



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Sofia Navarro
Interim Director, Economic
& Workforce Development
Department

SUBJECT: Update on Planning for a New Police
Administration Building

DATE: March 14, 2023

City Administrator Approval

Date: Mar 21, 2023

INFORMATION

This memorandum summarizes the City's past and recent efforts to plan for the replacement of the existing Police Administration Building, which is beyond its useful life, insufficient for current and future needs, and out of compliance with contemporary life safety standards. It summarizes key findings from the attached economic analysis, which recommends a public-private partnership (P3) to finance and deliver a replacement facility and the next step of issuing a solicitation for P3 proposals.

BACKGROUND/LEGISLATIVE HISTORY

The existing Police Administration Building (PAB) is located in a nine-story, 274,200 square foot facility bound by Broadway, Washington, 6th and 7th Streets. Construction of the building was completed in 1961 and most of its systems are beyond their useful life. It does not meet present or future operational needs, nor does it meet contemporary life safety standards for emergency response facilities.

In 2017, the City completed a feasibility study (2017 Report) which recommended building a new 360,000-380,000 square foot PAB with fleet parking on the City-owned property at 633 Hegenberger Road (Homebase Site). The cost of the new facility was estimated at \$550 million, or approximately \$800 million in 2022 dollars. This significant cost deterred further action¹.

On February 15, 2022, Council passed Resolution 89037 C.M.S. directing staff to issue a Notice of Development Opportunity for a mixed-use development with affordable housing where the existing PAB is located. This would require relocation of the PAB.

In late 2021, the City Administrator convened an interdepartmental group – including the Police, Public Works, Finance, and Economic & Workforce Development (EWD) Departments – to consider alternative strategies for financing and delivering a project of this scale. EWD hired an

¹ Since the 2017 Report, the Police Department has identified an additional need for a driver training facility, which would require about 10 acres of land. The City could pursue delivery of a driver training facility separately from the PAB since the site requirements are very different.

economic consultant, Economic & Planning Systems (EPS), to review the 2017 Report, update the report's conclusions and advise on alternative finance and project delivery strategies.

KEY FINDINGS AND NEXT STEP

EPS provided the attached memo with the following key conclusions:

- The cost of building a new, centralized PAB facility has likely increased significantly from the amount estimated in the 2017 Report.
- The Coliseum area, which includes the Homebase Site, and its access routes is susceptible to future flood risk, and therefore may not be well suited for a new PAB.
- The standard funding and financing tools commonly used by California municipalities to deliver major public facilities are unlikely to cover the full costs of a new PAB within the foreseeable future.
- Initial investigations suggest there may be other sites and delivery options that could reduce costs, improve financing, and expedite development of new PAB facilities, including locations that are less susceptible to sea level rise and flooding.
- A solicitation document, such as Request for Qualifications, Proposal, or Information (RFP/RFQ or RFI), for City participation in a public-private partnership may provide a financially viable approach to delivering a new PAB.
- Such a solicitation could, for example, yield a lease-back financing structure under which a facility could be built and financed by a private party to the City's specifications, with the financing secured by the City's long-term lease of that facility. This would allow the City to avoid taking on the large up-front debt required by traditional public financing strategies. There are several examples of public entities pursuing this approach in and beyond California.

As the next step, in accordance with these findings and recommendations, the aforementioned departments will work with EPS to prepare and issue a solicitation document (RFP/RFQ or RFI) for P3 proposals.

For questions regarding this report, please contact Brendan Moriarty, Real Property Asset Manager, Economic and Workforce Development Department, at bmoriarty@oaklandca.gov or (510) 238-6354.

Respectfully submitted,



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Attachment (1): EPS Memorandum

MEMORANDUM

To: Brendan Moriarty, Real Property Asset Manager

From: Jason Moody and Russ Powell

Subject: Police Administration Building (PAB) Funding and Delivery Options Analysis; EPS #211132

Date: October 7, 2022

Introduction

This memorandum evaluates funding and delivery options for facilities necessary to accommodate a new Oakland Police Department Police Administration Building (PAB). Most of these functions are currently housed in a nine story, 274,200 square foot building located on an entire city block in Dfowntown Oakland (bounded by 6th and 7th and Broadway and Washington Streets). Because of seismic, functionality, and growth considerations, the City of Oakland (City) previously found the current facility to be insufficient for future Oakland Police Department (OPD) needs. In addition, on February 15, 2022, the City Council voted to issue a Notice of Development Opportunity for 600 housing units on the existing PAB site.

