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Short-Term Economic Development Strategy For The Oakland Colisuem Area

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The University-Oakland Metropolitan Forum is a partnership of the University of California at Berkeley; California State University, Hayward; Mills College; Holy Names College; the Peralta Community College District; and the Oakland community.

University of California at Berkeley
Institute of Urban and Regional Development

The University-Oakland Metropolitan Forum encourages faculty members to design assignments for graduate classes and studios that will result in valuable information and ideas for the Oakland community. The Forum proposes topics, brings teachers and students in contact with decision makers and users of the work, and supports the presentation and publication of the final designs and reports. This is one of those reports. The ideas expressed in this document are those of the students and do not necessarily represent the official position of the Forum Panels

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I. EXECUTIVE SUMMARY

This report to the Coliseum Commerce Center Advisory Committee summarizes the results of a study by graduate students at the University of California, Berkeley, to determine short-term development opportunities in the Coliseum Area of East Oakland.

Based on an assessment of market conditions in the Oakland, North Hayward, and Berkeley market areas, the most promising development opportunity is promotional retail. There is an unmet demand in this trade area of about 3.2 million square feet for promotional retail uses. This indicates that the market is currently "hot" for developments of this type. The Coliseum Commerce Center Advisory Committee should act now to take advantage of this development opportunity.

Two sites in the Coliseum Area were chosen as potential development sites for a promotional retail mall. These were the East Bay Municipal Utility District (EBMUD) site at 5900 Oakport Street and the Drive-In site at 5401 Coliseum Way. Factors considered in site selection were accessibility, visibility, size, and availability.

Site development plans reflect total buildout for both sites. This is necessary to capture the necessary market to make the project successful. The EBMUD site includes 330,000 square feet of gross leasable space and the Drive-In site 162,000 square feet.

Market and financial feasibility analyses under either land purchase or lease assumptions indicate that either site could support a promotional retail development. The EBMUD site, however, represents the better opportunity for successful operation of the project, producing positive effects on the surrounding area, and has the better financial performance.

A promotional retail mall of 330,000 square feet on the EBMUD site could generate sales tax, property tax, and business tax revenues for the City totaling more than $464,000 per year. This project could generate about 660 permanent jobs and contribute to the level of local business activity. Finally, if started soon the proposal will, in conjunction with other currently planned projects, catalyze the transformation of the Coliseum Area into a major retail center.

The study undertaken by a graduate class in the Department of City and Regional Planning at the University includes substantial documentation for these findings. It concludes with recommendations that the Coliseum Commerce Center Advisory Committee immediately work to market the EBMUD site for a promotional retail mall, and that in the longer run it work to create an on-going promotional and planning entity for the Coliseum Area.

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II. PURPOSE OF THE STUDY

This report summarizes the results of a project to determine short-term development opportunities in the Coliseum Area of East Oakland. The study assessed a variety of potential real estate projects which could be developed on sites located throughout the Coliseum Area. Using real estate feasibility analyses, we have identified two sites which offer considerable potential for sparking economic development in this area of East Oakland. The Coliseum Commerce Center Advisory Committee (CCCAC) could successfully aid in marketing these sites and realizing their development potential. If successful, the development of such opportunities should achieve three primary goals:

- Create new jobs for residents;
- Generate additional revenues for the city; and
- Create new business activity that will help catalyze (generate) additional investment.

This report was prepared by a group of graduate students for a course in urban development project planning in the Department of City and Regional Planning, University of California at Berkeley, under the direction of Professors David Dowall and Roger Montgomery. All members of the class were involved in all steps of the work and participated in editing and report preparation, though major individual responsibilities for the various sections were as noted below.

The executive summary was written by Anne Browning. Section II was written by Kerry May. Section III, written by David Diffley and Pia Wong, analyzes the market demand for industrial, office, and retail uses in the area. Based on this analysis, a development concept is proposed for each site.

Section IV, written by Anne Browning and Karyl Schmeling, describes the site selection criteria and procedure and evaluates the two sites chosen in terms of their compatibility with these criteria. This section includes a complete description of each site: location, land area, zoning, infrastructure capacity, elevation, soil conditions, present ownership, and terms and conditions for sale or lease. This section also provides a physical design of the proposed projects for each site.

Section V provides a market feasibility study of the proposed development concept, conducted by Bob Adams, David Diffley, and Kim Tran. This section includes a full description of the development concept, and analyzes its feasibility in the location proposed based on examples from comparable markets.

Financial feasibility analyses of the proposed projects are provided in Section VI. Conducted by Gretel Noble and Kerry May, the analyses include development cost estimates, pro formas, sales proceeds figures for five years of ownership, and profitability and risk measures.

Section VII, written by Bob Adams and Pia Wong, assesses the economic and fiscal impacts of the project on the Coliseum Area as well as the City of Oakland as a whole. Section VIII, also written by Bob Adams and Pia Wong, outlines a strategy for developing a larger retail center in the Coliseum Area.

III. THE DEVELOPMENT CONCEPT

After meeting with our client, the CCCAC, we decided to identify several sites in the Coliseum area and determine whether they could be feasibly developed. Our goal was to find a "bankable" project that might act as a catalyst for economic revitalization and attract capital to the community. Three types of real estate developments were examined as possible candidate projects for the area: industrial warehouse space, commercial office space, and retail space. Each of these uses was evaluated in relation to current market conditions and trends in the Oakland market area.

Several research methods were used to evaluate market conditions for these three types of projects. For the industrial and commercial uses, our research included a driving tour of the Oakland Coliseum Area, consultation with leasing agents in the Oakland area, and a review of trade publications. In terms of office and industrial markets, the results were not encouraging.

As demonstrated in Tables 1 and 2, there are approximately 17.2 million square feet of office space in the Oakland office market area. The number of available square feet is 4.2 million, which puts the vacancy rate at an average of roughly 33 percent. Historic absorption rates, moreover, reveal that vacant office space available now may take at least two to three years to lease up. Because of these factors, we concluded that office space was not a viable option for the sites that we had selected.

The industrial market appears to possess a bit more potential for development than the office market, although there is no new construction occurring in the Oakland market area. Recent trends reveal that industrial markets in the Hayward and Fremont area are quite healthy. The lack of industrial construction in the Oakland area may indicate that many industrial users are being attracted to the Southern Alameda County area. The absence of new industrial construction in Oakland may also mean that demand for industrial space is being adequately met by supply. Vacancy rates range from a high in Alameda of 44.89 percent to a low in Emeryville of 8.93 percent. For our purposes, the vacancy rate in Oakland of 8.97 percent seems average. Absorption rates appear to be relatively healthy, especially in the Oakland area, which recorded an absorption rate of about 1.2 million square feet in 1986. (See Tables 3 and 4.)

Though the market for industrial space appears more inviting than the market for office space in the Oakland area, the opportunities still do not appear to support the type of project necessary to stimulate economic development in the Coliseum Area.

On the other hand, the market for promotional retail activities is quite promising. As will be described in Section V, there is currently an undersupply of promotional retail space in Oakland. Given a sufficiently large scale, a promotional center is feasible for construction in the Coliseum Area, near the Nimitz Freeway.

To successfully develop a retail project in the Coliseum Area, it is absolutely necessary to establish the retail development as a primary destination. There must be a certain critical mass, or agglomeration of tenants, as well some novelty in the type of tenants. Such an agglomeration, with a common tenant theme, will extend the trade area of the development and draw customers from a much larger area than would a typical community shopping center or a center with no unusual feature (or theme).

Table 1

1986 INVENTORY OF OFFICE SPACE IN OAKLAND
FOR BUILDINGS 10,000 SQ.FT. AND LARGER

	No. of Bldgs.	Total Stock	Sq.Ft. Available	Vacancy
Oakland	180	12,124,384	2,506,415	20.60%
Emeryville	10	1,167,357	378,834	32.40%
Berkeley	35	1,360,461	121,502	9.00%
Alameda	26	1,198,238	455,293	38.00%
TOTAL	251	15,850,440	3,462,044	21.85%

SOURCE: Coldwell Banker: "Oakland Metropolitan Area Marketplace: An Office Profile - 1987," Kenneth J. Candelaria, 1986.

Table 2

HISTORIC ABSORPTION RATES
OFFICE BUILDINGS
ALAMEDA COUNTY
(In Square Feet)

Year	N.Alameda Co.	S. Alameda Co.
1982	407,000	205,000
1983	916,000	534,000
1984	1,407,000	268,000
1985	638,000	285,000
1986	553,400	N.A.

SOURCE: Coldwell Banker: "Oakland Metropolitan Area Marketplace: An Office Profile - 1987," Kenneth J. Candelaria, 1986.

Table 3

EAST BAY INDUSTRIAL BUILDINGS

ABSORPTION AND VACANCY FOR SPACE 10,000 SQUARE FEET AND LARGER, 1986

CITY	ABSORPTION (in sq ft)	EXISTING VACANCIES
Alameda	278,384	44.89%
Berkeley	229,931	8.96%
Emeryville	237,000	8.93%
Oakland	1,182,000	8.97%
San Leandro	1,061,431	10.44%
San Lorenzo	(32,046)	15.50%
TOTAL	2,956,700	

*These figures were compiled in June 1986 and were provided by Steve Markey of Coldwell Banker. In addition, vacancy rates apply to both new and previously occupied industrial buildings. The majority of available space is for lease though there is space available for sale.

Table 4

EAST BAY INDUSTRIAL BUILDINGS

TOTAL SQUARE FEET OF SPACE, EXISTING AND UNDER CONSTRUCTION, FOR SPACE 10,000 SQUARE FEET AND LARGER, 1986

CITY	Existing		Under Const.	
	#	Sq. Ft.	#	Sq. Ft.
Alameda	6	381,326	0	0
Berkeley	14	636,625	0	0
Emeryville	15	521,178	0	0
Oakland	64	2,789,249	0	0
San Leandro	56	830,056	0	0
San Lorenzo	2	110,000	0	0
TOTAL	149	5,268,434	0	0

*These figures were compiled at the end of March 1986, and were supplied by Coldwell Banker, Industrial Newsletter, Summer/Fall 1986.

With these prerequisites to retail development, the decision was made to investigate the potential for a promotional, value-oriented shopping center development. Such developments have tenants who offer lower prices on name-brand merchandise and are typically more aggressive in marketing than normal retailers. With the demographic change toward more two-income families, and the consequent decrease in free time, consumers are not interested in shopping for the "best" price. What they want, and what promotional centers offer, is convenience: a number of stores, with varying products (apparel, toys, home electronics, etc.), where the customer can go and be confident that he/she is getting a consistently good value.

At this point in time, such a promotional, value-oriented retail development seems to be the most promising opportunity for either of the sites abutting I-880 in the Coliseum Area. To establish the site as a major promotional center, the development should include at least three major retailers, and preferably four to six, in space over 25,000 square feet. Examples include: Toys R Us, an off-price toy store; an established East Bay retailer that attracts traffic to an existing location; an 80,000- to 100,000-square-foot warehouse type of store (Price Club, Costco, etc.); a 30,000-square-foot consumer electronics store (Federated Group, Circuit City); a 30,000-square-foot Marshall's or Ross clothing store. There would also be a number of smaller retail spaces in the 1,000- to 6,000-square-foot range. Finally, in addition to goods merchandising retail uses, the freeway traffic alone would likely support three or four fast-food types of restaurants.

IV. SITE SELECTION AND PHYSICAL DESIGN CONCEPT

In this section we describe the process of selecting the East Bay Municipal Utility District (EBMUD) and Drive-In sites and present our physical design concept.

