Fish and Game Code Section 711.4) with the County of Alameda ; and be it

FURTHER RESOLVED: That the lease shall be approved as to form and legality by the Office of the City Attorney and copies shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND PRESIDENT BRUNNER

NOES –
ABSENT –
ABSTENTION –

ATTEST:

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