

MINUTES OF THE SPECIAL CITY COUNCIL MEETING
WEDNESDAY- -MAY 8, 2012- -7:00 P.M.

Mayor Gilmore convened the meeting at 7:03 p.m. Councilmember Tam led the Pledge of Allegiance.

ROLL CALL – Present: Councilmember Bonta, deHaan, Johnson, Tam and Mayor Gilmore – 5.

Absent: None.

ORAL COMMUNICATIONS, NON-AGENDA

None.

AGENDA ITEMS

(12-216) Resolution No.14672, “Authorizing the City Manager to Negotiate and Execute a Final Naval Air Station Alameda Exchange Agreement Between the City of Alameda and the State of California, Acting by and through the State Lands Commission in Substantial Conformance with the Proposed Naval Air Station Alameda Exchange Agreement.” Adopted.

The Chief Operating Officer – Alameda Point gave a brief presentation and reviewed maps showing the land that would be swapped.

Mayor Gilmore inquired how many acres are coming out of the trust and the acreage amount for the first phase six months after the City receives the land from the Navy.

Angelo Orbertello, Carlson Barbee Gibson, responded 96 acres of trust addition lands will go into the trust in the first phase exchange and there are 224 acres in the trust termination land.

The Chief Operating Officer – Alameda Point stated the ratio is approximately three to one.

Mr. Orbertello stated the entire trust addition land is 121 acres and the trust termination land is 301 acres.

Councilmember deHaan stated the exchange has been discussed for years; inquired whether anything has changed significantly.

The Chief Operating Officer – Alameda Point stated there have been minor tweaks; the proposal is consistent with the legislation from 2000; nothing has changed significantly in twelve years; approving this agreement is the next step required by the legislation.

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Councilmember Johnson left the dais at 7:10 p.m. and returned at 7:15 p.m.

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Councilmember deHaan moved adoption of the resolution.

Vice Mayor Bonta seconded the motion, which carried by the following voice vote: Ayes Councilmembers Bonta, deHaan, Tam and Mayor Gilmore – 4. [Absent: Councilmember Johnson – 1.]

(12-217) Recommendation to Approve Proposed Disposition and Development Strategy for Alameda Point Based on Supplemental Information.

The Chief Operating Officer – Alameda Point and the Planning Services Manager gave a Power Point presentation.

In response to Councilmember Johnson's inquiry whether form based code seems like the City is designing the project, the Planning Services Manager stated the current design review process makes applicants keep trying until staff approves the project; form based code offer guidance about the type of design.

Councilmember Johnson questioned what Frank Lloyd Wright's reaction would be to form based codes; stated a form based code is probably good for standard projects, but does not create anything spectacular.

The Planning Services Manager stated the Development Advisor's role would be very important; the City cannot create a form based code that developers cannot work with.

Councilmember Johnson stated form based code would not provide the opportunity for something great.

The Planning Services Manager stated the concept of signature buildings was discussed in community workshops; people expressed interest when shown pictures of buildings, such as the [San Francisco] Ferry Building.

Councilmember Johnson stated the City has to be careful not to just require mediocrity.

The City Manager noted mediocrity can be a product of traditional design review.

Councilmember deHaan stated the form based philosophy was adopted by Council for North of Lincoln; inquired whether the City already has experience with form based code.

The Planning Services Manager responded in the affirmative; stated the environmental review would be covered if plans are consistent with the code.

Councilmember deHaan inquired whether another example is Encinal Terminals, to which the Planning Services Manager responded a draft Master Plan has been prepared for Encinal Terminals to create a plan that the City would approve, but the Plan has not been adopted.

Councilmember Tam stated there have been cycles of booms and busts with Harbor Bay Business Park; the Chinese Christian School was never envisioned, as well as the Raiders Headquarters, the hotel, and VF Outdoors; the current Council is lucky to have built on decades of prior work; although the process would be streamlined, she is not sure the code would insulate the City and be flexible enough to deal with boom and bust cycles of the market; the Harbor Bay Business Park took a long time and the developer had to sell.

The Planning Services Manager concurred with Councilmember Tam; stated predicting booms and busts of the economy is very difficult; the challenge is to develop a code that has enough flexibility to respond to booms and busts; a great project could come forward and the code could be changed to match the project; noted Harbor Bay Business Park does not have a form based code; form based code would not avoid all future controversy; if the code is done right, the City can do a better job of articulating projects to developers and the community.

