

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: December 5, 2012

Re: Accept the Economic Development Strategy for Alameda Point

BACKGROUND

The Federal Office of Economic Adjustment (OEA), under the Department of Defense, awarded the City of Alameda \$225,000 in funds in September 2011, to prepare an economic development strategy for Alameda Point (Strategy). OEA is the Department of Defense's field organization responsible for supporting local governments with military base closures.

Through a competitive bid and selection process, the city awarded the contract to develop the Strategy to Keyser Marston Associates (KMA). The KMA team includes the architectural firm Field Paoli and the civil engineering firm Carlson, Barbee & Gibson Inc. KMA is a full service real estate, financial, redevelopment, and economic consulting firm specializing in real estate advisory, evaluation, and redevelopment services. KMA is actively involved in the redevelopment of base closures. They have successfully helped to attract private development and create significant jobs and public benefits at Hamilton Air Base in Novato and the former Fort Ord in Monterey.

DISCUSSION

Job creation has consistently been one of the most important community priorities for redevelopment of Alameda Point. The purpose of the Strategy is to create a sensible and targeted approach to take advantage of the existing commercial tenant base and to attract new commercial and institutional groups to Alameda Point, resulting in increased jobs and economic activity, as well as lease revenues that will help finance future predevelopment and implementation efforts at Alameda Point. The Strategy is not a land use, an infrastructure, or a financing plan for Alameda Point.

Since January, KMA completed the tasks summarized below, compiling the data and conducting the research to support the recommendations contained in the Strategy (see Exhibits 1 through 5):

Task 1: Commercial Market Analysis. KMA conducted a commercial market analysis that evaluated the opportunities and constraints potential of Alameda Point relative to other local and regional locations.

Task 2: Alameda Point Tenant Assessment and Forum. KMA worked closely with staff to evaluate the existing tenant base and held a forum for existing tenants to share their views on the long term development vision for Alameda Point.

Task 3: Approach to Commercial and Institutional Groups. KMA evaluated the potential for attracting large-scale commercial and institutional users to Alameda Point.

Task 4: Adaptive Reuse Physical and Financial Analysis. KMA prepared conceptual building and landscape drawings, and financial analyses for five prototypical buildings at Alameda Point.

Task 5: Industry Feasibility Testing and Interviews. KMA interviewed a cross-section of relevant development, business, and industry professionals to review and “market test” proposed land use, adaptive reuse, market, and financial assumptions developed in tasks 1 through 4.

Summary of Recommendations. The Strategy integrates KMA’s findings from the above five tasks and outlines a clear direction for attracting jobs to Alameda Point. Each recommendation in the Strategy contains specific steps for successfully redeveloping the property for employment generating uses (see Exhibit 6, Alameda Point Economic Development Strategy).

1. ***Enhance Alameda Point’s identity and sense of place.*** KMA recommends a coordinated approach to address the vast size and complexity of Alameda Point by segmenting Alameda Point into smaller, coherent districts with distinguishable features and business activities. KMA suggests enhancing the main entrances; improving directional signs to help people orient themselves and find their way; and developing on-site amenities, such as pop-up cargo container stores, to support workers and attract visitors. KMA also recommends crafting a coordinated marketing approach (e.g. develop a logo, redesign website, organize tenant events) to increase the image of Alameda Point in the market. These steps will help promote Alameda Point and the significant business activity that is already occurring there, while responding to a perceived image that it is an isolated place with scarce resources.
2. ***Capitalize on existing assets, tenants and property.*** KMA found that the large surplus of vacant space in the East Bay will need to be absorbed and market rents will need to increase before extensive rehabilitation of the major buildings at Alameda Point becomes financially feasible. It is currently considerably more expensive to substantially restore many of the buildings than it

is to purchase existing buildings elsewhere in the area. However, KMA points out that there are current potential users that find the existing buildings and Alameda Point's location meet their business requirements. Many business clusters have a strong presence at Alameda Point and have a high potential for expansion. Examples include 1) the marine related industries, 2) premium/specialty beverages and food production, 3) specialized manufacturing of artisan goods, 4) arts, recreation and entertainment, and 5) Film/Event Production. These businesses present an excellent foundation and an opportunity for future growth. KMA recommends retaining and expanding these business clusters. KMA also suggests that the City may need to invest some of the rent revenues generated by existing leases to make improvements, clean the interiors, and remove debris in vacant buildings to make them more attractive and marketable. Furthermore, they recommend the leasing process needs to be streamlined to be competitive with current leasing practices in the marketplace.

