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OAKLAND
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CITY OF OAKLAND

AGENDA REPORT

TO: DEANNA J SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Rotunda Garage

DATE: January 17, 2014

City Administrator Approval

Date 1/28/14

COUNCIL DISTRICT: 2

RECOMMENDATION

Staff recommends that the City Council accept

An Informational Report On The Business Terms Of The Agreement Between The Oakland Redevelopment Agency And Rotunda Garage LP For The Sale And Lease Of Four Parcels Adjacent To The Rotunda Building In The Central District To Develop A 320-Space Public Parking Garage, Approximately 3,000 Square Feet Of Adjacent Retail, And A Temporary Surface Parking Lot

EXECUTIVE SUMMARY

This report describes the business terms included in a disposition and development agreement (Property DDA), dated August 26, 2004, between the former Redevelopment Agency (Agency) and Rotunda Garage LP (Developer) for the sale and lease of four parcels located adjacent to the Rotunda Building on a block bounded by 16th Street, 17th Street and San Pablo Avenue in the Central District (Property) to develop a 320-space public parking garage, approximately 3,000 square feet of adjacent retail, and a temporary surface parking lot (Project) This report also addresses the current status of developer compliance with the terms of the Property DDA

OUTCOME

A review of the business terms and the status of compliance by Developer and its successor in interest, San Pablo Commercial Center LLC (SPCC), for Parcel 2 of the Property, with certain project development commencement dates included in the Property DDA should provide the City Council with sufficient information to give staff direction on future actions related to the Project

BACKGROUND/LEGISLATIVE HISTORY

A. DDA for Rotunda Building

On June 29, 1998, the Agency entered into a Disposition and Development Agreement (Rotunda DDA) with Rotunda Partners I, a general partnership, for the sale and rehabilitation of the Rotunda Building located at 300 Frank H Ogawa Plaza Subsequently Rotunda Partners I assigned the Rotunda DDA to Rotunda Partners II, LLC, a related special purpose entity established by Rotunda Partners I for the purpose of syndicating historic rehabilitation tax credits for the renovation of the Rotunda The Rotunda DDA included the following key terms

- The Agency made a loan of $12 million to Rotunda Partners II, LLC for the seismic retrofit of the Rotunda Building that was severely damaged during the Loma Pieta earthquake
- Rotunda Partners II, LLC must share with the Agency 50 percent of all proceeds over $38 million for the sale of the building
- The Agency must use best efforts to provide permanent parking for the Rotunda Buildmg tenants and customers

B. DDA for Property

On August 26, 2004, pursuant to Resolution No 2004-36 C M S , the Agency entered into the Property DDA with Rotunda Garage LP Rotunda Partners II, LLC (the developer under the Rotunda DDA) is the limited partner m Rotunda Garage LP Pursuant to the terms of the agreement, the Agency divided the Property into four parcels (see ***Attachment A***, Parcel Map Parcel 1- the garage site, Parcels 2 and 3 - retail or commercial sites, and Parcel 4 - a remainder site on 16th Street with garage access easements) The following outlines the key terms and conditions included in the Property DDA

- Rotunda Garage LP could purchase Parcels 1, 2 and 3 for $99 each, and ground lease Parcel 4 for $1 per year for a term of up to 20 years (in 5-year increments), or until the parcel is ready for development by Rotunda Garage LP or another entity All future development proposals for Parcels 2, 3 and 4 require separate Agency approval The Developer can sell Parcels 2 and 3 at fair market value after finishing a project on the site, or prior to project completion with the Agency's written consent For Parcel 4, the Agency can enter into a development agreement with other developers, subject to the Developer's first right to make a comparable offer before the end of the first 10 years of the ground lease term. The developer retains auto/pedestrian easements for garage access over Parcel 4 regardless of who develops the site Parcels 1 through 4 were transferred to Developer on December 3, 2004