Councilmember Tam stated the Council asked about development of a leasing strategy; a lot of City subsidies are required for businesses, such as VF Outdoors; businesses are enticed by waivers, transfer tax breaks or discounted electrical rates; when reviewing a leasing strategy, businesses want to know what the City can do to assist with expansion; understanding the leasing strategy is foundational in terms of bonding to do entitlements and paying for improvements; lease lengths differ; inquired whether the City has a handle on leases and whether the revenue stream is sustainable.

The Chief Operating Officer – Alameda Point stated the City did not want to extend or amend leases in the potential Lawrence Berkeley National Lab (LBNL) location footprint because existing leases would have had to be renegotiated or bought out if LBNL had selected the site; staff is renegotiating longer leases; the terms depend on location; longer term opportunities are being reviewed in the adaptive reuse area; areas where development would start soon have shorter leases; 24 to 36 month leases are being contemplated for the LBNL footprint in the employment area so the City can be nimble enough to take advantage of opportunities; five to perhaps ten year leases are being considered for the eastern side of the employment area since the waterfront area would be developed before the eastern portion; staff is cognizant of areas where development will occur first and opportunities for renegotiating existing leases or entering into new leases; staff is trying to fill and review long term leases for hanger row, which has St. George Spirits and Rock Wall, since it is a buffer zone and the buildings will be there for longer; Keyser Marston is working on an economic strategy, which will address a long term leasing strategy.

Councilmember Tam inquired how the strategy correlates to bonding against \$12.5

million gross and potentially \$6 million net lease revenue; inquired about the debt service.

The Chief Operating Officer – Alameda Point stated the debt service estimate is \$475,000.

Councilmember Tam inquired whether the debt from the first year would be rolled over, to which the Chief Operating Officer – Alameda Point responded in the affirmative; stated amortizing the first year debt service is common.

Mayor Gilmore stated staff was to bring something financially feasible; the first pad is financially feasible; the entire project and the three different zones independently are not financially feasible; the bonds are 3% of gross lease revenues, but are 79% of the net lease revenues, which is really different; that she would guess the reason the debt service would be amortized the first year is because there is not sufficient cash flow; people need to understand the debt payment cannot be made the first year; there is not a lot of cash; further stated that she has questions about the nature and types of commercial leases; 67 of the 81 commercial leases are less than two years, which tends to be more risky; inquired whether the short terms of the leases affects the interest rates; and whether bond purchasers would be looking for covenants or assurances.

Sarah Hollenbeck, Public Financial Management, Inc., responded any investor would perform due diligence; stated detailed information would be laid out in the official statement; the portfolio has been reviewed and the interest cannot be guaranteed at this point; the conservative estimate is about 6½% on an average life of 16 years; the margin is fairly generous; the history and track record of Alameda Point is important; the revenue stream is 30% higher than it was when bonds were issued in 2003; there is also a much longer performance history; the success of leasing the property balances the shorter leases; projections did not include any lease revenue growth; coverage figures provided are fairly conservative.

Mayor Gilmore inquired whether the debt coverage ratio would make this the only opportunity to issue bonds unless lease revenues grow significantly.

Ms. Hollenbeck responded the bond issuance would include an additional bond test; stated a threshold has to be met in terms of coverage of existing and future bonds; outlined coverage requirements; stated money in excess of debt service has to be generated, but is not tied up in the debt.

Mayor Gilmore inquired whether said funds [required coverage amounts] could be spent as cash, but could not be bonded against, to which Ms. Hollenbeck responded additional bonds could only be issued on a subordinate basis.

Councilmember Tam stated that she is struggling with deciding whether the City should bond, not if the City can bond; the staff report indicates the development is not feasible

under current market conditions; that she would like to understand how said conclusion was reached; inquired whether the bonds are being issued for the first pad.

The Chief Operating Officer – Alameda Point stated the bonding is for a California Environmental Quality Act (CEQA) Environmental Impact Report (EIR) for the entire Base; the project description might change over time and require supplemental environmental review; the initial EIR would clear most of the projects for the entire property and allow all areas to move forward; a Master Plan and form based code is being contemplated for the 80 acre residential project and the town center; hopefully, the planning tool will last 20 to 30 years.

