

APPROVED
MINUTES OF THE REGULAR MEETING OF THE
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY

Wednesday, March 2, 2005

The meeting convened at 7:19 p.m. with Mayor Johnson presiding.

5-A

1. ROLL CALL

Present: Beverly Johnson, Chair, City of Alameda
Doug DeHaan, Boardmember, City of Alameda
Marie Gilmore, Boardmember, City of Alameda
Frank Matarrese, Boardmember, City of Alameda

Absent: Tony Daysog, Boardmember, City of Alameda

2. CONSENT CALENDAR

2-A. Approval of the minutes of the Special meeting of January 5, 2005.

2-B. Approval of the minutes of the Special meeting of January 20, 2005.

Member Matarrese motioned for approval of the Consent Calendar items. The motion was seconded by Member Gilmore and passed by the following voice vote: Ayes –4; Noes – 0; Abstentions – 0.

3. PRESENTATION

3-A. Presentation/update on Alameda Point Navy Negotiations and Land Use Planning

Stephen Proud gave a monthly update on Alameda Point land planning and Navy conveyance process. He stated that on February 16th, a proposal was made to the Navy for the acquisition of Alameda Point. Discussions with the Navy included a presentation about conveyance strategy and approach for moving Alameda Point forward. The proposal to the Navy was very well received and they expressed appreciation for the proposal. A series of follow-up meetings have been scheduled to discuss environmental and economic issues, and parcel identification suitable for transfer and phasing.

Next land planning workshop is scheduled for March 3rd. This workshop has been broken up into two pieces: the March 3rd meeting is co-hosted by the planning board and APAC and will focus on land use alternatives that have been developed over the first series of public workshops. The second part of this workshop will be a separate meeting on the March 23rd with the Transportation Commission, which will focus on transportation alternatives. The goal is to come back to the ARRA in April with a full briefing on the 2 workshops. A good solid attendance is expected as was experienced in the past. Andrew Thomas from the planning department continued to discuss benefits of having the workshops broken into two separate meetings. He

stated the community expressed a desire to receive information in smaller quantities rather than too much, too fast.

Mr. Thomas discussed estuary crossing and long term planning, not only for Alameda Point but for the entire City of Alameda and that we will be presenting to the public the various transportation possibilities: light rail connections to the Fruitvale BART along the regional outline alignment to the aerial tram from the west end to the west Oakland BART and a number of different options.

Chair Johnson mentioned the interagency liaison committee with AC Transit and talked about transportation solutions. She would like to look at a system that uses the same tracks that are currently in place in Alameda. She stated that this would dramatically cut down the costs of that kind of transportation solution.

Andrew Thomas agreed and explained the difference between heavy gauge and light gauge rail. The new street car systems are typically on light gauge, yet the old belt line was a heavy gauge system. The issues with the solution of using the existing rails are on the Oakland side and the ability to cross the Union Pacific lines at grade. The PUC rarely grants those kinds of approvals.

Chair Johnson pointed out that no matter what gauge rail system was used, that issue would have to be dealt with. She believed the rail system alternative that should be looked at should be focused on using the existing infrastructure in place and we should not spend a lot of money and time looking at rail systems that don't fit our current infrastructure. Chair Johnson asked if there were any costs estimates using the current rail and gauge.

Andrew Thomas stated that not all costs estimates were available but did have good costs estimates for what it would take to put in a new system. Chair Johnson would like a cost estimate using existing rails and Andrew Thomas explained the issues relating to costs savings for existing rail system and creating cars that are designed for light gauge rail.

Chair Johnson mentioned that the San Francisco Muni system is using old cars and they work very well. She also suggested that a transportation solution be in place even before base development starts, and would like to find a solution for transportation throughout Alameda over to Fruitvale BART.

Andrew Thomas agreed. He stated that they were meeting with the City of Oakland and the Port of Oakland to get an idea on how these agencies feel about this, as well as with AC Transit and BART. He mentioned that if an at-grade crossing of the Union Pacific Lines was obtainable, then that option would look very good. If not, then we'd be looking at building an elevated system or diving under. Member Matarrese suggested comparing what Caltrans has done between San Francisco and San Jose. Chair Johnson suggested some sort of shuttle system get started now.

Member Matarrese mentioned two items that were brought up at the AC Transit meeting. One was electric buses which would make our fuel be AP&T instead of some oil company, similar to golf carts.

Chair Johnson stated that the information given at the workshops should include the fact that some solutions are never going to happen because they are so expensive, or at least not in the foreseeable future. There are some solutions that are feasible long term, but we're looking at short term feasible solutions that can get started even before base development starts.

REGULAR AGENDA ITEMS

4-A. Recommendation to approve a 10-year lease agreement with Nelson's Marine for Building 167.

Nanette Banks, Finance and Administration Manager introduced David Jaber, regional vice-president of PM Realty Group. Mr. Jaber presented a short analysis regarding the Nelson's Marine issue. Mr. Jaber recommends the lease and supports the market rent for Nelson's Marine. He also analyzed the \$34M difference that was presented by the boat yard attorney at the last ARRA board meeting.