- The Property DDA required the Developer to commence development on Parcels 2 and 3 no later than April 2011 The Developer was deemed to have commenced construction if Developer had provided or received the following (1) Agency approval of the development plans, (2) Approval of all required zoning and building permits for the Project, (3) An executed contract with a construction contractor who is experienced m retail construction of a similar size and type, (4) Approval of a construction loan by an institutional lender together with sufficient other monies to fund the proposed construction, or sufficient funds set aside in an escrow account to fund construction, including a reasonable amount of contingencies, (5) A construction completion bond or other security approved by Agency sufficient to complete the proposed construction and ensure payment of all construction cost, and (6) Evidence that the Developer's contractor had begun pouring the foundation for the development approved by the Agency If the Developer failed to meet that deadline, the Agency, subject to the default provisions included in the Property DDA, could repurchase the parcels for the purchase price ($99) plus the cost of any Developer-paid improvements

- On October 20, 1999, the Agency and Rotunda Partners II, LLC, executed a promissory note (the "Note", secured by a second deed of trust on the building) related to the $12 million referenced in section (A) above According to the Note, the loan to Rotunda Partners II, LLC has a term of 20 years, requires annual interest payments of 3 percent beginning in October 2013 and full principal repayment in 2019 As part of the Property DDA, the Agency assigned $4 million (plus interest of 3 percent) of the $12 million Note to Rotunda Garage LP

- The Agency rebates to Developer the net property tax increment generated by the Project on the Property (net of required pass-throughs for affordable housing, ERAF, etc) for 10 years Net property tax increment rebates over the last 7 years have averaged $47,000 per year These reimbursements were estimated at approximately $35,000 per year in the reuse appraisal (which is attached to this report) For newly constructed buildings, the County usually bases its initial assessment of the property value and the resulting taxes on the actual construction costs of the facility, which, in the case of the Rotunda garage, were higher than originally anticipated by the Developer (approximately $7 5 million vs the original estimate of $6 million) Since the Developer is paying higher property taxes, the reimbursement of net tax increment to the Developer also exceeds the original projections

C. Amendments to Property DDA

On April 18, 2009, the Agency and Developer amended the Property DDA for the first time by entering into an Agreement to Extend Development Deadlines to (1) extend the purchase and development rights of Adcock/Joyner Apartments, the property owner adjacent to Parcel 4, who had an option to purchase Parcel 4 under the Property DDA, by 16 months to March 2010, and (2) extend the right of Rotunda Garage LP to start Project development on Parcel 2 and 3 by two years from April 2011 to April 2013, effectively increasing the period for the Developer to develop these two parcels from 5 to 7 years before the Agency could exercise its repurchase rights In June 2012, a building permit for Parcel 2 was issued and foundation piers were installed thereafter The Developer has not satisfied any of the Property DDA terms with regard to the development of Parcel 3, and as a result, is in default of the Property DDA

After dissolution of the Agency in January of 2012, the Property DDA with the Developer and SPCC is now an obligation of the Oakland Redevelopment Successor Agency (ORSA)

In May 2013, the Property DDA was amended for a second time to (1) provide written ORSA consent to the transfer of Parcel 2 from the Developer to SPCC, and (2) modify the Property DDA's security requirements for development of Parcel 2 by SPCC After obtaining the ORSA's consent to transfer, the Developer sold Parcel 2 to SPCC for $152,000 SPCC is a limited liability corporation that is unrelated and separate from Rotunda Garage LP or Rotunda Partners II LLC None of the principals of Rotunda Garage LP or Rotunda Partners II LLC, including Phil Tagami, are members of SPCC, which was established by Fuad Sweiss for the sole purpose of acquiring the property and developing the proposed project Mr Sweiss has 33 years of real estate development experience

The reuse appraisal for Parcel 2, which is discussed in more detail below, acknowledged an estimated sales price of $335,300 for the property based on a 2004 appraisal by City staff SPCC has not proceeded with any further construction beyond the initial work completed on the property Additionally, SPCC has not yet satisfied all of the requirements necessary to demonstrate that the project on Parcel 2 has started construction Accordingly, SPCC is in default of the Property DDA ORSA cannot declare an Event of Default under the DDA until the notice and cure periods of 30 and 180 days, respectively, have been met Staff is working productively with SPCC to address the requirements of the DDA

ANALYSIS

A. The Reuse Appraisal

California Community Redevelopment Law (Section 33433 of the California Health and Safety Code) required that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must prepare for public review a reuse valuation of the asset to be conveyed A reuse valuation estimates the fair price to be paid for the property by the developer to the Agency, based upon the conditions, covenants, and development costs required by the agreement between the parties