Councilmember Tam inquired whether the City would have a CEQA document for the entire Base Reuse Plan that is deemed not feasible under current market conditions.

The Chief Operating Officer – Alameda Point responded the document would clear development up to 1,425 residential units and 5½ million square feet of commercial.

Mayor Gilmore stated that she has a problem with going into debt to fund entitlements for a project that is not feasible under current market conditions; Alameda Landing is entitled and is not moving forward.

Councilmember Tam stated there has to be some hope of return and feasibility; requested an explanation of the [staff report] Exhibit 5 finding that the Base Reuse Plan is not feasible.

The City Manager responded the City's infrastructure numbers are vastly inflated; stated professionals need to be brought in to review the plan and determine correct figures; infrastructure includes all mitigations and promises made to the community, some of which will never materialize; 79% of the net is not a fixed number; there is a lot of latitude; in the event of stress, positions could be eliminated and the net would be lower.

The Chief Operating Officer – Alameda Point stated there are discretionary items in the budget, which raise the debt coverage ratio to anywhere from 7.6 to 8.3; said ratios are well above the amount required for the bond.

Mayor Gilmore stated maintenance is part of what would be subordinated to the debt payment; tenants complain about maintenance; that she would not want to cut maintenance.

The Chief Operating Officer – Alameda Point stated the major maintenance budget of approximately \$1.8 million is off the table and would be paid before debt service; other extra, enhanced maintenance budgets are subsequent to the debt service payment.

Councilmember Tam requested an explanation of the assumptions in the Base Reuse Plan; inquired whether the plan would be feasible under any market conditions; further inquired about infrastructure costs; stated that she is getting more risk adverse since

there is no longer a firewall between Alameda Point and the General Fund; core City services need to be preserved.

Tim Kelly, Keyser Marston, responded [staff report] Exhibit 5 was done assuming a holistic approach of developing the entire Base; infrastructure costs are much higher than the current market can support; the converse is that the infrastructure has to be the size that can be supported by the private market or lease revenues.

Councilmember Tam inquired whether the infrastructure amount includes schools, to which the Chief Operating Officer – Alameda Point responded parks, a sports complex and school fees are included.

The City Manager noted the infrastructure costs are well above the norm for the Bay Area.

Mr. Kelly stated the table indicates that doing the whole project at once is not feasible; pieces have to be carved out.

Councilmember Tam stated the prior developer looked at a higher [housing] unit amount and a higher number for commercial space; inquired whether the fewer [housing] units and commercial space should have a lower infrastructure cost.

The Chief Operating Officer – Alameda Point responded a lot of the costs are fixed.

The City Manager stated the phased approach is being brought forward because the entire infrastructure bill cannot be paid at the outset; all of the infrastructure cannot be done under current market conditions.

Councilmember Tam stated the sum of the parts need to add up to the whole at some point; without understanding future phases, the sum of the parts would not add up to the whole.

The City Manager stated the project cannot be planned from the first day; any numbers can be assumed; staff does not know what the market will look like in ten to fifteen years; eliminating entitlement risk and controlling the Plan would allow projects to be approved when the economics work.

In response to Councilmember Tam's inquiry regarding the project description, the Chief Operating Officer – Alameda Point stated the Base Reuse Plan with alternatives would serve as the project description.

The City Manager stated the CEQA document would be the master document; more focused CEQA documents might be required for certain portions in response to market conditions in the future; digesting bases in one bite is not possible, but course headings need to be set; the proposed process does so without being tied to a particular developer or plan.

Mayor Gilmore stated developing smaller amounts makes sense; inquired whether the most feasible project is 220 homes on 20 acres, to which Mr. Kelly responded in the affirmative.

Mayor Gilmore stated that she understands the need for a master infrastructure plan; inquired why a Request for Proposal (RFP) cannot be done for the [20 acre] site.

The City Manager stated one developer controls Alameda Landing; the advantage of the proposed direction is the diversity of developers.

Mayor Gilmore stated that she does not object to having diverse developers; questioned why the City has to go into debt to do so; stated if an RFP were done for the [20 acre] pad, the funds generated could be used to bootstrap the next project.

Councilmember Tam stated Mayor Gilmore's suggestion shifts the risks and costs.