The City has retained Economic & Planning Systems, Inc. (EPS) to evaluate funding and delivery options to relocate existing PAB functions to new facilities. As a starting point, EPS reviewed the analysis and recommendations from a November 2017 feasibility report prepared for the City on PAB facility needs, site options, and costs (hereafter referenced as 2017 Report). This 2017 Report, and a follow-up 2018 presentation by the same consultant team (hereafter referenced collectively as 2017 Report), identified a City-owned site adjacent to the Oakland Coliseum as the preferred location for new consolidated PAB facilities.¹

¹ See "Oakland Police Department Police Administration Building Feasibility Study" by Shah Kawasaki Architects, Bay Area Urban Development, and McClaren, Wilson & Laurie, Inc. November 10, 2017. See also, "Police Administration Building Feasibility Study, 633 Hegenberger Road Site Evaluation" by same authors. May 2, 2018,

The Economics of Land Use



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While the EPS analysis presented herein focuses on potential funding and delivery approaches, mechanisms, and resources for a new PAB facility, it also provides salient and updated information related to facility needs, site options, and costs, as relevant and appropriate. In particular, EPS worked closely with City staff to validate and update the key findings from the 2017 Report, including follow-up discussions with its authors, research on the status of candidate sites, and consideration of other opportunities.² EPS and City staff also conducted interviews with professionals active in public-private partnerships to determine if a such a process and structure might facilitate the delivery of new PAB facilities.

Key Findings and Recommendations

The key findings and recommendations from this study are summarized below:

- **The cost of building new, centralized PAB facilities has likely increased significantly from the amount estimated in the 2017 Report.**

While cost estimates in the 2017 Report ranged from \$500 to \$550 million, after accounting for inflation, financing, and other implementation costs, the cost of the entire project is likely to approach \$800 million in 2022 dollars. Moreover, the 2017 Report cost estimates did not account for improvements to off-site infrastructure, particularly to portions of Hegenberger Rd. and I-880 located in liquefaction and flood zones that will be needed to address seismic, flood, and / or sea level rise impacts. This is a particularly important consideration for government facilities that provide Essential Services, as do many of the proposed functions for a new PAB.

- **The standard funding and financing tools commonly used by California municipalities to deliver major public facilities are unlikely to cover the full costs of a new PAB within the foreseeable future.**

As a one-time investment, a \$800 million PAB price-tag represents a significant public financing hurdle. For projects of this magnitude, California municipalities often rely on voter-approved General Obligation (GO) bonds. While the City of Oakland recently approved placing an \$850 million GO bond on the November ballot for affordable housing, transportation, and other public infrastructure, even if passed by voters, only \$30 million in eligible funds would be available for OPD facilities. Moreover, eligible funding is intended for capital repairs of the existing PAB and possible development of facilities for ancillary functions, such as the crime lab, training, etc. that

²The study process included bi-weekly meetings with a City-led Working Group composed of designated staff from City Administrator's Office, Finance Department, Economic and Workforce Development, Public Works, and OPD. The City also retained Shah Kawasaki Architects, the lead consultant on the 2017 Report, to answer questions related to this early work and provide technical support.

currently have inadequate space and may benefit from moving in advance of a larger PAB replacement project. Beyond voter-approved bonds, other tools such as impact fees, General Fund revenues, or state and federal grants, while worth pursuing, are also expected to account for only a small fraction of the total PAB funding requirement.

- **Initial investigations suggest there may be other sites and delivery options that may reduce costs, improve financing, and expedite development of new PAB facilities, including locations that are less susceptible to sea level rise.**

Interviews with property owners (both public and private), real estate brokers, investors, and other professionals active in the Oakland market suggest multiple sites may be able to accommodate PAB space and location requirements. While further due diligence will be necessary, the City should undertake a strategic and comprehensive site review and selection process. There may also be opportunities to reduce City costs by combining alternative delivery options that include strategic phasing and/or locating some PAB functions at separate sites, potentially with the support of a private sector partner(s).

- **A solicitation document, such as Request for Qualifications, Proposal, or Information (RFP/RFQ or RFI), for City participation in a public private partnership (P3), may provide a financially viable approach to delivering new PAB facilities.**

While they take many forms, in the right circumstances P3s can serve as a highly effective delivery tool for public infrastructure by combining City assets and resources with private sector development expertise and capital. An RFP / RFQ or RFI for a P3 to deliver a new PAB facility may also support a more competitive, transparent, and feasible outcome. City staff is currently working with EPS to draft a solicitation document for PAB P3 proposals, with final release subject to City Council review.