A. SITE SELECTION

At project inception, the group surveyed the Coliseum Area for potential sites to consider for analysis. During the first phase of the site selection process, interviews were conducted with real estate and economic development professionals familiar with the Coliseum Area. Informants were requested to identify vacant, underutilized, or undeveloped properties. Based on these interviews, seven potential development sites were identified. The locations of the sites are shown on Map 1.

Based on the sites identified, a field survey was conducted. During this survey, the sites were evaluated based on a set of criteria considered essential for the development of a successful project. Factors which were considered during this phase included:

- o accessibility,
- o visibility,
- o size,
- o availability.

Accessibility was evaluated based on the access potential of the site by auto. Accordingly, sites with freeway access or along major arterials were considered superior. Similarly, good visibility required frontage along highly traveled roadways. Size was also a consideration in the site selection process. Irregularly shaped or inadequately sized parcels were dismissed from further review. Finally, the potential availability of the property was considered. Factors which were considered in evaluating availability included current use and ownership.

1. Site Inventory

Site 1

Located on East 14th Street between 54th and 55th, Site 1 is approximately 27 acres. Access to the site from East 14th Street is good. The long and narrow shape of the parcel, however, minimizes the visibility. The parcel is fully improved and developed. The majority of the property is currently being used for warehousing space. Any reuse of the existing structures would be difficult and demolition would be expensive.

- o Site 1 was dismissed from further review.

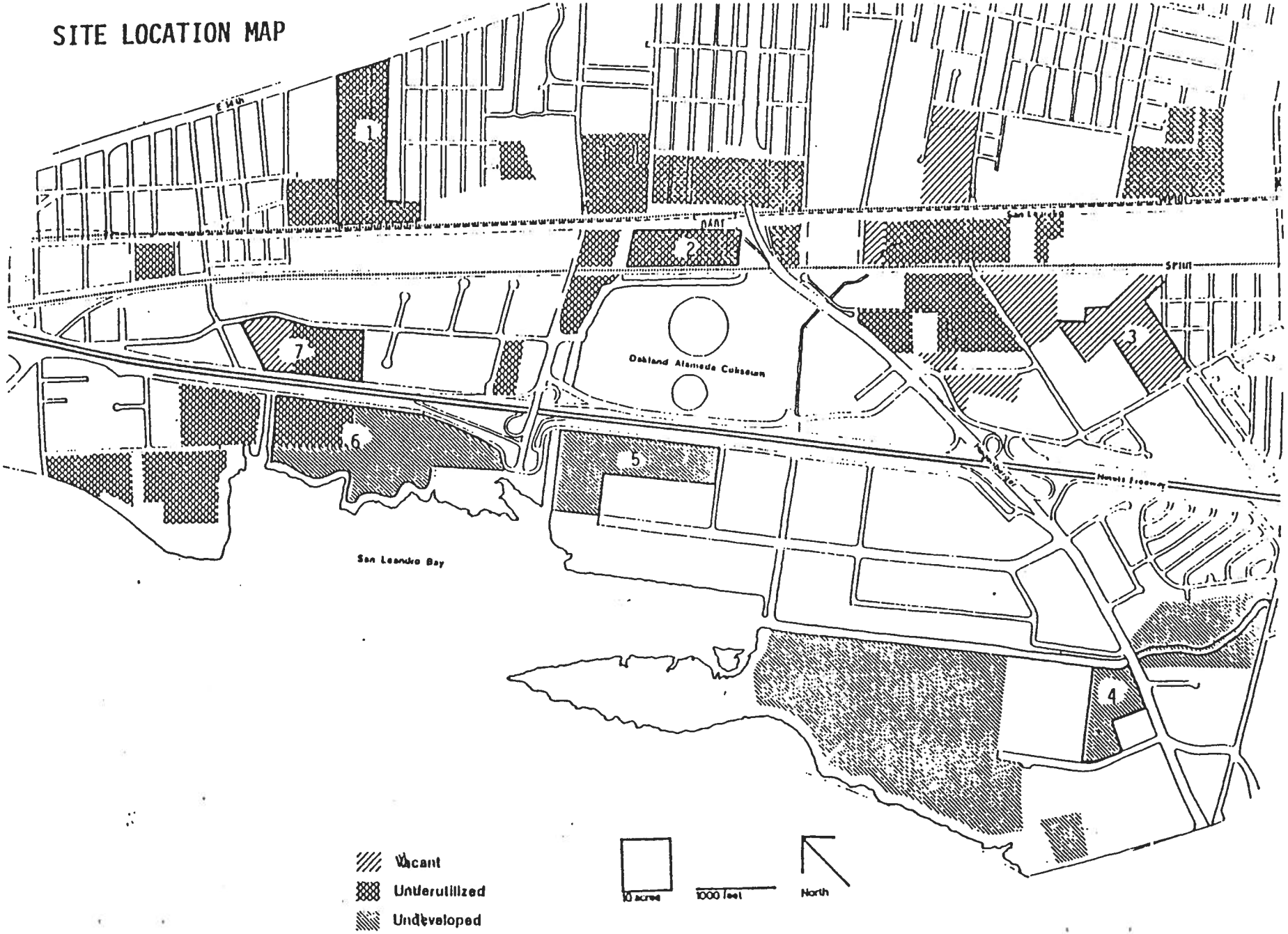
Site 2

Located off of 66th Avenue, between the BART tracks and the Coliseum, Site 2 is approximately 12 acres. As the site does not front any major thoroughfare, it lacks the access and visibility considered essential.

- o Site 2 was dismissed from further review.

MAP 1

SITE LOCATION MAP



Site 3

Located behind the TransAmerica DeLaval plant, Site 3 is approximately 25 acres and vacant. As the plant completely shields the property, visibility is poor. In addition, there is no direct access from any major thoroughfare.

- o Site 3 was dismissed from further review.

Site 4

Located between Hegenberger and Pardee, Site 4 is approximately 13 acres. Accessibility and visibility of the site along Hegenberger is good. The property is currently held by the Port of Oakland. Discussions with the Port have indicated that the negotiations are underway for the development of a hotel on the site. As a result, the site may not be available.

- o Site 4 was dismissed from further review.

Site 5

Located across the Nimitz Freeway from the Coliseum, adjacent to the Equitec Building, and within the Oakport Business Park, Site 5 is approximately 22 acres. Access to the site is excellent from the 66th Avenue Exit. Due to the rectangular shape of the property, visibility from the Nimitz Freeway is also excellent. Like Site 4, this site is held by the Port. Discussions with them indicate the land would not be available.

- o Site 5 was dismissed from further review.

Site 6

Located on the frontage road of the Nimitz Freeway, northwest of the Coliseum, Site 6 is approximately 23 acres. Access to the site is excellent from both the 66th Avenue and High Street exits of the Nimitz. Visibility from the Nimitz is also excellent. The site is currently owned by East Bay Municipal Utility District and will be available for lease in the next two years. The access, visibility, availability, and size of the property make it an excellent potential development site.

Site 7

Located between the Nimitz and Coliseum Way, Site 7 is approximately 15 acres. Like Site 6, across the street, the property has good access off Coliseum Way from the Nimitz via the exits at 66th Avenue and High Street. Visibility is also excellent. Approximately 11 acres of the site are currently being used as a drive-in theater and flea market. The remaining 4 acres of the site are vacant. This four-acre parcel belongs to Pacific Gas and Electric. Although the availability of the theater site is not certain, the Coliseum Advisory Committee has requested that the development potential of the site be analyzed.

An in-depth analysis of the physical characteristics and development potential of Sites 6 and 7 was conducted. The results of this analysis are presented in Tables 5 and 6 and on Maps 2 and 3.

Table 5

SITE DESCRIPTION PROFILE
SITE 6

LOCATION:
ADDRESS: 5900 BLOCK OF OAKPORT STREET
PARCEL NUMBER: 41-3903-2-8

SIZE:
ACRES: 23 ACRES
SQUARE FOOTAGE: 1,001,880
DEPTH/WIDTH: 55' x 1850'

OWNER: EAST BAY MUNICIPAL UTILITY DISTRICT (EBMUD)

ZONING: M-40

TOPOGRAPHY: ELEVATIONS FROM 5' TO 9'

EXISTING IMPROVEMENTS: NONE

ENVIRONMENTAL CONDITIONS:
SOILS: NO REPORT
FLOOD CONDITIONS: LOCATED WITHIN 500 YEAR FLOOD BOUNDARY
TOXICS: NONE KNOWN
BCDC RESTRICTIONS: N/A

EXISTING UTILITIES: NONE

EASEMENTS: EDGEWATER DRIVE EXTENSION, ACCESS ROAD, RAILWAY

ACCESS: NIMITZ FREEWAY/55TH AVENUE/66TH AVENUE/FRONTAGE ROAD

VISIBILITY: EXCELLENT FROM NIMITZ

AVERAGE TRAFFIC VOLUME: 178,000 VEHICLES PER DAY ON NIMITZ

SITE CONSTRAINTS: EBMUD WASTEWATER TREATMENT TANK PLANNED FOR NORTH END OF THE SITE (POTENTIAL NOXIOUS ODORS)

ADJACENT USES: PG & E DISTRIBUTION CENTER

ADJACENT DEVELOPMENT PLANS: OAKLAND PARKS AND RECREATION PLAYING FIELDS & ACCESS ROAD TO FIELDS, EBMUD WASTEWATER TREATMENT FACILITY, DISCOUNT RETAIL FACILITY ON ADJACENT PORT LAND, EDGEWATER DRIVE EXTENSION

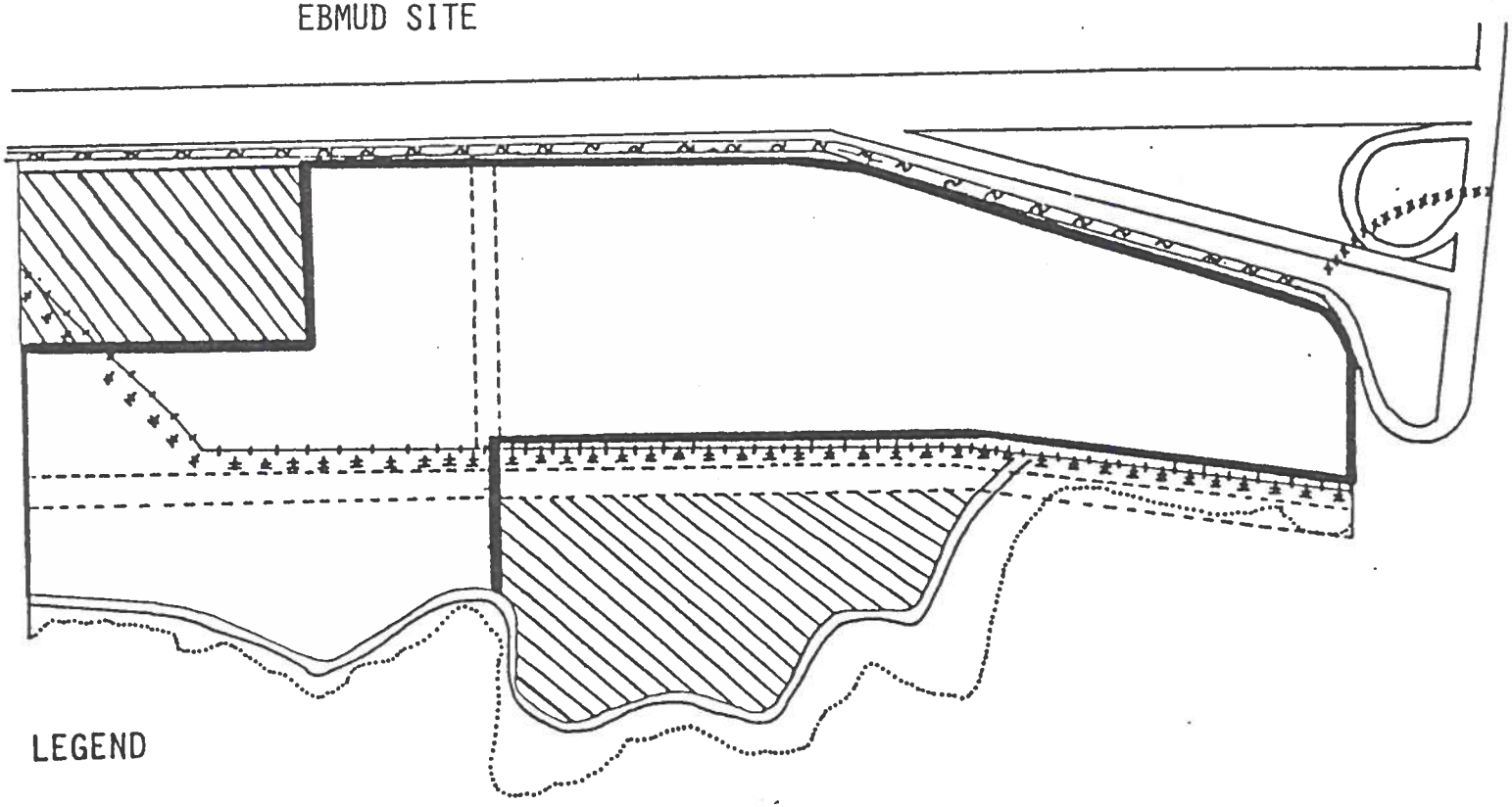
PROPOSED USE:
TYPE: PROMOTIONAL RETAIL MALL
SIZE: 333,000 SQ. FT. GROSS LEASABLE AREA
PARKING SPACES: APPROXIMATELY 1650 SPACES OR 5 SPACES PER 1,000 SQ.FT. OF GROSS LEASABLE AREA
LOADING AREAS: 5 LOADING DOCKS REQUIRED