The City Manager noted entitlement risk would not be eliminated under said scenario.

The Chief Operating Officer - Alameda Point noted both entitlement and CEQA would not be done; putting the 20 acres on the market without having the CEQA work done for the rest of the Base would be difficult; infrastructure needs would not be known.

Mayor Gilmore stated the money that would have been used for the bond could be used to pay infrastructure.

Councilmember Johnson inquired when the City would generate revenue from going through the proposed process.

The Chief Operating Officer – Alameda Point stated some reimbursement is assumed in each phase of the project.

Councilmember Johnson stated the City has tried with a Master Developer twice; the Catellus Alameda Landing project has changed with the market; a 20 year plan cannot predict all changes in the market.

Councilmember deHaan stated Harbor Bay Business Park has gone through cycles; waiting for the market would put the City behind the curve; outlined the potential to lose out on opportunities, previous proposals and leasing history.

Mayor Gilmore stated that she is questioning how to move forward and whether or not to go into debt.

Councilmember deHaan stated going forward incrementally would put the City behind the curve.

Mayor Gilmore stated money would be spent on a vague possibility; questioned what market research indicates the first phase would get off the ground and generate momentum.

Councilmember deHaan stated from the LBNL process, the City now has a vision for said area; as a result, the pad is more marketable.

The Chief Operating Officer – Alameda Point stated the environmental review has not been completed; over a year of environmental review represents significant entitlement risk and diminishes the marketability of the project; market research has indicated developers are interested in how fast projects can start; environmental review is the largest expense.

In response to Mayor Gilmore's inquiry regarding rental rates, Mr. Kelly stated the City needs to find businesses that are currently in the East Bay that want to expand and own their own buildings.

Mayor Gilmore stated that she would support moving forward if the funding could come from cash flow; that she has a problem using debt to fund entitlements.

The City Manager stated infrastructure cannot be built without a plan; the Base offers the opportunity for campuses and companies to construct their own buildings with great views in a location without adjacent residential neighborhoods; in discussions with the development community, everybody has said the one thing the City can do in the downturned economy is get entitlements in place, which would make the land more valuable when the economy picks up; the amount has to be paid either way; rather than selling the land with entitlements, the land would have to be given away; the reward merits the risk; there is little risk to the General Fund.

Mayor Gilmore stated entitlement is a risk; however, the bigger risk is the property itself; developers might not be able to build because of the land itself.

Councilmember Johnson stated there are advantages to going forward as proposed; a big benefit is having control over what is developed at the Base; two Master Developers did not go forward; a Master Developer would also develop smaller portions at a time; the proposal allows response to the market.

Councilmember Tam stated no one is arguing to go back to a Master Developer model; the community has a limited amount of control; what goes in is really dictated by the market; that she sympathizes with the Mayor regarding the concept of shared risk; that she would like to share the risks with a developer willing to fund part of the CEQA document.

Mayor Gilmore noted that the City had a development partner to share some of the costs for the LBLN proposal.

Councilmember Johnson questioned what the alternative is and how the Base could be developed without a Master Developer.

Councilmember Tam reviewed [staff report] Exhibit 6 and cost sharing.

The City Manager noted developers are not coming forward.

Councilmember deHaan stated that he does not know another way to go forward.

Councilmember Johnson stated the other alternative would be a Master Developer.

Mayor Gilmore stated an RFP could be issued [for the 20 acres] to see if the development community is interested.

Councilmember Johnson questioned how the number of houses could be decided upon without entitlements.

The City Manager stated the other problem is the developer would not know what is going to be developed on the adjacent land; the work done on LBNL has been reused to chase other projects.

Councilmember Johnson stated having entitlements makes attracting projects easier; that she does not see other choices.

Vice Mayor Bonta stated there is some discomfort with the proposal; inquired whether the City could dip its toe in the water without diving in completely, which would develop comfort in the process and not cause \$5 million in debt; perhaps a few key portions could be funded; trying something smaller with less risk could build momentum; there are a range of choices.

The City Manager stated the smaller projects would not succeed without an EIR for the entire Base; developers will not do a piece without a broad sense of the overall development; Council could direct staff to proceed in said manner, however he is not optimistic that the method will succeed and it could cost more money in the long run; another alternative would be to focus on long term leases.