In 2004, the Agency hired Keyser Marston Associates, Inc (KMA) to prepare the reuse appraisal KMA concluded that the Agency's financial assistance to the Developer was warranted to support the estimated private investment of $6 0 million needed to construct the garage With a valuation of the garage at $3,860,000 and a development cost estimate of approximately $6 million (excluding any land costs), a private investment of approximately $2,140,000 was needed to build the garage As shown in the reuse appraisal, the additional value created by the land write-down for Parcel 1, 2 and 3, the estimated sales proceeds for Parcel 2 and 3, the capitalized 10-year property tax increment rebate and the partial promissory note assignment helped to support the needed private investment as the combined value of the Agency's assistance equaled approximately $2 1 million A copy of the reuse valuation is attached to the report as ***Attachment*** B

The business terms established in the Property DDA between the Agency, the Developer and SPCC for the development of the 17th Street parking garage offered several benefits The development of the garage was a key component of the Agency's overall Uptown redevelopment strategy Primarily, the new garage provided needed parking not only for the Rotunda Building, but for the entire Uptown area The new parking partially offsets the loss of 1,200 parking spaces that resulted from the development of the Uptown Apartments The new garage also benefits many new surrounding businesses, including the Fox Theater and Oakland Ice Rink Lastly, related ownership of the parking and the Rotunda building, and easy tenant and customer access to secured parking in the garage should increase the value of the Rotunda Building, which, in turn, would increase the Agency's share of proceeds from a sale of the building Overall, the financial contributions made by the Agency for the development of the garage ensured financial feasibility and completion of the parking facility

B. Project Status

As stated above, Rotunda Garage LP has not met the terms of the Property DDA with regard to the development of Parcel 3 Parcel 3 measures 2;755 square feet and is oddly configured, making any development on the property architecturally challenging The Developer is currently reviewing a proposal for the site, but has not yet submitted any details to staff

With regard to Parcel 2, SPCC has not met the amended financing requirements pursuant to the terms of the Property DDA for developing a one-story commercial building on Parcel 2 Furthermore, after excavating and pouring concrete piers for the foundation of a one-story commercial building, SPCC redesigned the project SPCC is now proposing to build a five-story building with commercial retail space on the ground floor, three floors as office space, and a roof top restaurant As a result of this new development plan, SPCC must provide new evidence of building permits and planning approvals, a construction contract, financing approvals, labor and material bonds and other security requirements, which together, upon approval by ORSA staff, are deemed to constitute the start of construction of a project per the terms of the Property DDA

At this point, SPCC has received design review approval from the Planning and Building Department, and submitted construction documents for approval and issuance of building permits SPCC has also submitted a letter of interest from Summit Bank to provide project financing SPCC hopes to secure building permits by the end of February and financing shortly thereafter with an anticipated start-of-construction date of May 2014 Generally, staff has approved the new project design and supports the new proposal by SPCC SPCC will have to re-submit (1) evidence of approval of all required zoning and building permits for the project, (2) an executed contract with a construction contractor who is experienced in retail construction of a similar size and type, (3) evidence of approval of a construction loan by an institutional lender together with sufficient other monies to fund the proposed construction, or sufficient funds set aside in an escrow account to fund construction, including a reasonable amount of contingencies, and (4) a construction completion bond or other security approved by staff, which it has yet to provide, sufficient to complete the proposed construction and ensure payment of all construction cost to achieve compliance with the Property DDA

PUBLIC OUTREACH/INTEREST

There is no public outreach required with regard to this informational report

COORDINATION

There is no coordination required with other departments or outside agencies, except for the review of the report by the City Attorney's and Budget Office

COST SUMMARY/IMPLICATIONS

1 AMOUNT OF RECOMMENDATION/COST OF PROJECT

This is an information report that does not make a funding appropriation

2 COST ELEMENTS OF AGREEMENT/CONTRACT

The Property DDA is an existing contract Declaring the Developer and SPCC in default of the Property DDA and the costs associated with that type of action will have financial impacts for the Successor Agency, the magnitude of which cannot be determined at this time