3. ***Encourage new private sector development.*** Building upon the city's work to attract the Lawrence Berkeley National Lab's Second Campus, KMA recommends preparing "Development Guides" for the different districts, which would identify important issues and constraints for potential development sites or redevelopment of existing buildings. The information provided in the guides would help to reduce uncertainty and risk, which is important in attracting new investment. Using the guides as a development tool, KMA also suggests assembling 15 to 25 acre sites that can be readily promoted for development. KMA points out that the opportunity to partner with an experienced developer that can oversee the development from start to finish is attractive to businesses looking to build new facilities, as demonstrated by the relative success of Harbor Bay Business Park. Similarly, KMA recommends issuing a tenant/developer Request for Proposals for selected vacant buildings to attract potential new investment. Finally, KMA recommends offering longer term leases (at least ten years) may provide incentive and allow easier financing to increase private investment in the buildings.
4. ***Improve infrastructure.*** New commercial development at Alameda Point is perceived to be expensive because of the potential need to replace aging infrastructure and to install modern telecommunications systems. KMA found that it is difficult for many businesses to finance the infrastructure that may be needed at Alameda Point and the types of business that may be able to afford such level of investment would prefer to be in the Peninsula or Silicon Valley. The city has begun to address this concern by recently executing a contract to prepare a flexible and incremental Master Infrastructure Plan so that the costs may be understood by potential tenants and developers.

Next Steps. The Strategy was presented to the Economic Development Commission (EDC) on October 18 and to the Planning Board (PB) on November 26 for their review and comment. The EDC voted unanimously to recommend that the City Council accept the Strategy. Due to the timing of the public noticing requirements, the PB hearing will

have occurred after the writing of this staff report. The PB comments will be included in the verbal report presented to the City Council at the December 5 meeting.

If accepted by the City Council, the Strategy will provide suggested steps for further actions by the City of Alameda to attract economic development opportunities and jobs to Alameda Point. In addition, the Strategy is designed to inform a number of important City of Alameda actions in the near future including:

1. The rezoning of Alameda Point to conform with the General Plan and implement the Community Reuse Plan
2. The infrastructure plan to support reuse and redevelopment of Alameda Point and implement the Reuse Plan
3. The Town Center Plan for the development of a transit oriented, commercial mixed use, waterfront town center at Alameda Point, and
4. The Alameda Point project level Environmental Impact Report.

ENVIRONMENTAL REVIEW

This action is not a project under the California Environmental Quality Act (CEQA) Guidelines, Section 15378. Consequently, no environmental review is required.

FINANCIAL IMPACT

The total budget for the Strategy is \$250,000. Under the OEA grant requirements, the OEA grant provided 90 percent of the funds (\$225,000); the city as the grant applicant provided ten percent (\$25,000) through in-kind services, which consisted of staff time to support the project. The OEA grant funds were used solely for the KMA contract amount of \$225,000. No additional funds were needed to complete this scope of work.

RECOMMENDATION

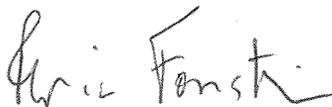
Accept the Economic Development Strategy for Alameda Point.

Respectfully submitted,



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Community Development Director

By:



Eric Fonstein
Development Manager

Exhibits:

1. Commercial Market Analysis
2. Alameda Point Tenant Assessment and Forum
3. Approach to Commercial and Institutional Groups
4. Adaptive Reuse Physical and Financial Analysis
5. Industrial Feasibility Testing and Interviews
6. Alameda Point Economic Development Strategy