Councilmember Tam inquired about other entitlement options that do not require issuing bonds.

The City Manager responded \$475,000 could be spent over 10 years to do the work little by little and money could be saved to do a complete EIR later; further stated that he does not believe there is a way to do the planning half way.

Vice Mayor Bonta inquired whether or not there is an approach that could cost less than \$5 million, to which the City Manager responded that he does not believe there is another option that would be effective, get the EIR approvals, zone properly and deal

with infrastructure.

In response to Councilmember Tam's inquiry regarding debt, the City Manager stated the other way has not worked for sixteen years; the underlying property issues are more important than entitlement risk, but cannot be impacted; entitlement risk is the thing the City can deal with.

Mayor Gilmore stated that she agrees entitlement risk is the one thing the City can control, however, she disagrees that the previous projects failed because of entitlement risk; the projects failed in large part because they did not pencil out.

The City Manager stated part of the reason the projects did not pencil out is because the City was going through the entitlement process with community interest burdens; the base reuse process Statewide caused people to come up with laundry lists that do not match the Internal Rate of Return (IRR) needs of developers; the City cannot correct said conflict; the proposed plan is a way to address said conflict in a democratic way.

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Councilmember Tam left the dais at 9:03 p.m. and returned at 9:05 p.m.

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Expressed concern about spending money for a project that does not pencil out, bringing capital to the project, backbone infrastructure and predevelopment costs, and signing a contract: Karen Bey, Alameda.

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Councilmember deHaan left the dais and returned at 9:17 p.m.

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The City Manager noted that the development advisor may do brokerage on the pads, but cannot bid on any of the projects.

Councilmember Johnson stated the developer would need capital partners, not the City, requested staff to clarify.

The Chief Operating Officer – Alameda Point stated the City would have entitlements and would engage a developer to do construction; the City would not take on any infrastructure risk.

Councilmember Johnson noted the City did infrastructure for Catellus Bayport project, but should not be doing so now; stated staff has done a conservative financial analysis; there are long term tenants with short term leases; the plan is well thought out; Fort Ord in Monterey has been done piecemeal and projects have been done in wrong locations.

Councilmember deHaan stated that he is conservative; questioned where the City would be if going forward with one pad does not work; stated going forward with multiple

pads cannot be done without and EIR; \$5 million is a small investment for the project; another change in the market should not be missed; the Council committed to this direction less than one year ago; if the proposal does not go forward, the City cannot seek grants or attempt to have the State allow redevelopment.

Councilmember Johnson moved approval of the staff recommendation.

Councilmember deHaan seconded the motion.

Mayor Gilmore stated that she would vote no because it is not the best time to be bonding and time would be better spent bolstering existing tenants, working on a long term leasing strategy and checking in after two or three years; the City does not know if the State will pass legislation; the action is premature.

Councilmember deHaan discussed leasing; stated waddling along will make the City miss the next opportunity.

Councilmember Tam stated that she would not support the motion; no cost conveyance was significant progress; elimination of redevelopment shifted risk to the City; assurances are needed that the infrastructure costs would be covered; existing tenants should be bolstered; funds should be used to pay for infrastructure improvements and keeping existing tenants.

Vice Mayor Bonta stated that he wants to move forward and has an appetite for some risk; the plan presented has significant risk; that he would like to proceed without bonding; there might be other potential options; the plan has more risk than he is willing to take today; he would support a scaled down version.

Councilmember Johnson suggested having staff analyze the proposal to see if there could be another version; stated the City has to be ready for the next change in the economy; the plan is not reckless and does not include undue risk; based on conservative analysis, the City has the revenue; \$5 million is not a large amount for the Base; the Base will continue to deteriorate.

The Chief Operating Officer – Alameda Point noted doing nothing increases the City's risk; entitlements minimize risk and get the City closer to having a shovel in the ground.

The City Manager noted staff would not be able to come back with a hybrid plan anytime soon; that he heard Council wants to have developers cover the entitlement risk, which is fine; in the meantime, staff will increase leasing efforts in the adaptive reuse area and try to attract development in the employment zone.

Councilmember Johnson stated the City is committing to allow the Base to rot away; enough revenue is not generated to do real maintenance; the buildings are rotting away.