3 SOURCE OF FUNDING

There is no source of funding required for this informational report

4 FISCAL IMPACT

There is no fiscal impact associated with this informational report

FISCAL/POLICY ALIGNMENT

The Project is in alignment with the following City priority
Economic Development Foster sustainable economic growth and development for the benefit of Oakland residents and businesses

- Develop comprehensive business attraction, retention and growth initiatives to attract green, biotech and other businesses that will result in more jobs for Oakland residents
- Continue to develop retail space and other attractions that will draw visitors to the City of Oakland

SUSTAINABLE OPPORTUNITIES

Economic There are no sustainable economic opportunities that can be implemented as a result of this informational report

Environmental There are no sustainable economic opportunities that can be implemented as a result of this informational report

Social Equity There are no sustainable economic opportunities that can be implemented as a result of this informational report

CEQA

This information report is exempt from the application of the provisions of the California Environmental Quality Act

Respectfully submitted,

FRED BLACKWELL
Assistant City Administrator

Reviewed by
Patrick Lane, Manager
Office of Neighborhood Investment

Reviewed by
Gregory Hunter, Assistant Director
Office of Neighborhood Investment

Prepared by
Jens Hillmer, Urban Economic Coordinator
Office of Neighborhood Investment

Attachment A – Parcel Map
Attachment B – Reuse Appraisal

ATTACHMENT A

PARCEL MAP WAIVER MAP

MAP OF A PORTION BLOCK B OF THE SURVEY MADE FOR G C POTTER, FILED IN
BOOK 2 OF MAPS AT PAGE 14 ALAMEDA COUNTY RECORDS
CITY OF OAKLAND,
COUNTY OF ALAMEDA,
STATE OF CALIFORNIA

OF BEARINGS

...ING OF SOUTH 13°13'26" WEST BETWEEN CITY OF OAKLAND MONUMENTS AND 6503 AS PROVIDED BY THE CITY OF OAKLAND DEPARTMENT OF WORKS IS TAKEN AS THE BASIS OF BEARING FOR THIS MAP

...MARK

...ONS FOR THIS SURVEY ARE BASED UPON THE TOP OF ...LEVATION AT THE EASTERLY CURB RETURN ON 17TH AT THE SOUTHEASTERLY CORNER OF THE INTERSECTION ...PABLO AVENUE WITH 17TH STREET AS SHOWN ON CITY LAND MONUMENT MAP NO. 321

...EL. ______ 30.71

APPLICATION TO WAIVE PARCEL MAP

I CERTIFY THAT I AM THE APPLICANT NAMED HEREON AND THAT THE INFORMATION GIVEN ON ANY SUBMISSION HEREWITH IS IN ALL RESPECTS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I FURTHER CERTIFY THAT I AM THE OWNER OR PURCHASER (OR OPTION HOLDER) OF THE PROPERTY INVOLVED IN THIS APPLICATION. I UNDERSTAND THAT ANY MAPS OR EXHIBITS FILED BECOME A PERMANENT PART OF THE FILE AND MAY NOT BE RETURNED TO ME.

SIGNATURE ______ I AM THE OWNER

ADDRESS ______ PURCHASER (INCLUDED COPY OF CONTRACT)