SOURCES OF INFORMATION: OAKLAND DEPARTMENTS OF PLANNING, PUBLIC WORKS, ENGINEERING AND PARKS AND RECREATION, EBMUD, PG&E, ALAMEDA COUNTY FLOOD CONTROL, BCDC, EPA, ALAMEDA COUNTY ASSESSOR, OAKLAND OFFICE OF ECONOMIC DEVELOPMENT, PORT OF OAKLAND

MAP 2.

SITE 6 - PHYSICAL CHARACTERISTICS:

EBMUD SITE



LEGEND

Land Boundaries	.....	Sewer Lines	×××××××
Property Line	▬▬▬	Interceptor Sewer	××•××•
Existing Roads/ Footpaths	———	Power Lines	^^
Proposed Roads	- - - - - -	Telephone Lines	ŦŦŦŦŦ
Water Lines	~~~~	Railroad	+++++
		Proposed Development	▨

SCALE '1" = 300 feet

Table 6

SITE DESCRIPTION PROFILE
SITE 7

LOCATION:
ADDRESS: 5401 COLISEUM WAY
PARCEL NUMBERS: 34-2342-2-9

SIZE:
ACRES: 11.1 ACRES
SQUARE FOOTAGE: 483,520
DEPTH/WIDTH: 550' X 950'

OWNER: SYUFY ENTERPRISES, SAN FRANCISCO

ZONING: M-40

TOPOGRAPHY: ELEVATIONS FROM 5' to 9'

EXISTING IMPROVEMENTS: DRIVE-IN THEATER

ENVIRONMENTAL CONDITIONS:
SOILS: NO REPORT
FLOOD CONDITIONS: LOCATED WITHIN 500 YEAR FLOOD BOUNDARY
TOXICS: NONE KNOWN
BCDC RESTRICTIONS: N/A

EXISTING UTILITIES:
WATER: WATER MAIN ALONG COLESIUM WAY
GAS: GAS MAIN ALONG COLESIUM WAY
SEWER: SEWER LINE ALONG COLISEUM WAY
ELECTRICAL: HIGH TENSION WIRES ALONG COLESIUM WAY

ACCESS: NIMITZ FREEWAY-HIGH STREET/66TH AVENUE/COLISEUM WAY

VISIBILITY: EXCELLENT FROM NIMITZ

AVERAGE TRAFFIC VOLUME: 178,000 VEHICLES PER DAY ON NIMITZ

SITE CONSTRAINTS: POWER LINES, INTERCEPTOR SEWER LINE, OPEN DITCH EASEMENTS

ADJACENT USES: WAREHOUSING, PUBLIC UTILITIES

ADJACENT DEVELOPMENT PLANS: POSSIBLE PG & E TRANSFORMER EXPANSION

PROPOSED USE:
TYPE: PROMOTIONAL RETAIL MALL
SIZE: 162,000 SQ. FT. GROSS LEASABLE AREA
PARKING SPACES: 810 SPACES OR 5 SPACES PER 1,000 SQ. FT. OF GROSS LEASABLE AREA
LOADING AREAS: 4 LOADING DOCKS REQUIRED

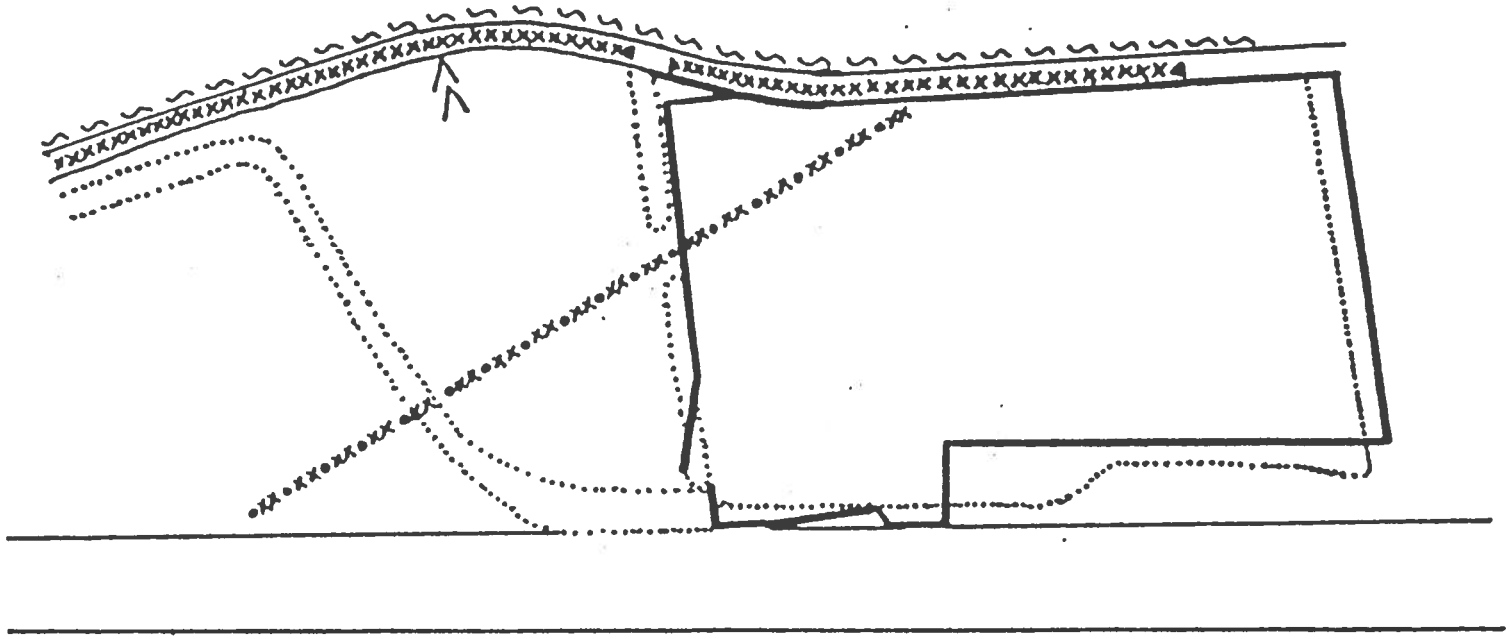
MISCELLANEOUS: IMPROVEMENTS ON THEATER SITE WOULD NEED TO BE DEMOLISHED. DEVELOPMENT OF PG & E SITE MAY BE RISKY DUE TO POTENTIAL FOR EXPANSION OF ELECTRICAL TRANSFORMER TO SERVICE POTENTIAL DEMAND INCREASE IN COLISEUM AREA.

SOURCES OF INFORMATION: CITY OF OAKLAND DEPARTMENTS OF PLANNING, PUBLIC WORKS & ENGINEERING, EBMUD, PG& E, ALAMEDA COUNTY FLOOD CONTROL, BCDC, EPA, ALAMEDA COUNTY ASSESSOR, OAKLAND OFFICE OF ECONOMIC DEVELOPMENT.

MAP 3

SITE 7 - PHYSICAL CHARACTERISTICS :

DRIVE-IN SITE



LEGEND

Land Boundaries	.....	Sewer Lines	×××××××
Property Line	▬▬▬	Interceptor Sewer	××•××•
Existing Roads/ Footpaths	———	Power Lines	^^
Proposed Roads	- - - - -	Telephone Lines	ŦŦŦŦŦ
Water Lines	~~~~	Railroad	+++++
		Proposed Development	▨

SCALE 1" = 250 feet

B. PHYSICAL DESIGN CONCEPT

Based on the two chosen sites, the group developed two physical design concepts for each of the two chosen sites. The design concepts reflect the market assessment that promotional retail facilities are appropriate and feasible for both sites. (See Section V for a description of promotional retail malls.)

The physical configuration of a promotional retail mall includes a variety of spaces ranging in size from 2,000 square feet to 50,000 square feet. In addition, the developer may provide vacant pads which could be leased and developed by franchises such as fast food establishments, banks, etc. The following indicates the potential occupants which could lease the varying size units.

Approx. Size	Potential Occupants
50,000 SQ. FT.	ANCHOR TENANTS (RETAIL CHAIN)
25,000 SQ. FT.	PRODUCT SPECIFIC STORES
2,000 SQ. FT.	SMALL(LOCAL,CHAIN,FRANCHISE,orSERVICE)MERCHANTS
5,000 SQ. FT.	VACANT PADS (FAST FOOD SERVICE, BRANCH BANKS)

In order to provide for easy auto access to the proposed developments, the sites will include five parking spaces per 1,000 square feet of retail space. Development landscaping and truck access for loading will also be included as required under City of Oakland zoning ordinances.

1. Development Concept - Site 6 (EBMUD)

The EBMUD site is the larger of the two sites. A design concept for this site has been developed which utilizes 23 of the approximate 41 available acres of the parcel. In developing this site, a total of 330,000 square feet of retail space and approximately 1600 parking spaces would be constructed. A potential breakdown of the proposed project into discrete physical space is described in the following table:

	Number of Spaces	Size of Space
	3	50,000 SQ. FT.
	3	30,000 SQ. FT.
	4	5,000 SQ. FT.
	35	2,000 SQ. FT.
TOTAL	45	330,000 SQ. FT.