Background and Context

The OPD has occupied the existing PAB, located at 7th Street and Broadway, as its central facility since the early 1960s. In the intervening years space constraints have led to the relocation of significant components to other locations, including satellite patrol operations and supporting functions at the Eastmont Substation, 911 communications, and Internal Affairs Division.

In 2016 the City retained a multidisciplinary consultant team to evaluate long-term facility needs for the PAB based on: (1) the physical condition of the existing PAB, (2) OPD's existing and projected functional needs and space requirements, and (3) potential site locations for new, modernized PAB facilities. Completed in

2017 (with a follow-up presentation in 2018), the 2017 Report explored developing new PAB facilities at a City-owned site adjacent to Oakland Coliseum's southern parking lot (at 633 Hegenberger Road, a/k/a the Homebase property). Given the magnitude of this investment, and with the passage of time, the City and EPS have taken a fresh look at the information and recommendations from the 2017 Report. Shah Kawasaki Architects (SKA), the lead consultant for the 2017 Report, was also retained to assist in this effort.

Summary of PAB Physical Condition

The existing PAB, consisting of three structures collocated in downtown Oakland, is over 50 years old and, like with any older structure, has building components that are outdated. The 2017 Report evaluated the structures based on physical inspection, published reports, comparisons against similar buildings, and professional expertise. It found that, while functional, most of the building systems are beyond their useful life. While visual inspection found some evidence of degradation, including water damage, and inoperative elevators, the primary conclusions related to age and lack of replacement or rehabilitation of systems designed to last between 20 - 30 years.

In the late 1990s, the tower portion of the PAB facility was seismically upgraded for life safety standards (100 percent of the Uniformed Building Code Seismic Floor Levels). The other two structures were not upgraded. The 2017 Report determined that the seismic upgrade did not meet the current requirements of the Essential Services Seismic Safety Act of 1986. While detailed structural analysis was not performed, SKA noted that new versions of the building code, updated every three years, have likely rendered improvements made in late 1990s insufficient.

The 2017 Report also determined that the existing PAB did not meet OPD's existing and projected functional needs and space requirements. For example, the tower portion of the PAB building has small floor plates (9,000 gross square feet, 7,000 assignable square feet). As a result, departments are distributed vertically, connected by three elevators that are well beyond their service life. Small floor plates also do not offer the flexibility for departments to expand or easily share amenities such as break rooms, conference rooms, and copy/storage areas.

SKA has subsequently confirmed that, while occupying the building "as is" does not trigger a code upgrade, any improvements are changes to the building, especially those that are structural or add floor area, likely would. These conclusions provided the basis for evaluating alternative sites that might accommodate long-term Department needs for modernized PAB facilities.

In terms of timing, the 2017 Report envisioned an approximately six-year process from site selection and approval, entitlement, planning and design, construction to relocation. Assuming a similar timeline but site approval by late 2023, a new

PAB could theoretically be occupied by 2030. Of course, actual timing will be affected by any updated facility programming analysis, phasing considerations, and funding availability.

Summary of PAB Programming Needs

The programming needs for the PAB will dictate the land and space requirements for new facilities and site(s). The authors of the 2017 Report worked with OPD staff to develop facility requirements for a new PAB. As part of this study process, OPD has provided some additional updates to their space needs, particularly related to parking and the need for a driver training facility, as further described below.

The PAB will have essential programming needs critical to the delivery of public safety services. It will also require programming for non-essential services. To evaluate the viability of alternative sites, the 2017 Report sought to understand which programmed functions had to be co-located, and which could be housed in secondary structures on the same site, or even at other alternative sites.

The 2017 Report developed facility space needs to optimize operational effectiveness of the OPD and individual divisions, sections, units, and offices. It described spatial designs, size requirements, and adjacencies to accommodate OPD growth through 2040 for all functions. It also considered the benefits of consolidation versus decentralization by function. Three component groupings were developed to define co-housing of key departmental functions.