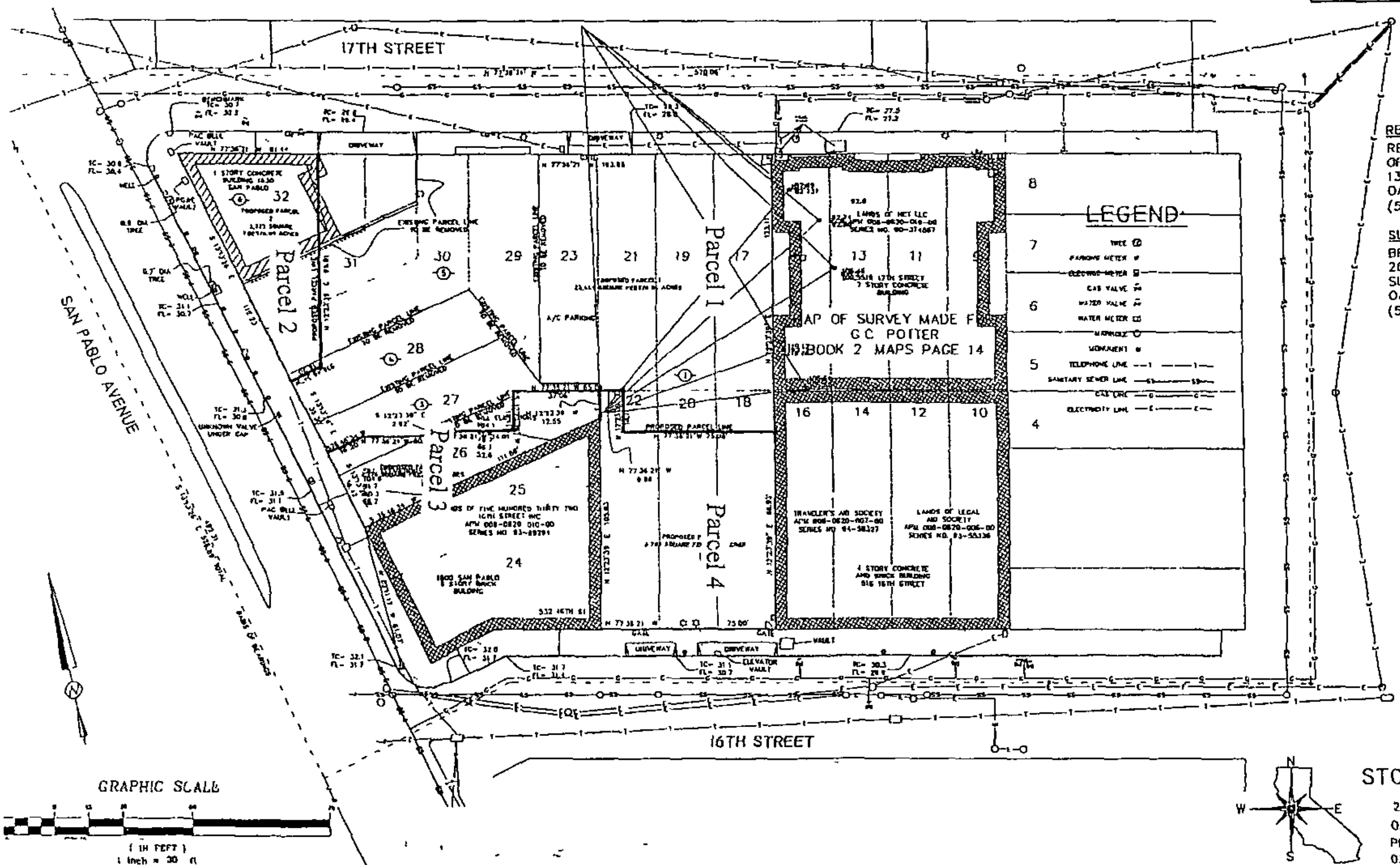
______

______

TELEPHONE NO. ______

OWNER'S NAME ______ (IF OTHER THAN APPLICANT)

OWNER'S ADDRESS ______ TELEPHONE NO. ______



RECORD PROPERTY OWNERS
REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND
1330 BROADWAY
OAKLAND CA 94612
(510) 238

SURVEYOR
BRUCE STORRS L S 6914
2647 INTERNATIONAL BLVD
SUITE 853
OAKLAND CA 94601
(510) 532-3501

EXISTING PARCELS

1. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
2. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
3. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
4. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
5. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
6. LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

TOTAL AREA

STORRS LAND SURVEYING
2647 INTERNATIONAL BLVD SUITE 853
OAKLAND CA 94601
PHONE (510) 532 3501
03-293_PMWM DWG

ATTACHMENT B

KEYSER MARSTON ASSOCIATES INC

GOLDEN GATEWAY COMMONS
55 PACIFIC AVENUE MALL
SAN FRANCISCO CALIFORNIA 94111
PHONE 415 / 398 3050
FAX 415 / 397-5065
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James A Rabe
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Gregory D Soo Hoo