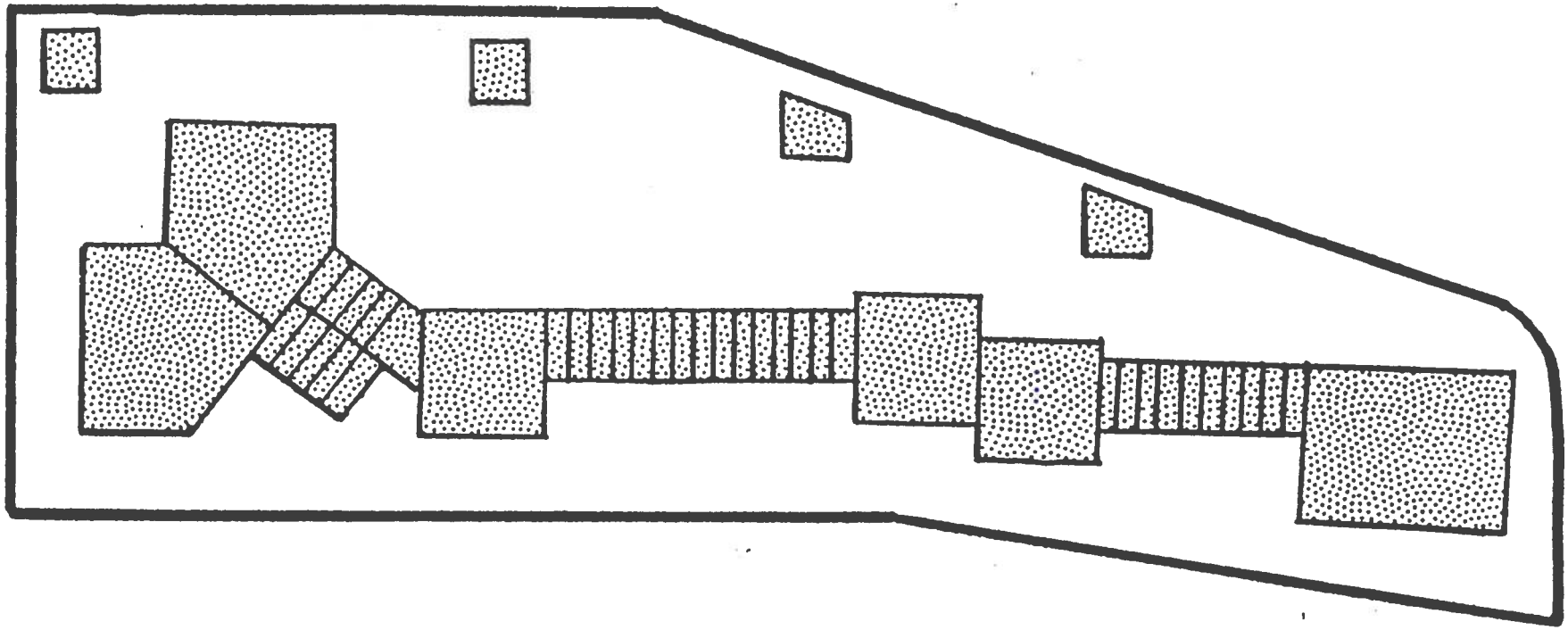
Proposed schematic design for the EBMUD site is shown in Map 4.

2. Development Concept - Site 7 (Drive-In Site)

Two development concepts were originally envisioned for this property. Under the first scenario, a total of 235,000 square feet of gross leasable area was to be developed on the entire 15-acre site. The basic configuration of this plan would place the parking for the development on an adjacent site owned by Pacific Gas and Electric (PGandE). However, under

MAP 4

SITE 6 - SITE DEVELOPMENT PLAN:
EBMUD SITE



SCALE 1" = 200 feet

Public Utilities Commission (PUC) regulations, PGandE could claim their property in 30-60 days, regardless of the terms of the structured lease. We have determined that this would limit use in a way unacceptable to both long-term financing sources and Oakland authorities.

The second and preferred development concept focuses on utilizing the 11-acre theater site only. In constructing this project, a total of 162,000 square feet of gross leasable retail space and parking for approximately 800 autos would be developed.

A potential breakdown of the proposed project into discrete physical space is described as follows:

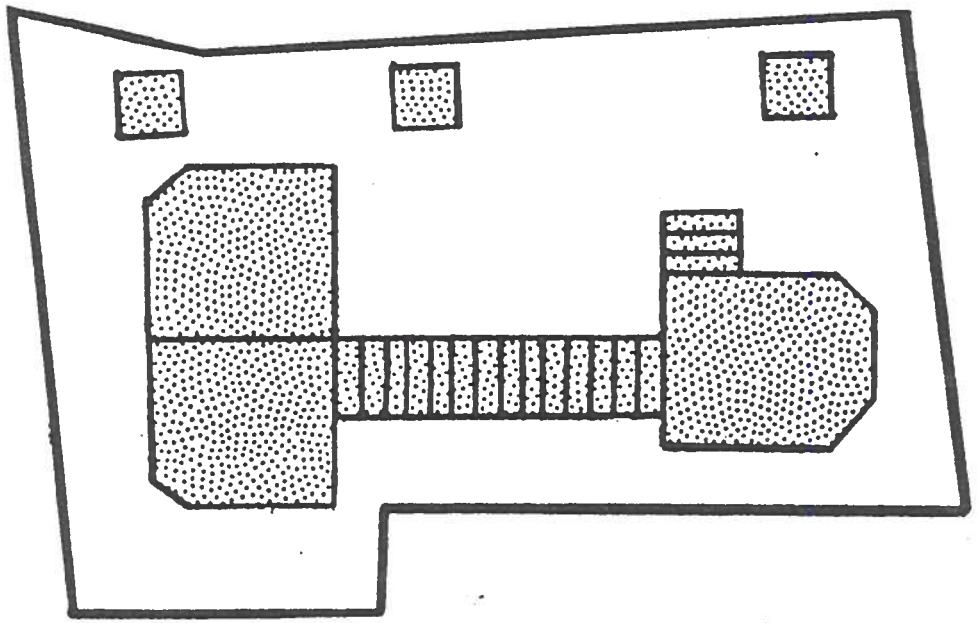
Number of Spaces	Size of Space
3	40,000 SQ.FT.
3	4,000 SQ.FT.
15	2,000 SQ.FT.
TOTAL: 21	162,000 SQ.FT.

The proposed Schematic design for the Drive-In site is illustrated in Map 5.

MAP 5

SITE 7 - SITE DEVELOPMENT PLAN:

DRIVE-IN SITE



SCALE 1" = 200 feet

V. MARKET FEASIBILITY

Based on an assessment of market conditions in the Oakland, North Hayward, and Berkeley market areas, there is a substantial unmet demand of 3.2 million square feet for promotional retail uses. The combination of strong demand for retail space and significant new development activity makes the development of either of the project sites feasible. However, the development must occur now to preclude similar development along the I-880 corridor, and to establish the Coliseum Area as the value center for the trade area.

Of the two sites studied, the EBMUD site represents the greatest opportunity for successful operation of the Promotional Retail Mall and for a positive catalytic effect upon the surrounding area. This is due to its superior access, superior visibility, and, most significantly, to its greater size, which can accommodate a center twice the size of the Drive-In site. This larger size is necessary to create the critical mass required to establish the mall as a destination that can draw people from a great distance.

A. GAUGING MARKET FEASIBILITY

We undertook extensive market research to assess the potential for the successful leasing and operation of a promotional retail mall on either of the project sites. As a result of this research, we determined:

- The amount of unmet sales potential existing in the trade area;
- The resulting additional retail space the market can support; and
- Actual demand for retail space.

To estimate the unmet sales potential (or market void), potential household expenditures for the trade area and actual expenditures are compared to determine if there exists:

- More potential expenditures than actual expenditures, indicating a potential for additional retail development, or
- Less potential expenditures than actual expenditures, indicating an oversupply of retail space.

In addition, competitive facilities (existing and planned) have been identified to help refine estimates of additional supportable space and optimal center size.

In order to further clarify these issues, the following sections address: Trade Area; Actual Expenditures; Potential Expenditures; Void Analysis; Impact of Competition; Actual Demand for Space; and Recommendations.

B. TRADE AREA

The trade area for the EBMUD center includes the cities of Albany, Berkeley, Emeryville, Alameda, Oakland, Piedmont, San Leandro, San Lorenzo, Castro Valley, and the northern part of Hayward. This trade area is defined as an area within 25 minutes' driving time of the project. This 25-minute level was used because it reflects the maximum time people would drive to a hypothetical promotional center of this size.

The trade area for the Drive-In site includes the cities of Oakland (south of State Highway 24) and Alameda. This trade area is smaller because the drawing power of this center would be much less than that of the EBMUD development, which is twice the size (330,000 square feet vs. 162,000). Map 6 illustrates the location of the trade areas.

C. ACTUAL EXPENDITURES

Actual expenditures in the trade area are based upon data from the 1982 Census of Retail Trade. To insure consistency with categories of potential expenditures, we limited our assessment to two categories of retail sales. Category 1 includes apparel and accessories (SIC 56), and Category 2 includes furniture, home furnishings, and equipment (SIC 57). The following are specific types of stores in Category 1: men's and boy's clothing and furnishings; women's and girls clothing, specialty, and furriers; family clothing; shoes; and other apparel and accessory stores. Specific stores included in Category 2 are: furniture; home furnishing; household appliance, radio and television; record; and musical instrument stores.

1. Methodology

To obtain actual sales estimates for 1987, actual sales by each of the above categories was taken from the 1982 Census of Retail Trade. Actual sales were the sum of: 1) actual sales in major retail centers located in the trade area; and 2) percentage of Alameda County non-major retail center sales attributable to the trade area. The latter is found by multiplying total non-major retail center sales in Alameda County by the ratio of aggregate income in the trade area to aggregate income in Alameda County. This sum was then inflated by 9.34 percent per year, the actual rate of growth in taxable retail sales in Alameda county from 1982 to 1985, to obtain 1987 estimates. Complete documentation of methodology is included in Appendix A.