- **Primary OPD PAB (without patrol/operations):** This facility would be the primary visible police headquarters to the public. This would be an “essential” facility due to the accommodation of sworn officers and associated activity within the building.
- **Patrol/Operations Component:** This facility would be an “essential” facility due to its primary function in supporting sworn officers in patrol and other operational functions. It could be in a separate building, or in the PAB.
- **Non-essential Functions Component:** This facility would be comprised of the forensic crime lab, OPD training functions, and property and evidence functions. These functions are integral to effective police functions but are not integrally involved in emergency response. A non-essential facility has lower structural requirements than an essential structure, and allows for lower building costs, if it is separate from essential police facility components.

The 2017 Report recommended a plan that would consolidate most OPD facility requirements in 360,000 to 380,000 square feet of building space (in one or several adjacent buildings). While considerably larger than the current PAB (274,000 square feet), the recommendation included consolidation of several

functions currently located off-site, including the Eastmont substation and 911 communications functions at Edgewater Drive.

The required land area for a new consolidated PAB will depend on building height, parking solutions, and other factors. For example, according to the 2017 Report, a two-story PAB structure with surface parking for fleet would require about 20 acres. Alternatively, if the PAB structure is five stories and the fleet parking is accommodated in a three-story structure, the amount of land required is reduced to approximately four acres. Decentralized PAB facilities would likely have different site requirements, although the 2017 Report did not explore these options in detail.

Given the importance of parking to overall site requirements and project costs, OPD provided updated information on their expected parking needs for this study. While the total number of required spaces is comparable to the 2017 Report (between 800 to 1,000 depending on employee parking needs and transit access), they could potentially be provided in a decentralized format, separating the essential and non-essential vehicles. Specifically, OPD estimates that 450 essential service parking spaces are needed, including at least 20 for large vehicles. An additional 400 spaces are needed elsewhere for both staff and other OPD vehicles but would also need to be secure and separate from the public. Finally, another 100 to 200 spaces would be preferred for members of the public, staff overflow, and staging. The estimated spaces for both non-essential vehicle and public parking would also be affected by transit access.³

Subsequent to the publication of the 2017 Report, the OPD also identified the need for a police driver training facility requiring about 10 acres of land (the OPD currently conducts most driver training at facilities located in other cities).⁴ However, the City could pursue delivery of an OPD driver training facility separately from the PAB since the site requirements are very different.

PAB Site Alternatives

The 2017 Report included an analysis of potential site options for a new PAB based on the program requirements described above as well as the availability of appropriate sites, acquisition costs, location attributes, and other factors. EPS has collaborated with City staff to review and update these findings as well as consider other sites that might be appropriate. As part of this process, EPS and City staff interviewed property owners (both public and private), real estate brokers, investors and other professionals active in the Oakland market. The team

³ Currently a large portion of OPD staff parking serving the Downtown PAB is provided on Caltrans land through an agreement with the union representing OPD employees.

⁴ Acreage estimate provided by Lieutenant Bryan Hubbard of the OPD.

also interviewed professionals with expertise in the use of public-private-partnerships for delivery of city facilities.

Summary information on two sites considered in the 2017 Report, and an additional site identified by City staff as part of this study process, is provided below.

Oakland Coliseum Specific Plan Area Site

While the 2017 Report did not recommend a preferred site, subsequent analysis focused on a 12.37-acre, City-owned site adjacent to the Oakland Coliseum south parking lot (at 633 Hegenberger Road a/k/a the Homebase property). In addition to being already owned by the City (reducing site acquisition costs) the site has good transportation accessibility (e.g., adjacent to I-880 and walkable from BART) and is large enough to accommodate a campus style environment, as well as strategic phasing and expansion potential (there is an adjacent 8.8 acres site that the City co-owns with Alameda County that might also be available, known as the Malibu property).

The primary disadvantages with the Hegenberger Rd. site are its location in a liquefaction zone, within the 100-year flood plain, and in an area highly susceptible to sea level rise. This is particularly important given stricter building code requirements related to Essential Services to ensure such facilities remain functional during and after emergency events such as an earthquake or flood. As a result, PAB development at this site would include raising the buildings by at least 6 feet and using more expensive foundation and structural systems.

While earthquake, flood, and sea level rise considerations were factored into initial site-specific project cost estimates for a PAB (described below), any additional improvements needed to nearby public infrastructure, particularly for ingress/egress, would also need to be accounted for. Thus, further analysis will be required to better understand if and how off-site infrastructure, particularly portions of Hegenberger Rd. and I-880 located in the liquefaction and flood zones, will need to be improved to accommodate PAB Essential Services functions.