SAN DIEGO
Gerald M Trimble
Paul C Marra

MEMORANDUM

To: Patnck Lane
City of Oakland
Communty and Economic Development Agency

From: Timothy G Kelly, CRE

Date May 19, 2004

Subject. Reuse Valuation – Site of 17th & San Pablo Garage

In accordance with your request, Keyser Marston Associates, Inc (KMA) has prepared the following reuse valuation for site of the proposed 17th & San Pablo Avenue Garage project in downtown Oakland The purpose of this reuse valuation is to estimate a fair consideration to be paid by the Developer to the Agency, based upon the covenants and the conditions included in the Disposition and Development Agreement ("DDA") The DDA is by and among the Redevelopment Agency of the City of Oakland (Agency) and Rotunda Garage, LP ("Developer")

The DDA restrictions and guidelines affect the charactenstics of the physical development and other features and impose certain requirements relating to how the project will be developed, to the operation of the project and to the transferability of the Developer's interest The covenants and conditions strongly affect the development economics of the Project and hence the ability of the Developer to pay for the Agency owned parcels

PROJECT DESCRIPTION

The Site is compnsed of four yet-to-be created parcels bounded by 16th Street, 17th Street and San Pablo Avenue in downtown Oakland The parcels are intended to be developed separately Parcel 1 (23,445 square feet) is to be developed as a parking garage compnsed of at least 320 parking spaces The design of the garage would incorporate the modifications required by the City Parcel 2 (3,273 square feet) is intended for retail and garage access Parcel 3 (2,775 square feet) is intended for retail or public works Parcel 4 (6,700 square feet) is intended for a surface parking lot and access to the parking garage No development rights are being conveyed to the Developer with respect to Parcel 4

ANALYSIS

There are three conventional methods that can be used to estimate reuse value as follows

The Income Approach – The income approach is a method of determining value based on the property's anticipated future income

The Cost Approach – This approach to value estimates the value based on reproduction or replacement costs of the improvements plus the market value of the land This approach is generally used for the valuation of property with existing improvements staying in place

The Sales Comparison Approach – The sales comparison approach to value is estimated by analyzing sales prices of similar properties

The Cost Approach is not applicable due to the fact that this analysis is a valuation of a site for new construction and the existing improvements will be demolished Neither is the Sales Comparison Approach applicable as few, if any, parking garage sales comparables currently exist in the local market

Thus, for the garage portion of the Project, KMA has used the Income Approach as the most suitable methodology for estimating the reuse value For the two retail parcels (Parcels 2 and 3), the City staff appraiser has estimated the value based on land values in downtown Oakland

Reuse Value Supported by Garage

The reuse value supported by the garage portion of the project is the private investment by the garage net operating income The reuse value supported by the garage is the private investment supported less the cost to construct the garage

Garage Net Operating Income (at Stabilization)

The net operating income (NOI) estimate for the proposed garage at stabilization was prepared by the Developer and reviewed for reasonableness by KMA KMA's review is based on the revenue and expense data provided by the City for two privately operated garages (20th/Telegraph and 21st/Telegraph Garages) and four city-operated garages (Pacific Renaissance Plaza, Clay Street, 1200 Harrison Street, and Telegraph Plaza Garages)

The information reported on these garages indicates that the net operating income (NOI) is summarized below and presented in the attached table

Garage	Spaces	NOI	NOI / Space
Pacific Renaissance Plaza Garage	578	$916,438	$1,586
Clay Street Garage	380	$578,804	$1,523
1200 Harrison Street Garage	200	$9,264	$46
Telegraph Plaza Garage	351	$193,240	$550
20th & Telegraph Garage (Projection)	400	$278,243	$696
21st & Telegraph Garage (Projection)	351	$241,089	$687
Project 17th & San Pablo Garage	320	$318,400	$995

Based on the information provided, we conclude that the Developer's estimate of $995 per space for net operating income, or approximately $318,400 total for the 320 spaces, is reasonable Furthermore, the public garages do not have to pay property taxes, which increases the NOI for a public garage However, for this project, the Developer will pay property taxes, which reduces the projected NOI for the proposed project Without property taxes, the NOI for the Project would be in the range of $1,250 per space The net operating income estimate of $995 per space is therefore accepted for our reuse analysis

The estimated value of the parking garage is based an 8 25% return on cost, that is, the private investment supported is the net operating income divided by 8 25% Based on the projected net operating income, the private investment supported is $3,860,000 (net operating income of $318,400 divided by 8 25%)