2. EBMUD Trade Area

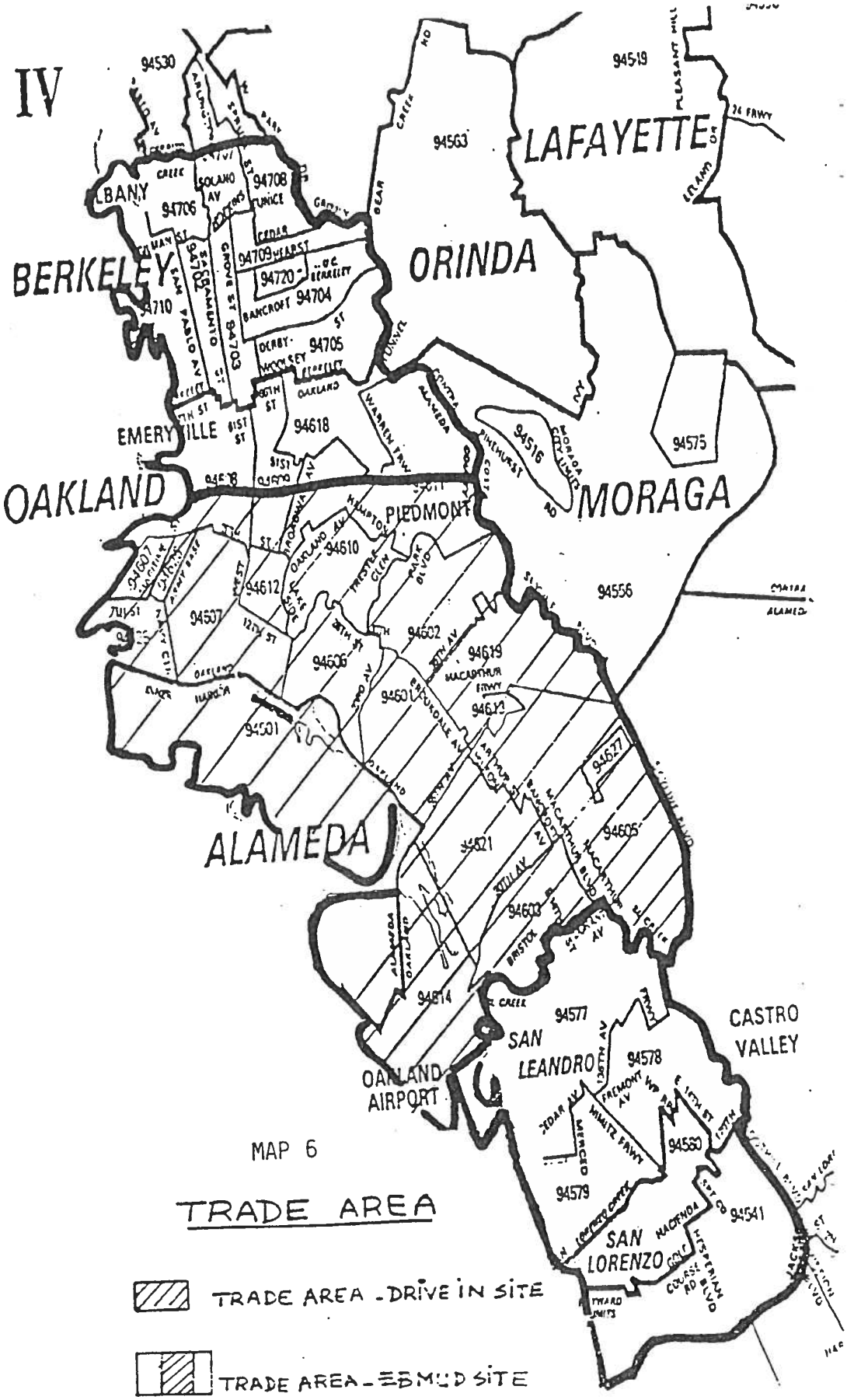
For apparel and accessories, the 1987 estimate of actual trade area sales is $210,470,000; the estimate for furniture, home furnishings, and equipment stores is $231,779,000. The total of these two categories is $442,249,000.

3. Drive-In Trade Area

For apparel and accessories, the 1987 estimate of actual trade area sales is $110,094,000; the estimate for furniture, home furnishings, and equipment stores is $147,585,000. The total of these two categories is $257,679,000.

D. POTENTIAL HOUSEHOLD EXPENDITURES

Potential household expenditures in the trade area are based on data from the ABAG Projections 85, the MTC Traffic Analysis Zonal Data Base, and the 1982-83 BLS Survey of Consumer Expenditures. Department of Commerce Consumer Price Index data for the San



MAP 6

TRADE AREA

Francisco/Oakland metropolitan area and California Department of Finance population estimates were also employed to calculate 1987 household income, total households, household population, and aggregate household income for the trade area.

1. Methodology

To determine household income available for expenditures, the mean household incomes and household sizes (deflated to 1982 dollars) in the trade area were compared with corresponding household profiles from the 1982-83 BLS Survey of Consumer Expenditures. Expenditures patterns (percentage of total income spent in a category) from those household categories that most closely resembled trade area households were then multiplied by the aggregate household income (in 1987 dollars) of the trade area to obtain an estimate of potential sales in each category. Complete documentation of methodology is included in Appendix B.

2. EBMUD Trade Area

Analysis of these data sources indicates there is $410,900,000 of household income available for expenditure in the apparel and accessories category, and $430,277,000 available for the furniture, home furnishings, and equipment category. The total of both categories is $841,177,000.

3. Drive-In Trade Area

The above data sources indicate there is $261,699,000 of household income available for expenditure in the apparel and accessories category, and $305,236,000 available for the furniture, home furnishings, and equipment category. The total of both categories is $566,935,000.

E. UNMET DEMAND ANALYSIS

1. EBMUD Trade Area

A comparison of potential household expenditures (part D above) with estimated actual expenditures (part C above) reveals a significant amount of unmet sales potential. Table 7 summarizes the difference between potential trade area expenditures and actual trade area expenditures, illustrating the void in the retail market in the categories of apparel and accessory stores and furniture, home furnishings, and equipment stores.

Based upon sales per square foot of $160, the void for apparel and accessories ($200,430,000) suggests that the trade area could support an additional 1,252,688 square feet of this type of retail space. (Additional supportable space = Void (in dollars)/Average sales per square foot (in dollars).) A void of $198,498,000 in the category of furniture, home furnishings, and equipment stores indicates the trade area could support an additional 1,984,980 square feet of this retail space, assuming an average sales per square foot of $100 for this type of use. Total supportable space for these two categories is 3,237,668 square feet.

Table 7

VOID ANALYSIS: ESTIMATED ADDITIONAL SUPPORTABLE SPACE IN THE TRADE AREA: EAST BAY MUNICIPAL UTILITY DISTRICT DEVELOPMENT

	A	B	C (A-B)	D	E (C/D)
	1987 Potential Sales ($1,000)	1987 Actual Sales ($1,000)	Void (Uncaptured Potential) ($1,000)	Sales per Sq.Ft. of GLA	Additional Supportable Space (Sq.Ft.)
RETAIL CATEGORY					
Category 1 (SIC 56) Apparel and Accessory Stores	410,000	210,470	200,430	$160	1,252,688
Category 2 (SIC 57) Furniture, Home Furnishings, and Equipment Stores	430,277	231,779	198,498	$100	1,984,980
TOTAL	841,177	442,249	398,928	$123	3,237,668

Sources: 1987 Potential Sales - 1982-83 Bureau of Labor Statistics Survey of Consumer Expenditures
- Association of Bay Area Governments, Projections 85
- MTC Traffic Analysis Zonal Data
- Department of Commerce Consumer Price Index
- California State Department of Finance

1987 Actual Sales - 1982 Census of Retail Trade
- California State Board of Equalization, Annual Taxable Sales, 1982, 1985

Sales/Sq.Ft. of GLA - Dollars and Cents of Off-Price Shopping Centers, published by Urban Land Institute

2. Drive-In Trade Area

Table 8 summarizes potential expenditures, actual expenditures, and additional supportable space for this smaller trade area. There is a void of $197,331,000 for apparel and accessory stores, and a void of $210,798,000 for furniture, home furnishings, and equipment stores. Based upon the same sales-per-square-foot numbers from above, this smaller trade area could support an additional 1,233,319 square feet of apparel/accessory space and 2,107,980 square feet of furniture, home furnishings, and equipment space. Total additional supportable space is 3,341,299 square feet.

While certain retail categories were excluded because they typically are not found in promotional retail centers, others were not included due to incongruence of data sources. These include Food Away From Home and Entertainment Commodities. For the latter group, it was impossible to determine potential and actual sales estimates, and no estimate of void and additional supportable space was made. Therefore, it is likely that the above estimates of total supportable square feet are on the conservative side.

F. IMPACT OF COMPETITION

One additional condition that may affect the total supportable space is the impact of recently- and soon-to-be- developed retail space in the trade area. This includes the Greenhouse Marketplace (302,154 square feet), the Eastshore Center (158,000 square feet), and the Price Club (typically 100,000 square feet). Greenhouse Marketplace, located at I-880 and Lewelling and Washington in San Leandro, is a promotional shopping center including goods from both of the categories that were researched.

Eastshore Center is currently under development at the intersection of I-880 and Powell Street in Emeryville. It will be focused at the middle to upper income population of the East Bay area, especially the Berkeley and Oakland Hills and Piedmont, and also will likely include goods from both of the categories researched in this report. Informants have suggested the possibility that the Price Club warehouse wholesale/retail outlet chain will locate on nearby Port land.

These three developments, with a total of 560,154 square feet, amount to 17.3 percent of the 3,237,668 square feet of additional supportable space. The EBMUD site proposes to capture 10.2 percent of supportable retail space. These projects may have some impact upon the specific tenant selection which one of our developments may make, but it is clear that they make only a small impact on the additional supportable space.

G. ACTUAL DEMAND FOR SPACE

While the void analysis is important for determining how much additional space might be supported, it is important to check these results against actual demand for retail space. As might be expected from the large void, demand for smaller, shopping center retail space (up to 5,000 square feet) and larger retail space (over 25,000 square feet) seems strong. Greenhouse Marketplace in San Leandro provides the most comparable information for lease-up of shopping center space. This center opened in October 1985 with a 50,000-square-foot BEST products store and a 30,000-square-foot Federated home electronics store. Longs Drug (22,000 square feet) and Safeway (50,000 square feet) opened between January and April of 1986. At that

Table 8

VOID ANALYSIS: ADDITIONAL SUPPORTABLE SPACE IN THE TRADE AREA DRIVE-IN DEVELOPMENT

	A	B	C (A-B)	D	E (C/D)
	1987 Potential Sales ($1,000)	1987 Actual Sales ($1,000)	Void (Uncaptured Potential) ($1,000)	Sales per Sq.Ft. of GLA	Additional Supportable Space (Sq.Ft.)
RETAIL CATEGORY					
Category 1 (SIC 56) Apparel and Accessory Stores	261,699	110,094	151,605	$160	947,531
Category 2 (SIC 57) Furniture, Home Furnishings, and Equipment Stores	305,236	147,585	157,651	$100	1,576,510
TOTAL	566,935	257,679	309,256	$123	2,524,041

Sources: 1987 Potential Sales - 1982-83 Bureau of Labor Statistics Survey of Consumer Expenditures
- Association of Bay Area Governments, Projections 85
- MTC Traffic Analysis Zonal Data
- Department of Commerce Consumer Price Index
- California State Department of Finance

1987 Actual Sales - 1982 Census of Retail Trade
- California State Board of Equalization, Annual Taxable Sales, 1982, 1985

Sales/Sq.Ft. of GLA - Dollars and Cents of Off-Price Shopping Centers, published by Urban Land Institute

point, smaller stores started occupying the center, and there currently are 8,982 square feet (7 spaces) vacant of a total of 72,246 square feet (42 spaces). The smaller spaces were 88 percent absorbed after approximately 14 months. In addition to the vacant improved spaces, two of the four pads (20,000 of 27,700 square feet) are currently unimproved.

The demand for large retail space is further demonstrated by the acquisition of the former Gemco store at I-880 and Lewelling by Target stores, and by the acquisition of the Handyman Hardware store (40,000 square feet) at W. Winton and Hesperian in Hayward by Circuit City, a home electronics store. As mentioned above, the Price Club has already negotiated with the Port of Oakland to establish a store on property in the Coliseum Redevelopment Area. In addition, shopping center developers contacted have indicated that retailers have a significant interest in East Bay locations.

H. RECOMMENDATIONS

This development must occur now to preclude similar development in the immediate area, and to thus establish the project as the value center for the East Bay. It is imperative to act quickly. There are two retail development projects currently in the planning stages in this area. One of the two may already represent a threat to the successful operation of either of our proposed developments. The other, the Price Club, could be an opportunity.

The competing project is a 600,000-square-foot promotional mall that informants suggest may be under discussion for nearby land which belongs to the Oakland-Alameda County Coliseum Complex. It would have two major tenants in the 125,000- to 200,000-square-foot range, two stores at about 50,000 square feet, and four stores at approximately 25,000 square feet. Because this open mall is currently in the conceptual planning stage, it was not mentioned in the void analysis as having an impact on the additional supportable space in the trade area. However, if this mall would be developed before either of our project sites, it is likely that our project's feasibility would diminish unless there was a significant difference in product lines and tenants. Although the additional supportable space figures show that both developments could be absorbed in the trade area, head-on competition is unlikely to be financed by lenders and insurance companies.

