

# OAKLAND OVERSIGHT BOARD

## RESOLUTION No. 2017-\_\_\_\_\_

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### **A RESOLUTION APPROVING THE ASSIGNMENT TO THE CITY OF OAKLAND OF APPROXIMATELY \$47.5 MILLION IN LOANS MADE TO FOX OAKLAND THEATER, INC., FOR RENOVATION OF THE FOX THEATER, CONTINGENT ON THE CITY AGREEING TO PAY 30% OF THE LOAN REPAYMENTS TO THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

**WHEREAS**, the Redevelopment Agency of the City of Oakland (“Redevelopment Agency”) entered into a Disposition and Development Agreement (“DDA”) on December 15, 2006 with Fox Oakland Theater, Inc. (“FOT”) to ground lease the Fox Theater at 1807 Telegraph Avenue for 60 years and undertake the restoration of the property, and for the Redevelopment Agency to provide loans to carry out the restoration; and

**WHEREAS**, renovation of the Fox Theater required numerous funding sources including Redevelopment Agency loans, New Markets Tax Credits, Historic Tax Credits, governmental and private grants, and a commercial loan; and

**WHEREAS**, the Oakland Redevelopment Successor Agency (“ORSA”) was established as the successor agency to the Redevelopment Agency pursuant to Health and Safety Code Sections 34171(j) and 34173; and

**WHEREAS**, with the dissolution of redevelopment agencies, the Fox Theater loans, as Redevelopment Agency assets, were transferred under the dissolution law to the ORSA as the successor agency to the Redevelopment Agency; and

**WHEREAS**, the Fox Theater loan assets have a current value of \$47,534,470 in principal and approximately \$27,420,975 in accrued interest of which 30% is attributable to the unrestricted (non-bond-funded) sources and 70% is bond funded; and

**WHEREAS**, the Fox Theater property is listed on ORSA’s Long Range Property Management Plan as a property held to fulfill existing obligations, i.e., the tax credit investor buy out, loan repayment guaranty (both completed) and various contingent commitments to the tax credit investors; and, after these obligations are fulfilled, the Fox Theater property may be transferred to the City pursuant to the Long Range Property Management Plan to be retained for future development; and

**WHEREAS**, staffing costs to manage the Fox Theater are currently included as ORSA costs on the Recognized Obligations Payment Schedules (“ROPS”); and

**WHEREAS**, if ORSA retains the Fox Theater and associated loans, ORSA will have to provide staffing to manage the property and loans for another 49 years at a conservative estimate of \$10,780,000 in costs over the term, based on \$220,000 per year with no inflator; and

**WHEREAS**, the ORSA loans require FOT to repay the loans in full by September 20, 2036, which will total \$129,144,741 if no payments are made; and

**WHEREAS**, FOT can pay no more than approximately \$1.1 million per year on these loans, which will leave an outstanding balance of \$108,244,741 when the loans become due and payable; and

**WHEREAS**, FOT has no other assets and no way of ever fully repaying the ORSA loans; and

**WHEREAS**, the City has proposed that ORSA assign the Fox Theater loan assets to the City, contingent on the City agreeing to pay the unrestricted proportion, 30% of the loan repayments received by the City, to the taxing entities for the term of the loans; and

**WHEREAS**, as part of the transaction, the City has proposed to take over financial responsibility for staffing costs associated with the Fox Theater and associated project loans from ORSA; and

**WHEREAS**, the transfer and assignment of the Fox Theater and associated project loans will reduce ORSA ROPS obligations related to project staffing by \$10,780,000, and the payments from the City will increase ORSA revenues by approximately \$6,270,000 (i.e., 30% of \$20,900,000); and

**WHEREAS**, the transfer and assignment of the Fox Theater and associated project loans will therefore benefit the affected taxing entities by reducing current ORSA enforceable obligations and increasing current ORSA revenues; now, therefore:

Based on the foregoing recitals and the documentation presented to the Oakland Oversight Board at a public meeting, the Oakland Oversight Board does resolve as follows:

**SECTION 1.** The Oakland Oversight Board finds and determines that the proposed assignment of FOT's loans from ORSA to the City and other actions related to the Fox Theater Project described herein will benefit the taxing entities because the assignment will:

- (1) reduce the financial liability of the taxing entities by eliminating ongoing staffing costs related to the Fox Theater Project from the Recognized Obligation Payment Schedule ("ROPS"); and

- (2) increase net revenues to the taxing entities through the compensation agreement that will be required from the City of Oakland; and
- (3) be in the best interest of the taxing entities because it both reduces ORSA liabilities and increases funds that will flow to the taxing entities, as well as wind-down the long-term involvement of ORSA in former Redevelopment Agency projects as contemplated by the dissolution law.

**SECTION 2.** The Oakland Oversight Board hereby approves the action of the ORSA Board authorizing the assignment of the Redevelopment Agency loans made to FOT from ORSA to the City of Oakland in the amount of approximately \$47,534,470 in principal plus unpaid interest under the terms and conditions set forth in this resolution.

**SECTION 3.** The Oakland Oversight Board's approval is contingent on the City entering into a compensation agreement with ORSA obligating the City to pay 30% of loan repayments to ORSA for the terms of the assigned loans.

ADOPTED, OAKLAND, CALIFORNIA \_\_\_\_\_, 2017

**PASSED BY THE FOLLOWING VOTE:**

AYES– BYRD, CHAIR CARSON, LITTLE, MULVEY, ORTIZ, TUCKER

NOES–

ABSENT–

ABSTENTATIONS-

ATTEST: \_\_\_\_\_  
SECRETARY OAKLAND  
OVERSIGHT BOARD