OAKLAND OVERSIGHT BOARD MEMORANDUM

TO:

Oakland Oversight Board

FROM: Fred Blackwell

SUBJECT:

Status of State review of Oakland's

DATE: December 16, 2013

Long Range Property Management Plan

ITEM: #5

RECOMMENDATION

Staff recommends that the Oversight Board accept this Status Report on the State Department of Finance's review of Oakland's submitted Long Range Property Management Plan (LRPMP).

ANALYSIS

At its meeting of July 15, 2013, the Oakland Oversight Board adopted Resolution No. 2013-14, approving a Long Range Property Management Plan (LRPMP) for the disposition and use of former Redevelopment Agency properties, authorizing staff to submit the plan to the State for review and approval, and authorizing the disposition of properties pursuant to the plan once approved by the State.

Since the submittal of the LRMPM, staff have spent several months in discussions with the Department of Finance (DOF), including a period during which the review was delayed while DOF focused on the 2013-14B ROPS. Recently DOF has asked for documentation for sources of funds on property purchases, evidence that development projects were included in redevelopment plans, and various lease and parking license agreements. Staff has provided resolutions for land purchase that included funding source, resolutions for Five-Year Implementation Plans that include the development projects, and numerous lease and parking license agreements.

DOF has provided initial verbal comments to Oakland staff on the LRPMP, and informed staff that the determination letter should be issued before the winter holidays. If DOF adheres to this timeline, staff should be able to provide the determination letter to the Oversight Board in January, 2014, and to schedule any needed follow-up actions for Board consideration at its first meeting in January (date to be determined). DOF's initial comments included:

1. The LRPMP will be approved or denied as a whole. Since DOF has issues with a number of elements of Oakland's Plan, it is not likely to be approved.

- 2. Once the plan is approved, each property sale will still likely require separate approval from DOF. However, DOF states that if the proposed sale is consistent with the LRPMP, it will approve the sale within five business days.
- 3. In several sections the LRPMP talks about distribution of sales proceeds to taxing entities "to the extent permitted under bond covenants and federal law." DOF plans to require that compensation agreement(s) be called for in the LRPMP and/or LRPMP resolution. However, staff's impression was that DOF would not require that compensation agreement(s) be executed before the plan is submitted again.
- 4. While staff believe that the Oversight Board can leave the caveat regarding distribution to taxing entities "to the extent permitted under bond covenants and federal law" as previously adopted, there remain questions about restrictions on taxable bonds. The way the State analyst described DOF's position, the letter Oakland submitted from the bond counsel covered tax exempt bonds clearly, but not taxable bonds. In fact, though, the memo was expressly regarding taxable bonds, and staff subsequently sent an email to the State showing that the memo from Jones Hall covered taxable bonds.
- 5. The LRPMP didn't include current values on five properties: the Amtrak Site, the Oakland Ice Center, the Franklin 88 Garage, 73rd & International, and 1606-08 Chestnut Street. Those values will need to be included in the next LRPMP.
- 6. DOF staff suggest that Oakland needs to be clear on the minimum price for the property proposed for sale. DOF seems to be looking for a specific procedure or set of guidelines; e.g., if property is sold to the neighboring property owner, that neighboring owner would have to pay the appraised value for the highest and best use, but if an open process to market the property is employed, the sale can take place at whatever the highest bid price for the properties turns out to be.
- 7. DOF does not want to allow sale of the remainder sites through a process where there are costs but no revenue. These are the Oak Center remainder sites of between 109 square feet and 1,250 square feet, which are undevelopable and therefore have no value. It was suggested by DOF staff that the properties be transferred to the City for a governmental purpose or development project, and that the City would have to cover the cost to transfer the properties to someone else. But these remainder properties don't seem to fit either of those categories.

Staff will provide an oral update at the December 16 Oversight Board meeting with any new information received from the State after the publication of this report.

For questions regarding this report, please contact Patrick Lane, Development/Redevelopment Program Manager, at (510) 238-7362.

/S/ Fred Blackwell, Assistant City Administrator

Respectfully submitted,