The City Manager stated entitling property piecemeal does not make sense; doing

projects in response to opportunity makes sense.

Councilmember Johnson inquired whether Vice Mayor Bonta would agree to any change that would allow moving forward tonight.

Councilmember deHaan expressed concern with marketing existing buildings.

The City Manager noted bonds would not come back until September; inquired whether the Council would consider being its own lender; stated if bonds and debt is the hold up, \$5 million from the [ARRA] fund balance could be used and bonds could be issued in the event of a disaster.

Councilmember Tam stated the problem is what the debt pays for; that she would like money spent on operations; going into the reserves to pay for planning does not get a water pipe or gas main; that she would be open to going into debt to pay for infrastructure.

Councilmember Johnson stated developers would pay for infrastructure.

The City Manager stated staff has a different view about what entitlement would do for the land sale price.

The Chief Operating Office – Alameda Point noted having developers pay for entitlements would require a 25% return instead of paying a 6½% interest rate.

Councilmember Tam stated that she is not convinced that the entitlement risk would be eliminated through the proposed process; zoned projects have huge delays.

The Chief Operating Officer – Alameda Point stated doing nothing does not mitigate the risk.

Councilmember Tam stated no one is proposing not doing anything.

The Chief Operating Officer – Alameda Point stated not entitling the property makes development less likely.

Councilmember Johnson questioned what the alternatives are; stated the City would not be talking to Target without entitlements at Alameda Landing.

Vice Mayor Bonta stated that he is not willing to support the proposal presented, but would support some version; that he would be more likely to support a scaled down version.

The Chief Operating Officer – Alameda Point inquired whether a scaled down version would involve spending less money, to which Vice Mayor Bonta responded in the affirmative; stated hopefully, it would involve not financing or financing to a lesser

amount; something with less risk.

Councilmember Johnson stated spending the money is risk; there is no way to avoid risk.

The City Manager noted the ARRA fund balance being held for a disaster could be used over the two years of the project instead of bonds.

Councilmember deHaan discussed a funding option spending \$2.5 million the first year and \$2.5 million the second year based on certain deliverables.

Councilmember deHaan requested the motion be amended to proceed in two funding phases: the first phase would use \$2.5 million from [ARRA] fund balance; the entire scope would be completed as envisioned and presented in the staff report; after one year, the City would examine the feasibility of moving forward with the other \$2.5 million from [ARRA] fund balance or bonding; said structure would embark on the full scope.

Councilmember Johnson agreed to amend the motion.

The City Attorney noted financial advisors indicated \$2 million would be the minimum bond amount that would make sense.

Councilmember Tam inquired whether the bond would be taxable, to which the City Attorney responded in the affirmative.

Vice Mayor Bonta stated that he is looking for a way to test the strategy and get feedback without doing the \$5 million bond up front; inquired whether staff believes a test could be done on a smaller scale.

The City Manager responded in the negative.

Vice Mayor Bonta inquired whether \$5 million is the minimum, to which the City Manager responded the Base needs to be entitled; entitlement for the whole Base is needed to allow developers to know adjacent uses.

The Chief Operating Officer – Alameda Point stated having the EIR for the entire Base would allow projects to move forward; the EIR cannot be funded incrementally over five years; the EIR is a big nut that has to be cracked up front and costs over \$1 million; doing the entitlements, code and addressing infrastructure allows analyses to inform each other and makes the EIR useful; developers number one question is: “is CEQA done?” because it is the single biggest risk.

The City Manager stated staff is trying to present an option to bonding.

In response to Councilmember Tam's inquiry, the Chief Operating Officer – Alameda Point outlined reimbursement.

In response to Vice Mayor Bonta's and Councilmember Tam's inquiries, the Planning Services Manager provided examples of prior EIRs being used for projects; stated sometimes supplemental mini studies are required; having the EIR in place is huge; doing it half way is hard; it either has to be done or not done; infrastructure for the whole Base should be known for the first phase to ensure it can be extended and options are not cut off; scaling back the land use side could be done, but does not save much money.

The Chief Operating Officer – Alameda Point stated staff discussed the strategy with a number of developers; Mission Bay has used its EIR for over ten years; the project did not pencil out at the beginning.

Mayor Gilmore inquired whether the City or developers took the risk at Mission Bay.

