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OFFICE OF THE CITY CLERK
OAKLAND

**REDEVELOPMENT AGENCY
AND THE CITY OF OAKLAND**

2011 JUN 21 PM 1:27 **AGENDA REPORT**

TO: Office of the City Administrator
ATTN: P. Lamont Ewell, Interim City Administrator
FROM: Budget Office
DATE: June 28, 2011

RE: Purchase Of Kaiser Convention Center Property: A City and Agency Resolution Consenting To The Use Of Central District And Central City East Redevelopment Funds For The Purchase Of The Henry J. Kaiser Convention Center Property

SUMMARY

The proposed budget for FY 2011-13 includes one-time revenue derived from the sale of Kaiser Convention Center property from the City of Oakland to the Oakland Redevelopment Agency. The purchase price included in the budget is \$28.3 million and is based on a replacement value appraisal. A revised proposal would increase Central District's contribution for the purchase from \$12.3 million to \$17.8 million and lower the Central City East contribution from \$16.0 million to \$10.5 million.

FISCAL IMPACT

The original proposal included the purchase price be shared between Central District and Central City East due to the benefits derived from the rehabilitation and reuse of a large and prominent vacant, underutilized, and inadequate public improvement located within Central District and contiguous to Central City East. Based on unrestricted funding available, Central District allocated \$12.3 million using operating reserves and Central City East allocated \$16.0 million utilizing taxable bond funds.

A revised proposal has been submitted that shifts the ratio of the purchase price to \$17.8 million being paid by Central District and \$10.5 million coming from Central City East taxable bond funds. The additional funding from Central District of \$5.5 million was identified as follows:

- \$3.5 million in repayments owed from other project areas related to project area establishment costs and other borrowing by the Oak Knoll project area.
- \$2.0 million from the reallocation of net revenue from facility operations that would otherwise be allocated for parking garage development.

In addition, the 23rd Avenue Streetscape project that is currently being funded out of Central City East will now be funded out of Coliseum redevelopment funds, as the majority of the streetscape is in that project area, thereby freeing up funds in Central City East for the Kaiser purchase. As a

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result of this funding reallocation, the net impact of the Kaiser purchase to Central City East will be approximately \$8.5 million.

BACKGROUND

The Henry J. Kaiser Auditorium and Convention Center has been vacant since 2005, is not code compliant, suffers from serious deterioration, and requires significant upgrades and replacements of its major systems and other improvements to return the facility to productive use. The facility is an underutilized, substandard and inadequate public improvement and constitutes blight within the meaning of redevelopment law.

On March 3, 2011, the City Council authorized the sale of the Kaiser Convention Center property, among other City properties, to the Redevelopment Agency (Ordinance No. 13062 C.M.S.). The City and the Redevelopment Agency entered into a Purchase and Sale Agreement with Leaseback Option on March 3, 2011, for the purchase of the Kaiser Convention Center property by the Redevelopment Agency for its rehabilitation and reuse.

KEY ISSUES AND IMPACTS

Given the size and prominence of the facility, its current state is a major blighting influence on nearby properties and businesses in both the Central District and Central City East and negatively impairs the value of those properties and the economic viability of those businesses.

Central District and Central City East will share all revenues generated by the property, which may include tax increment revenue (to the extent legally possible), lease revenue, or net proceeds from the sale to a third-party on a proportional basis to the amount contributed from each project area for its purchase. No Streetscape projects will be affected by this proposal.

SUSTAINABLE OPPORTUNITIES

Economic: Any future project on the property is subject to City and Agency program goals for Local and Small Local Business Enterprises and other standard programs. A future project will improve neighborhood conditions and make the neighborhood area more attractive to current and prospective tenants and businesses that can provide employment within Oakland.

Environmental: Contractors for future rehabilitation projects will be required to make every effort to reuse clean till materials and use recyclable concrete and asphalt products.

Social Equity: The proposed acquisition will provide a positive stimulus to the neighborhood for growth and stability.

DISABILITY AND SENIOR CITIZEN ACCESS

Seniors and people with disabilities will benefit from the improved design, and access that the future projects will provide.

ACTION REQUESTED OF THE CITY COUNCIL

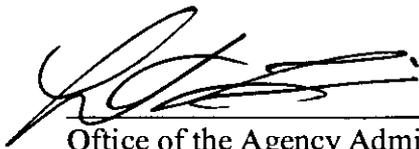
Adopt the attached City and Agency resolutions consenting to the use of Central District and Central City East funds for the purchase of the Kaiser Convention Center.

Respectfully submitted,



Sabrina Landreth
Budget Director

**APPROVED AND FORWARDED TO THE
CITY COUNCIL:**



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