Eastmont Mall Site

Eastmont Mall, currently the location of the OPD patrol substation, was also considered in the 2017 Report. Since that time the site has changed ownership, and the new owner (Tidewater Capital) has expressed interest in accommodating new PAB facilities. Based on initial review, there appears to be sufficient space on the Eastmont Mall site to locate all essential and non-essential programming needs. Moreover, the site is not subject to sea level rise or located in flood or liquefaction zones. On the negative side, the site is not located proximate to a major interstate or a BART station.

Arena Center Site

During this study process City staff became aware that the County of Alameda was preparing to bring to market the Arena Center, an approximately 10-acre site on the opposite side of I-880 from Oakland Coliseum. This site includes an existing structure that is just a shell but provides about half of the square footage requirements for all PAB programming. It is not known if the existing structure is constructed to meet the needs for essential services of the PAB. However, the site has capacity to build a second structure.

The primary advantages of the Arena Center site include (1) it is of sufficient size to support several structure and less expensive surface parking, (2) it located immediately adjacent to I-880 and proximate to the Coliseum site which could facilitate coordinate of related functions and (3) since it is owned by Alameda County, the City could benefit from State laws given other public agencies priority for disposition of surplus property. Key disadvantages include (1) use as PAB would require constructing improved I-880 interchange access, and (2) like the Coliseum site, Arena Center is in an area susceptible to earthquakes, floods, and sea level rise.

Other Sites

In addition to the sites profiled, the EPS / City Team reviewed information on a variety of other candidate sites for the PAB. While many of these sites include promising attributes, further analysis and due diligence would be required to flush out the relative merits of each. In any case, the preliminary review of these other sites suggests that the City should undertake a more strategic and transparent site review and selection process.

PAB Cost Considerations

The cost of new PAB facilities will depend on site consideration, phasing, and facility build-out requirements. The 2017 Report provided a range of costs estimates for consolidated PAB facilities at both the Coliseum and other sites. Costs estimates ranged from \$500 to \$550 million in 2017 dollars based upon the PAB facility requirements established in the 2017 Report.

In current 2022 dollars, the 2017 PAB cost estimates equate to between \$650 to \$715 million using Construction Cost Index escalation factors applicable to the San Francisco Bay Area. After accounting for financing and other implementation costs, the entire project costs would likely approach \$800 million or more. As a point of comparison, the entire City of Oakland General Fund budget was about \$1.66 billion in FY 2021-22. Thus, the cost of a new PAB of the type described in the 2017 Report would likely represent well over 40 percent of the City's annual operating budget.

Given this cost magnitude, the City/EPS team have concluded that it may be necessary to further evaluate how cost savings might be achieved through

alternative PAB delivery options. For example, the City may be able to realize cost savings by separating functions that are less dependent on co-location, either spatially (e.g., a more decentralized approach) or through strategic project phasing.

As described further below, public-private-partnerships (P3) may also provide cost savings under the assumption the private sector can deliver design-build PAB solutions for a lower cost than a traditional City contracting process. Of course, it will be important to ensure that any cost reductions can be achieved while also meeting building code requirements for essential service functions. A P3 may facilitate and expand project financing even if cost savings aren't achieved.

PAB Financing and Delivery Options

As part of this study process, EPS has considered how standard public facility funding and financing strategies might be applied in the delivery of a new PAB. Most of the mechanisms described below are commonly used in California and offer both advantages and limitations for municipal buildings. More importantly, the EPS analysis suggest that none of the financing tools identified, either alone or in combination, will likely meet the full funding requirement of a new PAB (estimated at \$800 million or more) unless significant cost savings can be achieved). Accordingly, it is recommended that the City further explore a public-private partnership option.

The most relevant financing tools and resources are briefly described below.

Revenue from Redevelopment of Existing PAB Site

In February 2022 the City Council directed the City Administrator to issue a Notice of Development Opportunity (NODO) for the existing PAB for no fewer than 600 housing units, with at least 200 of the units to be affordable housing. While the sale or lease of the existing PAB site may provide some revenue, total proceeds are likely to be relatively small and limited by the need to subsidize the affordable housing component of the redevelopment project.