The Chief Operating Officer – Alameda Point responded the developer; stated the City could issue an RFP and see if there are responses; however, a 25% return would be needed.

The City Manager stated staff is proposing bonding at 6.5%; a developer would want a 25% return for assuming the risk, which will be reflected in the amount of sharing the City would have to do for infrastructure and other costs; developers want a much higher premium.

Councilmember Johnson noted the City would also have more control.

Councilmember Tam stated the City owns the land; Mission Bay had to build multi-family housing, which cannot be done at Alameda Point under Measure A.

The Chief Operating Officer – Alameda Point stated the constraints do not change if the property is not entitled.

Councilmember Tam stated staff is presenting entitlement as the only path.

The City Manager stated other paths include going out with an RFP for the Base or leasing in the adaptive reuse area and attempting to draw projects; entitlement issues will always exist.

In response to Councilmember Tam's request, the City Clerk restated the motion.

The City Manager stated if the strategy is turned down, staff would focus on leasing and return in one year.

Vice Mayor Bonta stated that he wants market feedback to show the strategy works.

The City Manager stated the strategy comes from successful developers; testing the

market cannot be done on a halfway basis.

In response to Vice Mayor Bonta's inquiry regarding another option, the City Manager responded it would not work.

On the call for the question, the motion FAILED by the following voice vote: Ayes: Councilmembers deHaan and Johnson – 2. Noes: Councilmembers Bonta, Tam and Mayor Gilmore – 3.

Mayor Gilmore stated the City would focus on existing tenants and the leasing strategy and continue to be opportunistic to the extent possible.

The City Manager requested a vote on said direction.

Vice Mayor Bonta stated that he does not support said path; he does not want to wait one to two years and focus on leasing.

In response to Councilmember Tam's inquiry regarding the status quo, the City Manager stated resources were being used to develop a disposition strategy; resources will be utilized to do something else; staff needs to know what to work on next; that he does not want to guess about the acceptable level of risk; reviewed options: an RFP, working on existing leases or being opportunistic.

Councilmember Tam stated that [working on leases and being opportunistic] seems to be the status quo.

The City Manager stated that he would like a policy determination confirming said direction.

In response to Councilmember Tam's inquiry, the City Manager outlined how staff would shift workloads.

Councilmember Tam stated that she is trying to understand what would be different.

Vice Mayor Bonta stated that he does not believe Council has rejected the disposition strategy and wants to go down a completely different path; that he would like staff to take time to address concerns raised and come back with options.

The City Manager stated the strategy presented has vetted all issues and there are no other ways to tweak the proposal or satisfy concerns.

Mayor Gilmore stated staff has returned three times and a lot of questions have been asked; however, she has not become comfortable enough to vote for the proposal; she is comfortable with going forward with bolstering existing tenants, being opportunistic, saving money, and seeing which way the legislature comes out; zoning in the proposal depends on mechanisms that do not yet exist; then, staff could come back in one to two

years to check in.

The Chief Operating Officer - Alameda Point stated the key tenants indicated they want the proposal to move forward to have development that supports their businesses.

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(12-218) Councilmember Johnson moved approval of considering the performance evaluation on the closed session agenda [paragraph no. 12-] after 10:30 p.m.

Vice Mayor Bonta seconded the motion, which carried by unanimous voice vote – 5.

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Councilmember deHaan stated that he can support Vice Mayor Bonta's suggestion to give further direction to the City Manager to take a last look and have staff come back with options.

Mayor Gilmore questioned whether the City Manager could come up with other options.

Councilmember deHaan inquired whether Councilmembers would be willing move forward if questions are better addressed.

Councilmember Tam stated that she is not opposed to entitlement and getting something moving; she is concerned about going forward on a wing and a prayer.

Councilmember deHaan questioned whether Council would go forward with a different option.

Mayor Gilmore reiterated her concerns.

Councilmember Johnson questioned whether status quo is risk free.

Mayor Gilmore stated that she is willing to accept a certain amount of risk.

Councilmember deHaan discussed reuse of buildings.

Mayor Gilmore moved approval of directing staff to support existing tenants, help them to grow their business, look for long term leases, be opportunistic if opportunities come the City's way, and check back in one and a half to two and a half years; and having a discussion if something changes in the State legislature.