The cost of the garage development is estimated at $6 0 million This estimated is based on the preliminary estimated of $16,130 per space by the contractor, Pankow Companies Builders, or a total of approximately $5,162,000 for 320 spaces An additional 15% is included to reflect the garage design modifications required by the City, soft costs and financing

The cost to construct the garage is greater than the value supported by approximately $2,140,000, as summarized in the following table Therefore, the reuse value supported by garage is nominal

			At Stabilization
1	Valuation of the Garage		
	Parking NOI	*$318,400/Yr*	
	Pnvate Investment Supported @ 8 25%		$3,860,000
2.	Private Sector Costs		
	<Less> Estimated Garage Costs		<$6,000,000>
3	Garage Costs Exceeds Private Investment Supported		<$2,140,000>

Reuse Value Supported by Retail Parcels

For the 2 retail pads (Parcels 2 and 3), the City appraiser estimates the values to be $335,300 for Parcel 2 and $250,000 for Parcel 3 KMA has accepted these value estimates as they were recently completed by City staff No value is assigned to Parcel 4 as only intenm surface parking is permitted on the parcel

Fair Reuse Value

The reuse value of the site to be conveyed under the DDA is therefore the difference between the pnvate investment supported by the parking garage income and the pnvate costs to construct the garage, plus the value of the two retail pads (Parcels 2 and 3) The conclusion is that the cost to construct the required Project under the DDA is greater that the pnvate investment supported by approximately $1,554,700

1.	Valuation of the Garage		
	Parking NOI at stabilization	*$318,400/Yr*	
	Pnvate Investment Supported @ 8 25%		$3,860,000
2	Private Sector Costs		
	<Less> Estimated Garage Costs		<$6,000,000>
3	Subtotal		<$2,140,000>
	Plus Value of Retail Pads		
	(as estimated by City appraiser)		
	Parcel 2		$335,300
	Parcel 3		$250,000
	Total Value of Retail Pads		$585,300
4	Costs Exceed Value of Private Investment		<$1,554,700>

Therefore, the reuse value for the site to be conveyed under the specific terms and conditions of the DDA is nominal

SUMMARY OF BUSINESS AGREEMENT

The above analysis indicates that the reuse value is nominal and, in fact, the cost to construct the garage is greater than the private investment supported Thus, Agency financial assistance is warranted in order to support the pnvate investment needed to construct the parking garage The key terms of the business agreement between the Agency and the Developer for the provision of financial assistance by Agency to the Project are summanzed below

Agency

1. Subdivide the Site into four parcels and create a pedestnan and vehicular entry/exit easement on Parcel 4

2. Sell the land to the Developer Parcels 1, 2 and 3 for $99 each

3. Lease Parcel 4 to the Developer for $1 00 per year for 15 years or until such time a development project is approved by the Agency

4. Rebate to the Developer the tax increment generated by the project (parking garage on Parcel 1), net of all pass thoughts to the County, ERAF, and the Housing Set-Aside for up to 10 years after the project receives a temporary certificate of occupancy

5. Assign to the Developer a note for $4 million in pnnciple plus interest from the $12 million loan made by the Agency to Rotunda Partners II on the Rotunda Building

Developer

1. Receive all Parcels in an "as is" condition and demolish the existing building at 1630 San Pablo

2. Purchase Parcels 1, 2 and 3 from the Agency for $99 each

3. Design, secure approvals and build garage with at least 320 spaces on Parcel 1, in accordance with the scope approved by the City, i e , the design of the garage must incorporate the modifications required by the City

4 Within 5-years, build one-story retail on Parcels 2 and 3 Otherwise, the Agency has the option to reacquire these parcels by reimbursing Developer for demolition, landscape and hardscape costs

5 Lease Parcel 4 for $1 00 per year from the Agency for 15 years or until such time as a development is approved by the Agency (Developer has only the option to propose on the project, but would retain the auto/pedestnan easement for the garage over Parcel 4)

6 Operate the public parking garage in accordance with the Garage Operation provisions set forth in the Business Agreement