Mr. Jaber gave a brief background and discussed how the fair market value of the Nelson's Marine rent was determined: Nelson's Marine was one of the first groups out to Alameda Point, with a 5 year lease which contained a clause that allowed for renewal at 90% of fair market value. This survey was performed by Dunn Associates and that helped determine the fair market value. The fair market value component provided by Dunn & Associates was on the base rent. When the rent survey was done, the focus was on four things: 1) review of the lease and the leases, 2) site coverage ratio, 3) the gross rent and net rent conversion, 4) the review of the rent per square foot.

Mr. Jaber gave a review of the leases, comparing the costs between two boat yard leases for taxes, insurance, and maintenance. He analyzed the numbers -- using a 20 yr. term to help explain the differential -- which showed that the \$34M loss, proposed by the opposing four boatyards, was not supported. His analysis further justified that the net lease proposed comes out with the appropriate rate. Mr. Jaber concluded that the fair market value -- the 31.5 % based upon the 90% of fair market value -- is appropriate for the lease. He included percentage rent, the ability to prosper as the tenant prospers, sublease recapture, which doesn't allow the tenant to profit by bringing in subtenants, rental increases, 2% every year, justified considering there is the ability to reduce the land space by 75,000 sq feet, and lastly a 10 yr term is very appropriate. Mr. Jaber recommended the Nelson lease for approval.

Mayor Johnson called a few speakers. Richard Lyons of Wendell, Rosen, Black and Dean spoke on behalf of Nelson's Marine and addressed the legal aspects of the lease, explaining Mr. Nelson's rights to extend the lease, right of first negotiation and the price for that right, and the contractual obligation on the part of the City and Mr. Nelson to abide by determination of the appraiser regarding the lease term. He requested that the two leases be approved.

Carl Nelson, president of Nelson's Marine thanked Mr. Jaber and Mr. Lyons and looks forward to having his business here for at least another 10 years.

Peter Lindh, representing the four boat yards came up to discuss the validity of the \$34 million shortfall that his clients projected if the Nelson's Marine lease is approved. He stated that the \$34M was based on the principles involved and that the actual lease terms themselves make the shortfall about \$36M.

Mr. Lindh explained that there were two specific flaws to the PM Realty (Mr. Jaber's) argument. The first was that the two boatyards used in Mr. Jaber's analysis are not comparable (triple net versus gross analysis); it's not fair market value. The second flaw is the .45 cents that Nelson's is paying per square foot per month on maintenance. He stated the amount as inaccurate and reiterated that the Nelson rate is not fair market value.

He discussed the cost of having a fixed rate - is \$190,000 to the City of Alameda and stated that the only adjustment that PM has suggested in their counter proposal is reducing the lease term from 20 yr to 10 yrs. Mr. Lindh concluded and urged the Board, as a fiscal responsibility, to require PM Realty to reevaluate and come up with a proposal that is more consistent with economic reality and fair market value.

Chair Johnson asked if the City is going to lose money on this lease. Nanette Banks, Finance and Administration Division Manager, Development Services, explained that the Nelson's lease renewal was brought to the ARRA governing body for approval and the four boat yard attorney raised questions about a \$34M loss if we went forward with this lease. The ARRA Board directed PM Realty and Development Services to research this issue. Ms. Banks further explained that there hasn't been a counter offer, nor would there be, because according to the Nelson's lease, they have the first right to negotiate at 90% fair market value and the appraisal was to establish the fair market value.

Chair Johnson and Boardmembers discussed the issue of the Nelson's lease creating some unfair advantage to other boat yards, and the original concern of the \$34M loss. There were no counter proposals to the Nelson's lease.

The Board approved the staff recommendation.

Staff recommendation accepted and passed by the following voice vote: Ayes-4; Noes-0; Abstentions-0

4-B. Recommendation to approve a 5-year lease, with a possible (5-year) options with Nelson's Marine for 400 linear feet of Pier 1.

No speaker slips. Recommendation approved and passed by the following voice vote: Ayes-4; Noes-0; Abstentions -0.

5. ORAL REPORTS

5-A. Oral report from APAC.

Lee Perez, APAC Chair, spoke about the transition from the APAC to the various Boards and Commissions which will be presented next month. Also, members of APAC have been working very hard with staff in terms of planning the various public meetings, specifically the workshops of March 3rd and 23rd. He expects a successful meeting.

5-B. Oral report from Member Matarrese, RAB representative.

February 3rd was the last meeting. The next meeting has been rescheduled to March 14th from March 3rd to accommodate the workshop. Three main items were discussed: 1) Remediation on OU5, Coast Guard North housing. The final plan was due on February 18th, heading for a record of determination and then implementation later this year. 2) Sites 6,7,8,9 by Encinal High School – preliminary scope of work is out and final comments are due this month. Hope to proceed with that in May 2005. 3) Discussion about location of some nuclear propulsion work and general radiological materials and disposal out at the site in the Northwest Territory. A survey called the Historical Radiological Survey Assessment is being formulated so that they know exactly what happened in that location. A lot of material is put out at these meetings and the coordination of these activities is something the public should be very interested in.

6. ORAL COMMUNICATIONS, NON-AGENDA (PUBLIC COMMENT)

One speaker, Bill Smith came up and spoke on various topics.

7. COMMUNICATIONS FROM THE GOVERNING BODY

None.

9. ADJOURNMENT

Mayor Johnson adjourned the open session meeting at 8:28 p.m.

Respectfully submitted,

Irma Frankel
ARRA Secretary