Councilmember Tam seconded the motion, with amendment to look at potential bonding for infrastructure to increase revenue from existing tenants.

Mayor Gilmore agreed to amend the motion.

Councilmember Johnson inquired whether bonding would be for maintaining

infrastructure or new infrastructure; expressed concern with the suggestion.

Councilmember Tam provided examples.

Councilmember Johnson stated that she would be reluctant to do so and would want to amortize improvements through leases, not debt.

The City Manager stated said financing would have to come to Council on a deal by deal basis.

On the call for the question, the motion FAILED by the following voice vote: Ayes: Councilmember Tam and Mayor Johnson – 2. Noes: Councilmembers Bonta, deHaan and Johnson – 3.

Vice Mayor Bonta stated that he would like staff to spend time to look at concerns raised regarding reducing risk, scaling back the proposal and having an off ramp; a new financing proposal was discussed tonight; that he would like to give it a little more thought and come back; that he does not want to throw out the proposal; tweaks are needed in certain areas.

Councilmember deHaan inquired whether said direction is a motion, to which Vice Mayor Bonta responded in the affirmative.

Councilmember deHaan seconded the motion; stated the matter should return in two weeks to a month.

The City Manager stated that he could bring the matter back on June 6th.

Vice Mayor Bonta and Councilmember deHaan agreed with the City Manager's suggestion.

On the call for the question, the motion carried by the following voice vote: Ayes: Councilmembers Bonta, deHaan, and Johnson – 3. Noes: Mayor Gilmore – 1. Abstention: Councilmember Tam – 1.

CITY MANAGER COMMUNICATIONS

None.

COUNCIL COMMUNICATIONS

(12-219) Oral Report from Member deHaan, Restoration Advisory Board (RAB) Representative, on Highlights of March 8, 2012 Alameda Point RAB Meeting.

Councilmember deHaan encouraged Councilmembers to read the report in the packet; stated RAB meetings would continue to be held every other month going forward.

ADJOURNMENT

There being no further business, Mayor Gilmore adjourned the meeting at 10:41 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Sunshine Ordinance.

MINUTES OF THE SPECIAL CITY COUNCIL MEETING
TUESDAY- -MAY 8, 2012- -6:00 P.M.

Mayor Gilmore convened the meeting at 6:04 p.m.

Roll Call – Present: Councilmembers Bonta, deHaan, Johnson, Tam and Mayor Gilmore – 5.

[Note: Vice Mayor Bonta arrived at 6:10 p.m.]

Absent: None.

Public Comment

Carol Gottstein, Alameda, inquired about the City Manager's contract provisions allowing him to teach a course on municipal law at Bolt and the verifiable performance measures.

The meeting was adjourned to Closed Session to consider:

(12-212) Public Employee Performance Evaluation; (54957); Title: City Manager John Russo

(12-213) Conference with Legal Counsel – Existing Litigation (54956.9); Name of Case: SCC Alameda Point, LLC, et al v. City of Alameda, et al.; U.S. District Court Case No CV-10-5178; this is to discuss strategy regarding a lawsuit brought by our former developer, SunCal, based on the Exclusive Negotiating Agreement.

(12-214) Conference with Labor Negotiators (54957.6); Agency Negotiators: Holly Brock-Cohn, Human Resources Director, and Masa Shiohira, Contract Labor Negotiator; Employee Organizations: Management and Confidential Employees Association; Anticipated Issues: All (Wages, Hours, Benefits, and Working Conditions).

Following the closed session, the meeting was reconvened and Mayor Gilmore announced that regarding Labor, the City Council direction was given to staff and the item was continued to May 15th; and regarding Existing Litigation, Council receiving a briefing on the status of litigation.

* * *

Mayor Gilmore called a recess to hold the open session meeting at 6:58 p.m. and reconvened the meeting at 10:49 p.m.

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(12-215) Vice Mayor Bonta moved approval of continuing the meeting past 11:00 p.m.

Councilmember Johnson seconded the motion, which carried by unanimous voice vote – 5.

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Following the closed session, the meeting was reconvened and Mayor Gilmore announced that regarding Performance Evaluation, the City Council discussed the City Manager performance review.

Adjournment

There being no further business, Mayor Gilmore adjourned the meeting at 11:15 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Sunshine Ordinance.