General Obligation (GO) Bonds

GO Bonds are voter-approved initiatives that, if approved, create a property tax override that is used to support debt service on municipal bonds issued to fund public facilities and infrastructure. In July 2022, the Oakland City Council approved placing a \$850 million General Obligation Bond on the November 8th, 2022 ballot to fund affordable housing, transportation, and other public infrastructure. If approved by the voters, approximately \$210 million of this amount would be available to “construct, improve, and rehabilitate city facilities.”

While the PAB would be eligible for a portion of these funds, the facility will need to compete with a variety of other City infrastructure needs and priorities. Moreover, the bond on the November only includes \$30 million in eligible funds that would be available for OPD facilities. Eligible funding is intended for capital repairs of the existing PAB and possible development of facilities for ancillary functions, such as the crime lab, training, etc. that currently have inadequate space and may benefit from moving in advance of a larger PAB replacement project. While a separate GO bond could be put before the voters in future years, the timing, facilities, and probability of approval is uncertain.

Development Impact Fees

The City currently imposes development impact fees on commercial and residential projects to fund facilities and infrastructure required to serve growth. Development impact fees are limited to funding only those portions of new facilities that can be attributed to growth. While the PAB will certainly benefit new development, it is also a replacement of an existing facility that serves current land uses.

Currently, OPD capital projects are a qualified use for the Capital Improvements Impact Fee (Fund 2421), along with capital projects related to fire/EMS, libraries, park and recreation facilities, and storm drains. Based on the most recent city reporting data, this fund has an uncommitted balance of about \$2.88 million, a portion of which could be allocated to the PAB. Any increase in the existing fee would require a so-called Nexus Study and would need to be approved by City Council. Fee revenues are collected incrementally over time as development occurs. Given these limitations, development impact fees could, at best, cover a very small portion of total PAB costs.

General Fund Contributions

While the City could allocate General Fund revenues to pay for a portion of a new PAB, this is not likely to serve as a significant funding source. Given the General Fund revenues are discretionary and subject to annual budget cycle decisions, there will likely be significant competition with other City priorities, including funding of basic City services. Moreover, as noted above, the cost of new PAB facilities of the type described in the 2017 Report would likely represent well over 40 percent of the City's annual operating budget.

State or Federal Grants

The City should also explore the potential for various state and federal grants that are available to support local public safety programs and emergency preparedness. For example, the Homeland Security Grant, administered through the Federal Emergency Management Agency (FEMA) includes a suite of risk-based grants to assist state and local efforts in preventing, protecting against,

mitigating, responding to, and recovering from acts of terrorism and other threats, including natural disasters. These grants provide recipients with resources to work toward the National Preparedness Goal of a secure and resilient nation.⁵ Given that most grant awards are competitively based, potential timing and funding amounts are uncertain.

Enhanced Infrastructure Financing District (EIFD)

EIFDs provide an emerging form of tax increment financing (TIF) available to local public entities in California. Cities and other local agencies may establish an EIFD for a given project or geographic area to capture incremental increases in property tax revenue from future development and assessed value appreciation. In the absence of the EIFD, this revenue would accrue to the city's General Fund (or other property-taxing entity revenue fund). Unlike prior TIF/Redevelopment law in California, EIFDs do not provide access to property tax revenue beyond the share agreed to by participating jurisdictions (e.g., City and County, were the County to opt in).

The establishment of an EIFD requires approval by every local taxing entity that will contribute its property tax increment. EIFDs require 55 percent voter approval to issue bonds but may be formed and gain access to unlevered (debt free) revenue without a vote. Revenues generated by an EIFD may be used to provide funding and financing for a broad range of infrastructure projects, provided those projects have a useful life of 15 years and are of "community-wide" significance. Capital improvements do not have to be located within the boundaries of the district but must have a "tangible connection" to the district.

While Oakland does not currently have an EIFD, the City has considered use of this tool to augment funding for public infrastructure in certain project areas (including for the proposed Oakland A's stadium at Howard Terminal, Mandela Station, East Line, and Oakland Coliseum). Under the EIFD Law, portions of EIFD funding could be used to fund offsite public facilities that provide "communitywide benefit". In other words, the City could pledge EIFD revenues from all or a subset of future Project Areas to the PAB. However, the availability of tax increment from EIFDs is only realized after completion of new, private development. As a result, EIFDs are not a near-term funding solution for the PAB.