PRIVATE INVESTMENT SUPPORTED

Per the Business Agreement, the Agency has offered to rebate the tax increment generated from the parking garage and to assign the payment of the $4 0 million note from the Rotunda Building to the Project The Agency has estimated that the annual amount of the tax increment to be rebated is approximately $35,000 (for FY 2006-07) and the amount of interest to be paid on the Rotunda note is $120,000 (estimated at 3% interest per year on $4 0 million) The additional value created by the tax rebate and the note payment, capitalized, will help support the pnvate investment needed for the garage, as shown below

		At Stabilization
1. Valuation of the Garage		
Parking *NOI (before T I)*	*$318,400/Yr*	
Pnvate Investment Supported @ 8 25%		$3,860,000
2 Value of Retail Pads		
(as estimated by City appraiser)		
Parcel 2		$335,300
Parcel 3		$250,000
Total Value of Retail Pads		$585,300
3 Value of Agency Assistance		
(as estimated by Agency at 8 25% Discount Rate)		
Tax Increment Rebate (10 years)		$213,000
Rotunda Building Note Assignment ($4 0 M)		$1,300,000
Total Value of Agency Assistance		$1,513,000
4 TOTAL PRIVATE INVESTMENT SUPPORTED		$5,958,300
	Say,	$6,000,000

5 ESTIMATED PRIVATE INVESTMENT NEEDED $6,000,000

CONCLUSION

Based on the preceding analysis, Agency financial assistance in the form of tax increment rebate for 10 years and assignment of a $4 0 million note from the Rotunda Building are warranted to support the pnvate investment of $6 0 million needed to construct the 17th & San Pablo Avenue Garage as proposed by the Developer

LIMITING CONDITIONS

An analysis of this type is subject to certain limiting conditions, as follows

1 The analysis contained in this document is based, in part, on data from secondary sources, while KMA believes that these sources are reliable, we cannot guarantee their accuracy

2 The analysis assumes that neither the local nor national economy will expenence a major recession If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid

3 Any estimates of development cost, and/or income and expense projections in this evaluation are based on the best available project-specific data as well as the expenences of similar projects They are not intended to be predictions of the future for the specific project No warranty or representation is made that any of these estimates or projections will actually matenalize

4 Value estimates assume that any necessary entitlement or zoning changes for development can be obtained in a reasonable time frame

5 The prepare is not required to give testimony or appear in court because of having made this value estimate with reference to the property in question, unless arrangements have been made previously therefore

TABLE 1
PARKING REVENUES & EXPENSES
17TH STREET GARAGE
OAKLAND, CA

	Ptoposed 17th Street Garage [1]		20th & Telegraph Garage [2]		21st & Telegraph Garage [2]		Pacific Renaissance Plaza Garage [3]		Clay Street Garage [3]		1200 Harrison Street Garage [3]		Telgraph Plaza Garago [3]	
	(Projected by Developer)		(Projection 2005)		(Projection - 2005)		(Audited Report 2003)		(Audited Report 2002)		(Draft Financial Statement 2003)		(Draft Financial Statement 2003)	
Number of Spaces	320 Sp		400 Sp		351 Sp		578 Sp		380 Sp		200 Sp		351 Sp	
	Total	/Sp	Total	/Sp	Total	/Sp	Total	/Sp	Total	/Sp	Total	/Sp	Total	/Sp
Gross Revenues			$720 768	$1 802	$674 325	$1 921	$1 338 831	$2 316	$793 533	$2 088	$179 611	$898	$411 779	$1 173
<Less Parking Tax @ 20%>			($144 154)	($360)	($134 865)	($384)	N A	N A	N A	N A	N A	N A	N A	N A
Net Revenues			$576 614	$1 442	$539 460	$1 537	$1 338 831	$2 316	$793 533	$2 088	$179 611	$898	$411 779	$1 173
Operating Expenses			($298 371)	($746)	($298 371)	($850)	($422 393)	($731)	($214 729)	($565)	($170 347)	($852)	($218 539)	($623)
Net Operating Income	$318,362	$995	$278 243	$696	$241 089	$687	$916 438	$1 586	$578 804	$1 523	$9 264	$46	$193 240	$550

[1] Estimated by Developer at stabilization
[2] Provided by City Park
[3] Provided by City of Oakland