The second development, the Price Club, represents an opportunity rather than a threat. Development of the Price Club and one of our sites would likely work well because of sufficient variability of product lines and the benefits of additional traffic generated in the area.

VI. FINANCIAL FEASIBILITY ANALYSIS

The results of the financial feasibility analysis show that it is financially feasible to build and operate a promotional retail mall on either the EBMUD site or the Drive-In site. Of the two sites, the EBMUD site is clearly the more suitable and profitable.

A. PROJECT CONCEPT

Table 9 summarizes the project concept for each site under both buy and lease scenarios. Looking at the EBMUD site, a 330,000-square-foot Promotional Retail Mall can be constructed on the 23-acre site (1,001,880 square feet), allowing for 1,650 parking spaces (5 spaces per 1,000 square feet of gross leasable area). The land acquisition cost and lease terms were obtained from EBMUD. Under the buy option, the purchase price is estimated at $7,013,160, based on a land cost of $7 per square foot. Annual land rent on the site under the ground lease option is estimated at $701,316, based on a land cost of $7 per square foot and providing for a 10 percent annual return.

The Drive-In site can support a 162,000-square-foot Promotional Retail Mall on 11 acres (479,160 square feet), allowing for 810 parking spaces. The acquisition cost under the buy option is estimated at $3,354,120, assuming a land cost of $7 per square foot. Under the ground lease option, annual land rent for the site is estimated at $335,412, again assuming a land cost of $7 per square foot and providing for a 10 percent annual return.

B. DEVELOPMENT COSTS

Development costs under the buy and lease options are presented for each site in Table 10. The assumptions used to estimate the cost of development and a complete cost breakdown are documented in Appendix C. Except for the cost of land acquisition and associated property taxes, the total development costs are the same for both the buy and ground lease options. Total hard costs for the EBMUD site are estimated at $13,664,700. Soft costs for architecture and engineering, taxes and insurance, and marketing and rent-up under the buy option total $3,945,193. Soft costs for the ground lease option are estimated at $3,878,193. Thus, development costs for the buy option on the EBMUD site are estimated to total $24,623,053. Without the cost of land acquisition under the ground lease option, total development costs decrease to $17,542,893.

Looking at the development costs for the Drive-In site, the cost of demolishing the existing structure and clearing the site is estimated at approximately $50,000. Hard costs for the 162,000-square-foot project are estimated at $6,597,900. An additional $2,037,373 in soft costs is necessary for the buy option, and $2,005,373 for the ground lease option. Under the buy option, total development costs for the Drive-In site are estimated to be approximately $12,093,393. The ground lease option reduces the cost of development to $8,653,273.

C. FINANCING AND EQUITY

Financing for both projects was assumed to be obtained from a conventional lender at an interest rate of 10 percent (based on a 30-year amortization term). The loan amount was derived using a minimum debt coverage ratio of 1.20. These terms are conservative, and it is likely that a developer with a good track record might be able to obtain more favorable financing. A detailed description of financing terms for each site is provided in Appendix C.

TABLE 9

PROJECT CONCEPT

	EBMUD	DRIVE-IN
Development Concept	Promotional Retail	Promotional Retail
Site Area (Sq. Ft.)	1,001,880	479,160
Gross Leasable Area	330,000	162,000
Parking Spaces (5 per 1,000 sq. ft. of gross leasable area)	1,650	810
Land Acquisition Cost ($7 per sq. ft.)	$7,013,160	$3,354,120
Land Lease ($7/sq. ft. @ 10% return)	$701,316	$335,412

TABLE 10

PROJECT COST

	EBMUD		DRIVE-IN	
	BUY	LEASE	BUY	LEASE
Land Acquisition	7,013,160	0	3,354,120	0
Annual Land Rent	0	701,316	0	335,412
Demolition and Site Clearance	0	0	50,000	50,000
HARD COSTS				
Grading/Utilities/Paving	2,504,700	2,504,700	1,197,900	1,197,900
Construction	11,160,000	11,160,000	5,400,000	5,400,000
TOTAL HARD COSTS	13,664,700	13,664,700	6,597,900	6,597,900
SOFT COSTS				
Arch/Eng/Other Fees & Charges	834,265	834,265	407,427	407,427
Property Taxes & Insurance	142,000	75,000	68,000	36,000
Marketing & Rent-Up	825,000	825,000	405,000	405,000
Developer Fee	400,000	400,000	200,000	200,000
Construction Interest & Fees	939,448	939,448	453,606	453,606
Contingency	800,000	800,000	500,000	500,000
Utility Hook-Up Charges	4,480	4,480	3,340	3,340
TOTAL SOFT COSTS	3,945,193	3,878,193	2,037,373	2,005,373
TOTAL DEVELOPMENT COSTS	24,623,053	17,542,893	12,039,393	8,653,273

The estimated required equity investment under the buy and lease options for each site is provided in Table 11. As the table shows, the equity investment necessary to purchase and develop the EBMUD site, assuming conventional financing of $21,056,781, is estimated to be $3,987,408. A ground lease arrangement with EBMUD would reduce the required equity investment to $2,306,432.

Due to the smaller size of the Drive-In project, the required equity investment under the buy option is estimated to be $2,165,878, assuming financing of $10,075,015. Under the ground lease option, the required equity decreases to $1,361,977.

D. PROJECT PERFORMANCE

Table 12 summarizes the performance of each project under the buy and lease scenarios over a five-year period. A detailed description of the tenant mix, the lease terms, and the annual income from each project is provided in Appendix C. In addition, Appendix C contains complete pro formas on each of the scenarios, as well as sales proceeds analyses for five years of operation, profitability, and risk measures.

In general, leases for each project are assumed to be triple net, with annual increases every five years. Lease rates are lowest for the anchor tenants (50,000 square feet), slightly higher for the large tenants (30,000 to 40,000 square feet), and highest for the small tenants (2,000 square feet). The pads for restaurants are assumed to be ground leases, and the land rent is calculated based on the land value and a 10 percent annual return. Both projects assume a 15 percent vacancy rate at the end of year 1, and a five percent vacancy rate for the next four years.

The financial analysis for the EBMUD site indicates the project will perform well and will provide investors with a high rate of return on their equity. In the first year, the gross income from the EBMUD project under both the buy and lease options is $3,135,000, or an average annual income of $9.50 per square foot. Due to an increase in the lease rates in year 5, the gross income from the project rises to $3,677,250, for an average income of $11.14 per square foot. The first year net operating income (NOI) from the project under the buy option is estimated to be $2,398,275. The NOI rises to $3,144,049 in year 5. Under the ground lease option, the developer must pay an additional $701,316 per year for land rent. The NOI before land rent is estimated to be $749,017 in year 1, and rises to $1,494,791 in year 5.

Before tax cash flow (NOI - debt service) under the buy option is estimated to be $164,588 in the first year of operation. By year 5, before tax cash flow (BTCF) rises to $910,361. Under the ground lease option, BTCF is expected to be only $47,702 in the first year, but will rise to $793,475 in year 5. Due to the deductions for depreciation, interest payments, and land rent (under the ground lease option), there is no tax liability for the EBMUD site during the first five years of operation. Thus, the after-tax cash flow (ATCF) is the same as the before-tax cash flow under both scenarios.

Table 12 also provides measures of the Cash on Cash return and Internal Rate of Return (IRR) for both projects. For the EBMUD site, the Cash on Cash return, which is the ratio of before-tax cash flow to the initial equity investment, is estimated to be 22.83 percent in the fifth year of operation under the buy option. The IRR is a healthy 27.02 percent in year 5. The profitability measures for the EBMUD site under the ground lease option are even more

TABLE 11

FINANCING AND REQUIRED EQUITY

LEASE OPTION	EBMUD	DRIVE-IN
Total Development Costs	$17,542,893	$8,653,273
+Permanent Loan Fees	$310,948	$148,802
-Permanent Loan	$15,547,409	$7,440,098
REQUIRED EQUITY INVESTMENT	$2,306,432	$1,361,977

TABLE 12

PROJECT PERFORMANCE

LEASE OPTION	EBMUD	DRIVE-IN
Gross Leasable Area	330,000	162,000
Occupancy Rate Year 1	85%	85%
Occupancy Rate Years 2-5	95%	95%
1st Year Lease Income	$3,134,000	$1,500,000
5th Year Lease Income	$3,677,250	$1,762,500
1st Year Avg. Income/Sq.Ft.	$9.50	$9.26
5th Year Avg. Income/Sq.Ft.	$11.14	$10.88
1st Year BTCF	$47,702	$22,848
5th Year BTCF	$793,475	$382,286
1st Year ATCF	$47,702	$22,848
5th Year ATCF	$793,475	$382,286
Cash on Cash Return Year 5	34.40%	28.07%
IRR Year 5	47.91%	41.70%

favorable. The Cash on Cash return in year 5 is estimated to be 34.40 percent. The project yields an IRR in year 5 of 47.91 percent.

The performance measures for the Drive-In site also demonstrate a feasible project. Gross annual income for the project is estimated to be $1,500,000 for the first four years, for an average annual income of $9.26 per square foot. As a result of an increase in lease rates in year 5, gross income rises to $1,762,500, for an average annual income of $10.88 per square foot.

The first-year NOI for the Drive-In site under the buy option is estimated to be $1,147,500. The NOI increases in year 5 to $1,506,938. Under the ground lease scenario, annual land rent for the site is $335,412. The NOI before land rent is estimated to be $358,260 in year 1, and rises to $717,698 in year 5.

Before-tax cash flow for the buy option is estimated to be $78,750 in year 1, and will rise to $438,188 in year 5. Under the ground lease option, BTCF is $22,848 in year 1, and rises to $382,286 in year 5. As with the EBMUD site, there is no tax liability for the Drive-In site under both scenarios for the first five years of operation. Thus, the after-tax cash flow is the same as the before tax cash flow during the first five years.

The Cash on Cash return for the Drive-In site under the buy option is expected to be 20.23 percent in year 5. The project will yield an IRR of 23.89 percent in the same year. Under the ground lease option, both the Cash on Cash return and the IRR in year 5 is higher, yielding a 28.07 percent and 41.70 percent return, respectively.

As the financial analysis shows, both projects are feasible under either a buy or lease scenario. Under both options, the EBMUD site outperforms the Drive-In site. Clearly, building the Promotional Retail Mall under a ground lease arrangement with EBMUD proves to be the most profitable of the options.

VII. ECONOMIC DEVELOPMENT BENEFITS

The proposed Promotional Retail Mall could provide a number of substantial benefits for the City of Oakland, including:

- o Substantial sales, property, and business tax revenues;
- o Significant job generation; and
- o Catalyzing further retail and commercial investment and development in the Coliseum Area.

A. PREFERRED SITE

In the course of this study, two different sites were examined for development: the Drive-In site and the EBMUD site. Our Market and Financial Feasibility analyses indicate that both sites are appropriate for Promotional Retail Mall development.

A more critical evaluation of the two sites, however, reveals that there are important differences between them. The most important is scale. The Drive-in site would allow development of 160,000 square feet of gross leasable area. At this size, a retail complex could be developed that could absorb unmet retail demand in the city of Oakland south of Highway 24. However, a project this size could not reach a larger market. Furthermore, development of a promotional retail mall on this site might result in relinquishing a significant amount of that local market to projects currently being proposed for other sites in the Trade Area, such as Emeryville and the Coliseum Complex.

Developing the EBMUD site, however, would provide a retail mall capable of capturing an adequate share of the entire trade area market and maintaining it against future development on other sites. The EBMUD site allows development of a retail project twice the size of the Drive-In site. This site provides optimal financial return. Moreover, the EBMUD site will be easier to acquire and to develop, with lower site preparation costs. Given these factors, it appears that only the EBMUD site has the potential to serve as a regional retail mall as well as a catalyst for further retail and commercial development in the Coliseum area.

