

Natel Lease and Option to Purchase Alameda Point

City Council
November 3, 2015



Lease and Option Summary

- Lease for 65,000-square-foot Building 23 with Natel Energy
- 10-Year Lease with One 5-Year Renewal Option
 - \$0.54 per square foot monthly rent with annual escalator
 - \$440,000 annually and \$4.8 million over 15 years
- \$8 million option to purchase
 - \$91 per square foot building value and \$25 per square foot excess land value
 - Supported by market values in the I-880 Corridor
 - \$10 million in planned investment



Recommendation for Sale of Certain Property

1. Attracts high-quality tenants to certain buildings with significant investment potential
2. Compensates for City's inability to invest significant capital in buildings and maximize value
3. Generates significant upfront capital leveraging building value to pay for infrastructure for "manufacturing" adaptive reuse area
4. Helps corrects infrastructure deficiency that creates major annual and long-term liability to City

Market Support for Option Price

- Typical average values in I-880 Corridor range from \$55 to \$65/SF for Class C manufacturing space
- Natel option price at \$91/SF exceeds market due to premiums for views and building uniqueness



Recent Sales Comparables

#	Address	Use	SF	Acres	Buyer	Seller	Sale Date	Sale Price Price/SF
1	727 Kennedy St. Oakland, CA	Warehouse	235,000	8.81	Westcore Properties	Hornstein Investment Co.	6/30/15	\$13,850,000 \$58.94
2	810 81 st Ave. Oakland, CA	Manufacturing	192,557	9.75	Arvus Equity LLC	Ellis Partners LLC	2/2/15	\$10,265,000 \$53.31
3	580 Julie Ann Way Oakland, CA	Manufacturing	70,440	2.91	Julie Ann Way Bakery Associates LLC	Hackman Capital Partners	5/9/14	\$4,100,000 \$58.21
4	425-427 Hester St. San Leandro, CA	Manufacturing	85,089	4.4	Mi Rancho	Lowenberg Corp.	4/24/14	\$5,100,000 \$59.94

Fiscal Impacts of Project

- Alameda Point Fiscal Impact Analysis prepared for Zoning Amendment and Site A development
- All new development and property owners to pay fair-share of municipal services special tax to offset any long-term fiscal impacts
- Natel property to pay municipal services fee to offset their fair-share
 - \$67,000 per year in property tax
 - Comparison with lease revenue needs to factor in capital reserve for infrastructure - \$430,000 in debt service

Pro Rate Share of Infrastructure

- FY2015-16 Development Impact Fee for Alameda Point: \$1,003,439 per acre for commercial uses
- Building 23 property: 5.3 Acres
- Minimum infrastructure burden equals: \$5,318,227
- \$8 million purchase price exceeds infrastructure burden by: \$2,681,773



Restrictions on Future Property Owners

- Alameda Point Zoning Ordinance (30-4.24)
- EIR Mitigations – Biological, Traffic, Historic, etc.
- Declaration of Restrictions – Biological Opinion
- Master Infrastructure Plan Resolution
- Development Impact Fee Ordinance
- Design Review Ordinance
- Historic Preservation Ordinance
- Sewer Lateral Ordinance
- Parcel Map Conditions
- Transportation Demand Management Plan

SLIDE #6

Q & A



SLIDE #6

Building 23 – Alameda Point

Value Discussion

- \$8,000,000 Total Price
 - ± 55,000 SF Footprint (± 65,000 SF Total)
 - 5.3 Total Acres (230,868 SF)
 - ± 120,868 “Extra” Land at 50% Site Coverage
- “Extra” Land at \$25.00 = \$3,021,700.00
- Building Footprint = \$90.51 Square Foot
- Total Building Square Footage = \$76.58 Square Foot