Mello-Roos Community Facility's District

The City, with support from participating property owners, could seek to form a Mello-Roos Community Facilities CFD district that would be authorized to levy a special tax for public facilities, including a new PAB. A CFD may be initiated by

⁵ More information on this source can be found at <https://www.fema.gov/grants/preparedness/homeland-security>

the legislative body or by property owner petition and must be approved by a two-thirds majority of either property owners or registered voters (if there are more than 12 registered voters living in the area).⁶ The tool is particularly useful for up-front improvements since revenues can be used to secure tax-exempt bond proceeds (the facilities must be publicly owned). By way of example, the City recently formed a CFD for public infrastructure improvements at Oak Knoll (the PAB is not an eligible facility for this CFD).

CFD special taxes are collected annually with property taxes and can be prepaid based on provisions specified in the tax formula. The special tax amount is secured by a lien against the property. While the tax rate is based on a formula that typically considers land use type, development intensity, and other factors (but not value), there is no requirement that it be apportioned based on the level of direct benefit each parcel receives. Among other advantages, this provision allows flexibility to alleviate cost burdens on specific classes of development (e.g., affordable housing or existing uses). Additionally, CFD revenue can be used to fund off-site facilities.

If the PAB were co-located adjacent to or in conjunction with a large private development, a special tax on private development may be used to fund portions of the PAB. The Coliseum site may be best suited to the use of a CFD for partial funding of the PAB because the location is expected to undergo significant redevelopment in the years to come. Other areas of the City expected to experience major redevelopment could also be required to contribute as a condition of approval. However, since the PAB is designed to serve the entire City and existing as well as new development, a CFD would likely only cover a small portion of total PAB costs.

Facility Lease-Back Financing

Municipalities often finance public buildings or facilities through credit instruments backed by long-term lease agreements. Under this structure, as a lessee the municipality executes a long-term lease agreement backed by its full faith and credit as a public agency which serves to underwrite a bond or similar financial instrument. At the end of the lease, the municipality typically has the option to purchase the facility. Lease-back financing is typically executed through one of the following:

- **Certificates of Participation (COPs):** COPs use General Fund revenues, secured through the lease of existing City facilities, to issue debt that funds construction of City-owned facilities. While COPs can underwrite tax

⁶The boundaries of a CFD can be formed to only include “willing” property owners, with annexation requirements triggered by development. An alternative (and usually more optimal) approach is to structure the rate and method of taxation in a way that’s amenable to all parties (e.g., tax is only triggered upon development, not on existing uses).

exempt bonds, like GO Bonds, their issuance impacts a municipality's overall borrowing capacity. Accordingly, there may be limitations on the amount of tax-exempt financing achieved from this source. Moreover, COPs leverage the value of assets, such as facilities, while GO Bonds leverage the assessed value of all taxable parcels in a jurisdiction, a much broader funding base.

- **Credit Tenant Lease (CTL) Financing:** Under CTL financing, a developer / landlord borrows money to finance the development or purchase of property and pledges as security rent to be received from the tenant and a mortgage on the property. Under this structure the City would access private financing for a new PAB without affecting its overall borrowing capacity. The City may use lease or lease-back options to avoid limitations of bonding capacity needed to fund other critical needs of the City. While the PAB would likely qualify for tax exempt financing under this approach, it is not always utilized given the additional complexities associated with this process.

Public-Private Partnership (P3) Options

As part of this study, the City/EPS team interviewed several firms that expressed interest in participating in a P3 for delivery of new PAB facilities. A P3 involves collaboration between a government agency and a private-sector company that can be used to finance, build, and even operate public projects and facilities such municipal buildings. In certain circumstance, financing a project through a P3 enables it to be completed sooner and/or at a lower cost by leveraging developer expertise and private market efficiencies.

For delivery of new PAB facilities, a P3 could potentially leverage all or a combination of the financing methods described in this section. However, a P3 would most likely be underwritten through one of the lease-back structures described above. For example, the private sector partner would seek to obtain financing secured by a long-term lease agreement with the City.

P3s typically have contract periods of 20 to 30 years or longer with obligations and risks distributed between the parties as determined through a negotiation process. The private partner often assists in project design, consistent with PAB specifications, undertakes the development process, and manages building maintenance over time. Meanwhile, the city focuses on defining and monitoring compliance consistent with its objectives and specifications.

In most cases, the preferred private sector partner for a P3 is identified by the issuance of a RFQ, RFP or RFI). This public sector partner issues an RFQ, RFP or RFI to ensure a more publicized, competitive, and transparent process. This gives the private sector an opportunity to document their qualifications and present solutions for the City to evaluate. Interviews are typically conducted with all, or a

sub-set of the respondents followed by an Exclusive Negotiating Agreement (ENA) with the preferred candidate.