Given these attributes of the EBMUD site, we strongly recommend that the proposed Promotional Retail Center be located on the EBMUD site. In keeping with this recommendation, the remainder of the report will discuss only the EBMUD site.

B. ECONOMIC BENEFITS

The considerable economic and public benefits of this project are outlined below.

1. Fiscal Impacts

We estimate that the proposed development could generate substantial sales tax, property tax, and business tax revenues for the City of Oakland, approaching more than $500,000 per year. The Financial Feasibility Proforma estimates gross annual sales of $40,950,000. The City's 1 percent share of sales tax receipts would amount to $409,500.

The estimated value of taxable improvements for the project under a lease totals

$17,542,893. This would generate $39,066 for the City's share of the property taxes in the first year. The Oakland Business Tax would generate an additional $49,140 per year.

2. Employment Potential

This retail project could generate a large number of new full-time and part-time jobs for the City of Oakland. Based on a standard multiplier of between 1.5 and 2.0 retail jobs per thousand square feet of GLA for this type of development, we estimate between 500 and 660 new jobs. The City might increase the proportion of new jobs going to Oakland residents by encouraging or requiring the developer, contractors, and lessee businesses to hire Oakland residents through the First Source and Hire Oakland plans.

The potential new payroll generated by the project can be estimated using a conservative base wage of $6.05/hour. The average monthly payroll could range from $500,000 to nearly $700,000. This figure does not include the construction payroll. Further study could determine the amount of this payroll that might be available for expenditure in Oakland.

3. Catalyzing Further Development

We believe that a major, regional-scale, retail center in the Coliseum district emerges as a real possibility from the analysis in this report. In our Market Area, the size of the present void of space in just two retail categories in relation to disposable income and sales is 3.3 million square feet. This void makes plausible the development of upwards of a million square feet of gross leasable area in the Coliseum Area. Stated differently, a million square feet of retail space in the Coliseum Area could potentially produce sales of roughly $124,000,000 (in 1987 dollars), which in turn could generate more than $1.2 million in sales tax revenue for Oakland, almost $335,000 in property taxes to the various local jurisdictions, and up to 2,000 permanent jobs with a monthly payroll of $2.1 million.

Before discussing the role of the proposed Promotional Retail Center in possibly catalyzing this regional scale development, let us present two caveats. First, the void in retail exists, but will soon be filled. The present intensity of retail development in the corridor from Berkeley and Emeryville to Hayward demonstrates this. In fact, development along the whole corridor could well prove the most probable scenario for filling the void. Should the Oakland business community fail to act decisively and expediently to insure centering this million square feet of retail space in the Coliseum district, it will almost certainly spread rather evenly along the corridor, outside Oakland.

The second caveat refers to the relationship between downtown Oakland and this retail space void. Downtown will not supply space to fill this void. The same forces that have made retail space a declining function in Downtown, that have stalled retail-oriented redevelopment for twenty years, have intensified in recent years. These forces, based on major demographic and economic changes in American society, have made easy-access freeway sites ever more critical to successful large scale retailing, especially in the household and apparel fields. Retail development that does not occur in the Coliseum district will not locate in Downtown as an alternative. It is more likely to seek locations along the freeways in Emeryville, San Leandro, Hayward, and similar places.

To return to the potential for catalyzing the major retail center in the Coliseum Area, we see this as a major potential impact from the proposed Promotional Retail Mall project on the EBMUD land. As previously suggested, the existing Home Club facility on Hegenberger and the proposed Price Club on Port land should prove mutually supporting to the promotional

retail center, not damaging. The combination of the Home Club, the Price Club, and our proposed Promotional Retail Mall provides a context for development of more than a half million square feet of gross leasable area located on Coliseum Complex land. As a result, the total retail space in the district would approach the one-million-foot target. Creating the catalytic Promotional Retail Mall should be the first implementation goal.

All of this should be possible without any major intervention into normal market processes. If, however, a coordinated planning and marketing effort were undertaken, even further future retail development could occur. Within the context of a comprehensive development plan embracing the areas along the Nimitz Freeway roughly from High Street to Hegenberger Road, it should be possible to generate substantial development beyond that referred-to above. Such a comprehensive development plan should draw on the major institutions concerned with the area, including the Coliseum Commission, the Port, the City, EBMUD, and PGandE. This plan and an on-going special-purpose implementation agency should be the second goal of the implementation effort. A brief discussion of these implementation goals follows in the final section of our report.

VIII. NEXT STEPS

To move ahead on the proposed project and to seize the larger opportunity to create a major retail center in the Coliseum Area, the Coliseum Commerce Center Advisory Committee should take the lead in two interdependent implementation goals:

- o Coordinate and promote the necessary EBMUD-private developer connection to achieve development of the Promotional Retail Center.
- o Start an intensive effort aimed at creating an implementation agency for a special planning and development district for the Coliseum area, roughly High Street to Hegenberger Road, the Santa Fe tracks to San Leandro Bay.

A. ELEMENTS OF THE PLAN

The favorable qualities of the site in this proposal could also extend to other parcels in the area if moderate transportation and infrastructure improvements are made. Coordinated plans for the commercial development of this area should focus on generating revenues necessary to make certain capital improvements in the area to support the creation of a larger, highway-oriented retail center.

1. The Major Institutions

The success of such an effort depends largely on the collaboration of the different entities within the area. This area is unique in that public agencies are by far the largest landowners. This could provide special impetus for coordinated planning to increase investment in the area. A discussion of each of some of the major entities will serve to clarify the roles that each can play.

a. Coliseum Complex Area

The Oakland-Alameda County Coliseum Commission has considered retail mall development for the area between 66th Avenue and Hegenberger Road between the Santa Fe Railway and the Nimitz Freeway. The opening of the Home Club outlet on Hegenberger is a significant start on such redevelopment.

b. Port of Oakland

The Oakport Business Park is located west of the Nimitz and south of 66th Avenue to Hegenberger Road. Historically, the Oakport Business Park has been limited to offices and hotels and light industrial or warehousing facilities. Recently, some indications suggest a Price Club outlet may locate on a lot directly adjacent to the EBMUD site. This is not only a significant retail development, but opens a new direction for the Port in developing other vacant and underutilized parcels in the Oakport Business Park.

c. The City of Oakland

This larger district might include all of the area between High Street and 66th Avenue from the Santa Fe railroad tracks to San Leandro Bay. PGandE and EBMUD have the large land holdings in the area, most of which are vacant or underutilized. The CCCAC could take the lead in generating a "Specific Plan" for the commercial development of this area. The

proposed Promotional Retail Mall for the EBMUD site could provide the anchor and catalyst for the improvement of this area.

2. Coordinated Planning

In order to insure the systematic development of this area, we suggest the formation of a "Coliseum Commerce Center, Inc." that would serve as the executive agency for this district. This agency could have representatives from each of the three jurisdictions just mentioned, as well as landowners and business leaders in the area. Its responsibilities should include the coordination of the different plans for each of the sub-areas in terms of infrastructure, market focus, and phasing of development. From our perspective there seems to be an inherent relationship between the infrastructure needs of this area and the kinds of development proposals that have recently been made. Each of the three entities mentioned previously could also expect to enjoy mutual benefits from a coordinated planning and development effort in this area.

3. Capital Improvements

In addition to the coordination of these entities, a systematic plan must be formulated to fund major capital improvements. This proposed area would require significant transportation improvements to allow for focused commercial development. The Nimitz interchanges at High Street and 66th Avenue would both require upgrading. Also, Coliseum Way would require rebuilding as a high capacity four-lane arterial with left-turn bays. The Oakport Frontage Road also needs upgrading. The City of Oakland already has obtained funding to build an extension of Edgewater Drive from 66th Avenue to High Street. This could also serve as another arterial for the district. There are a variety of methods available to plan and finance such projects. The following discussion will merely suggest some of the possible options.

a. Creating a Specific Plan

The creation of a Specific Plan would require cooperation between the City of Oakland, the Port of Oakland, the Coliseum Commission, other landowners, and business people in the designated area. These groups would jointly formulate a plan that would address improvements for the area, methods of obtaining capital improvements and objectives for site development. Clearly, each entity would have to benefit from this type of collaboration in order to make it successful.

b. Special Assessment District

The second option involves creating a Special Assessment District. There is some question about whether such a district would generate sufficient revenue and whether it could obtain the required approval by local landowners. However, it is an option worth investigating.

c. Tax Increment District

The Office of Economic Development and Employment has proposed a large Redevelopment District for the Coliseum area. While work on that plan continues, it is not germane to the development of the EBMUD site. It is relevant as a source for funding transportation and infrastructure improvements necessary to increase the development potential of other sites in the area. As with a Special Assessment District, there is some question

about the minimum size of a Tax Increment District in order to generate sufficient revenue for improvements.

Some thought might be given to combining the Downtown Redevelopment Area with the proposed "Coliseum Commercial Center" area. This would allow tax increment funds from Downtown Oakland to be used in this area. It also would not require the creation of as large a district around the Coliseum.

4. Coordinated Marketing

The third part of a coordinated effort would be intensive and systematic marketing of the area as a focused retail center. Other locations along the Nimitz and Eastshore Freeways, such as 4th Street in Berkeley and Emeryville, indicate that retail development can thrive in older industrial and warehouse districts.

The continuing development of the Harbor Bay Isle, Oakland International Airport, Oakport Business Park, and the Coliseum Complex form the context for a forward-looking approach to the area under discussion. A marketing effort that takes advantage of this wealth of diverse and non-competitive development should have a definite advantage over other areas on the I-880 corridor.

APPENDIX A

APPENDIX A

MARKET FEASIBILITY - CALCULATION OF ACTUAL EXPENDITURES

I. Methodology

To obtain actual sales estimates for the two categories that we researched (Apparel and Accessories (SIC 56); Furniture, Home Furnishings, and Equipment (SIC 57)), we used the following methodology:

For each category:

1) Obtain sales figures for major retail centers (MRCs) located in the trade area;

2) Estimate non-MRC sales in the trade area:

a) Obtain sales figures in the MRCs in Alameda County;

b) Subtract these Alameda County MRC sales from the total sales in Alameda County to get the Alameda County non-MRC sales;

c) Calculate the non-MRC sales in the trade area by multiplying the non-MRC sales in Alameda County (from b above) by the ratio of aggregate income in the trade area to aggregate income in Alameda County.

3) Total sales for the trade area is the sum of actual sales figures from MRC's in the trade area and the trade area's percentage of non-MRC sales in Alameda County.

4) This sum is in 1982 dollars. To project 1987 sales figures, the 1982 figure is increased 9.34 percent per year. 9.34 percent is the average annual rate of growth in Alameda County taxable retail sales from 1982 to 1985. (Actual growth in retail sales obtained from State Board of Equalization, Annual Taxable Sales, 1982 and 1985).

APPENDIX B

APPENDIX B

MARKET FEASIBILITY - CALCULATION OF POTENTIAL EXPENDITURES

Potential household expenditures were calculated for the two retail categories proposed for this development:

- o SIC-56: Apparel and Accessories, and
- o SIC-57: Furniture, Home Furnishings, and Equipment.

I. Calculations

A. Increase in Nominal Per Capita Income for Alameda County (1980-86).

1. Indexed San Francisco-Oakland (SF/O) Consumer Price Index(CPI) to 1980=100 by dividing annual index by 1980 CPI and multiplying product by 100.