As part of this analysis EPS conducted research on P3 projects that have been pursued to meet the space needs of public agencies and include components that might be relevant to the delivery of a new PAB. While most of the larger and higher profile P3 projects in California have occurred on sites controlled by the public agency prior to developing and issuing an RFQ/P or RFI, **Table 1** identifies several exceptions, including successful projects undertaken by Alameda County and Riverside County. EPS also identified a project outside of California, successfully completed in 2022, where Bernalillo County New Mexico issued an RFI for a site to accommodate the relocation of its headquarter facilities. Most of the projects profiled in **Table 1** have been successfully delivered with significant private financing using the facility lease-back structure described above.

Table 1: Examples of P3 Projects with an RFQ, RFP, and/or RFI and Private Financing

P3 Project	Description	
City of Salinas Police Services Headquarters	A 75,000 sq. ft., \$56 million police headquarter relocation from a 1958 facility to new site acquired through land swap with Monterey County. Includes community room, state-of-the-art evidence storage, forensic laboratory, and firearms training facility.	City Council issued RFP in 2017 for development of the Police facility. Site acquisition was financed by a voter approved sales tax measure and building development underwritten in lease backed revenue bond.
Alameda County Eden Multi-Service Center	In 1999 Alameda County approved a lease agreement and purchase option with private owner / developer for 6-story, 177K sq. ft. office. Building delivered through a "Design, Build, Finance, and Operate" (DBFOM) P3 process. County exercised purchase option in 2019.	
Bernalillo County Headquarters, Albuquerque, NM	The 286,000 sq ft. renovation of an existing 8-story, privately owned office tower + construction of adjacent 12,000 sq. ft. Commission Chambers.	In 2016 County issued RFI for a site to accommodate its headquarters. Two preferred sites emerged and County subsequently issued RFP that led to the acquisition of existing Alvarado Square Building. County financed renovation and relocated in 2022.
Lawrence Berkeley National Laboratory LBNL Second Campus	In 2011 LBNL/UC Berkeley issued an RFP seeking a site that would accommodate a Second Campus. LBNL/UC shortlisted 6 out of 21 proposals and selected Richmond Field Station as finalist. LBNL / UC issued a second RFQ for developers to deliver on a Campus Concept Plan for Richmond site. Progress on the campus halted in 2013 due to federal budget cuts.	
Riverside County Department of Facilities Management	Two separate office buildings totalling 28K sq. ft. for relocation of Riverside County Probation Department in Moreno Valley.	County issued RFI in 2015 seeking space in City of Moreno Valley. County Board of Supervisors approved lease for two adjacent renovated buildings in 2017.
Long Beach Courthouse, Administrative Office of the Courts (AOC)	Developer (LBJP) delivered a 530K sq. ft., \$429 million courthouse on a pre-determined site purchased from the Long Beach RDA.	OAC issued RFP in 2009 and shortlisted 3 out of 12 responses. Finalist was selected and project delivered in 2013 through a DBFOM P3 structure.
City of Long Beach Civic Center	Long Beach Civic Center Master Plan on 22 acres in downtown includes 270,000 sq. ft. City Hall, 93,500-sq. ft. Main Library, 232,000 sq. ft. Port Headquarters, and the reactivation of historic Lincoln Park.	City issued RFQ in 2013, short-listed 3 respondents. Subsequent RFP in 2014 resulted in selection, negotiation, and agreement with preferred developer for \$520 million project completed in 2019 largely through private financing.

Recommendations and Next Steps

Based on a review of funding and delivery options as well as possible site locations, EPS recommends issuance of an RFP, RFQ, or RFI document to solicit proposals for participation in a P3 for the development of new PAB facilities. This approach will allow the City to gauge potential interest, evaluate private sector solutions, and potentially formalize a P3 agreement that helps address the financing hurdles and site challenges described above.

While a variety of options exist for the content and structure of a solicitation document, we recommend that it request that respondents provide concepts for PAB financing and delivery. It should also provide general requirements for PAB building space and parking, with distinctions by function and for essential and non-essential services. The document should also describe site location and ownership preferences (i.e., for land and/or buildings). Finally, to ensure quality responses, the solicitation should also articulate a compelling vision about the opportunity and clearly describe the key City goals for both the project and partnership.