2. Calculated Alameda County (AC) Real Personal Income(1980-84) by dividing Personal Income by Indexed SF/O CPI.

3. Calculated AC Real Per Capita Income by dividing Real Personal Income by AC Population, 1980-86.

4. Calculated increase in Real Per Capita Income by calculating annual increases in Real Per Capita Income, 1981-84.

5. Calculated increase in Nominal Per Capita Income derived by summing the Increase in Real Per Capita Income and Increase in SF/O CPI Index.

6. Calculated the Average Increase in Nominal Per Capita Income by averaging Increases in Nominal Per Capita Income, 1980-84 (1.0658).

B. Aggregate Household Income for Trade Area.

7. For Sub-area #1: MTC Superdistrict #18: Oakland, Piedmont, & Alameda; and Sub-area #2: MTC Superdistrict #19: Berkeley, Albany, Emeryville, and No. Oakland.

a. Used ABAG Projections 85 for 1980, 1980, and 1990 for HH Population, Total HH, Total Pop., and Mean HH Income.

b. Calculated Mean HH Income (87$) by multiplying Mean HH Income (80$) by Average Increase in Nominal Per Capita Income (1.0658) compounded for seven years (1.5622).

c. Calculated Aggregate HH Income (87$) by multiplying Mean HH Income (87$) by Total HH.

8. For Sub-area #3: Part of MTC Superdistrict #17: Northern Hayward, San Leandro, San Lorenzo, and Castro Valley:

a. First, extrapolated 1987 and 1990 Mean HH Incomes using the average rate of increase in HH Income for the cities involved in sub-area #3 from ABAG Projections 85.

b. Then, performed same calculations for (7) above.

9. Calculated Aggregate HH Income for Trade Area by summing Aggregate HH Incomes for each of the three sub-areas.

10. Calculated Mean HH Size and Mean HH Income for Trade Area by summing the weighted average of sub-area Mean HH Sizes and Incomes.

C. Comparison with BLS Consumer Expenditure Survey (CES) on Household Expenditures for 42 categories:

11. For each of the sub-areas of the Trade Area, Mean HH Income was deflated to 1982$ by using the compounded average rate of increase in Nominal Per Capita Income from 1982-87[(1.0494) = (1-1.2726) = (0.7274).

12. Each deflated sub-area Mean HH Income and HH Size was matched with CES sample households to select appropriate CES households to represent sub-area HH expenditures.

13. Calculated percentage of HH Income available for expenditure in each of the project's retail categories for each sub-area by dividing category expenditures by total HH Income.

14. Calculated the aggregate HH Income (87$) available for each selected retail category by multiplying percentage from (13) above by Aggregate HH Income (87$) for sub-area.

15. Calculated the potential expenditures in SIC 56 & Sic 57 by summing the Aggregate HH expenditures for each of the selected retail categories in the CES, and summing these retail expenditures for the whole trade area.

II. SOURCES

The methodology employed relied on six primary sources of household population and income data:

1. ABAG Projections 85 for 1985, Association of Bay Area Governments, Oakland, CA: Household Population, Household Size, and Household Incomes for Alameda County cities.

2. MTC Traffic Analysis Zonal Data Base, Metropolitan Transportation Commission, Oakland, CA: Household Populations and Size for sub-city areas from Projections 85 data.

3. CPI Index, Bureau of Labor Statistics, U.S. Dept. of Labor: San Francisco-Oakland Metropolitan area, 1979-86.

4. Survey of Current Business, Bureau of Economic Analysis, Dept. of Commerce: Alameda County Personal Income, 1980-84.

5. State & County Population Estimates, Population Research Unit, CA Dept. of Finance, 1981-86.

6. Consumer Expenditure Survey, Bureau of Labor Statistics, U.S. Dept. of Labor, 1982-83 data.

APPENDIX C

Financial Analysis

TABLE 1

DOCUMENTATION OF COST ASSUMPTIONS

1. Land Acquisition. Assuming land costs of $7 per square foot.

2. Demolition Costs. Demolition expenses for the drive-in site were based on information obtained from an Oakland contractor familiar with the site.

3. Grading, Utilities, Paving Costs. $2.50 per square foot of land area.

4. Construction Costs. $36 per square foot of gross leasable area.

5. Architecture and Engineering. 3.5% of hard costs.

6. Fees, Permits, Agencies. Based on information obtained from the Building Department, City of Oakland.

7. Legal Fees. .40% of total development costs.

8. Marketing and Rent-up. $2.50 per square foot of gross leasable area.

9. Title, Recording and Escrow. Based on information obtained from Transamerica Title Insurance Company.

10. Developer Administration Fee. 2% of hard costs.

11. Contingency. Between 6% and 8% of hard costs.

12. Construction Property Taxes and Insurance. Due to the nature of the leases, tenants will cover payment of property taxes and insurance. However, during the nine months of construction, the developer will cover these expenses until the project is complete. The property tax rate is 1.2725%. Course of construction insurance based on .25% of hard costs.

13. Construction Loan Fees and Interest. The construction loan amount is assumed to equal the cost of construction (hard costs). The assumed interest rate is 10%, with a 65% draw over nine months.

14. Utility Hook-Up Charges. Assuming a cost of $140 per main for sewer hook-ups, as estimated by the City of Oakland Department of Public Works. Gas and electricity charges obtained from PG&E.

TABLE 1.2

FINANCING TERMS AND CALCULATION
OF REQUIRED EQUITY INVESTMENT
(EBMUD: BUY OPTION)

PERMANENT LOAN

Minimum Debt Coverage Ratio	1.20
Income Available for Debt Service (Yr 2)	2,680,425
Maximum Debt Service (NOI/DCR)	2,233,688
Interest Rate	10.00%
Term Amortization (yrs)	30
Payment Factor	0.10608
Loan Amount	21,056,781
Points (2)	421,136
Market Capitalization Rate	9.25%
Market Value End of Year 2 (NOI/CAP)	28,977,568
Implied Loan/Value Ratio	0.73

REQUIRED EQUITY INVESTMENT

Total Development Costs	24,623,053
+ Permanent Loan Fees	421,136
- Permanent Loan	21,056,781
TOTAL EQUITY INVESTMENT	3,987,407

TABLE 1.3

PROJECTED RENTAL INCOME: EBMUD SITE
By Type of Tenant

mber of Square Feet by Type of Tenant

ype 1 (Anchor): 3 @ 50,000	150,000
ype 2 (Large): 3 @ 30,000	90,000
ype 3 (Small): 35 @ 2,000	70,000
ype 4 (Pads): 4 @ 5,000	20,000
ROSS LEASABLE AREA	330,000 Square Feet

LEASE INCOME SUMMARY

ENT/SQFT/YEAR	1	2	3	4	5
ype 1 @ $7.50 (1)	1,125,000	1,125,000	1,125,000	1,125,000	1,293,750
ype 2 @ $8.50 (2)	765,000	765,000	765,000	765,000	879,750
ype 3 @ $15 (3)	1,050,000	1,050,000	1,050,000	1,050,000	1,260,000
ype 4: 3 @ $16.67 (4)	150,000	150,000	150,000	150,000	187,500
1 @ $15	45,000	45,000	45,000	45,000	56,250
OTAL ANNUAL INCOME	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250

RENT PER SQUARE FOOT

vg Annual Income	9.50	9.50	9.50	9.50	11.14
vg Monthly Income	0.79	0.79	0.79	0.79	0.93

1) Leases are stepped up by 15 percent in year 5.

2) Leases are stepped up by 15 percent in year 5.

3) Leases are stepped up by 20 percent in year 5.

4) Restaurant pads are assumed to be ground leases. Ground lease terms are based on 30,000 square feet of land area per pad. Annual income is calculated by first multiplying the land area per pad by the land rent ($16.67 or $15 per s.f.) to get an estimate of land value. The land value is then discounted assuming a 10% rate of return to estimate annual income. Leases are stepped up by 25 percent in year 5.

TABLE 1.4

OPERATIONS PHASE: BUY OPTION
(EBMUD SITE)

Holding Period	1	2	3	4	5
Percent Vacant	15.00%	5.00%	5.00%	5.00%	5.00%
Gross Possible Income	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250
- Expected Vacancy	470,250	156,750	156,750	156,750	183,863
Effective Gross Income	2,664,750	2,978,250	2,978,250	2,978,250	3,493,388
- Operating Expenses (1)	266,475	297,825	297,825	297,825	349,339
Net Operating Income	2,398,275	2,680,425	2,680,425	2,680,425	3,144,049
- Debt Service (*)	2,233,688	2,233,688	2,233,688	2,233,688	2,233,688
Before Tax Cash Flow	164,588	446,738	446,738	446,738	910,361
- Tax Liability (**)	0	0	0	0	0
After Tax Cash Flow	164,588	446,738	446,738	446,738	910,361
(*) DEBT SERVICE					
Annual Payments	2,233,688	2,233,688	2,233,688	2,233,688	2,233,688
Interest Paid	2,105,678	2,092,877	2,078,796	2,063,307	2,046,269
Principal Repaid	128,009	140,810	154,891	170,381	187,419
End of Year Balance	20,928,772	20,787,961	20,633,070	20,462,689	20,275,271
Accumulated Equity	128,009	268,820	423,711	594,092	781,510
(**) TAX LIABILITY					
NOI	2,398,275	2,680,425	2,680,425	2,680,425	3,144,049
- Interest Paid	2,105,678	2,092,877	2,078,796	2,063,307	2,046,269
- Depreciation	577,374	577,374	577,374	577,374	577,374
- Operating Expenses	266,475	297,825	297,825	297,825	349,339
= Taxable Gain/Loss	(551,252)	(287,651)	(273,570)	(258,081)	171,068
* Tax Rate	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax on Gain/Loss	(154,350)	(80,542)	(76,600)	(72,263)	47,899
+ Accum. Tax Losses (2)	(154,350)	(234,893)	(311,492)	(383,755)	(335,856)
= Tax Liability	0	0	0	0	0

(1) Operating expenses are assumed to be 10 percent of Gross Effective Income.
(2) Tax losses are not assumed to be used to offset passive income from other sources. In years where tax losses occur, there is no tax liability. Tax losses are carried forward and used when they are necessary to offset tax on gain from the project.

TABLE 1.5

SALES PROCEEDS ANALYSIS
(EBMUD SITE: BUY OPTION)

	HOLDING PERIOD				
	1	2	3	4	5
Sale Price	25,927,297	28,977,568	28,977,568	28,977,568	33,989,716
- Transaction Costs (1)	777,819	869,327	869,327	869,327	1,019,691
- Unpaid Mortgage	20,928,772	20,787,961	20,633,070	20,462,689	20,275,271
= Sale Proceeds	4,220,707	7,320,279	7,475,171	7,645,551	12,694,754
- Tax Liability (*)	265,846	1,233,412	1,373,629	1,515,060	3,051,436
= AT Sale Proceeds	3,954,861	6,086,867	6,101,542	6,130,492	9,643,318
+ After Tax Cash Flow	164,588	446,738	446,738	446,738	910,361
= Net Sale Proceeds	4,119,449	6,533,605	6,548,280	6,577,229	10,553,680
(*) TAX LIABILITY					
Sale Price	25,927,297	28,977,568	28,977,568	28,977,568	33,989,716
- Adj. Tax Basis (**)	24,977,848	24,572,525	24,071,751	23,566,640	23,091,732
= Capital Gain	949,449	4,405,042	4,905,816	5,410,927	10,897,984
* Tax Rate (CG)	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax Liability	265,846	1,233,412	1,373,629	1,515,060	3,051,436
(**) ADJUSTED TAX BASIS					
Original Basis	24,623,053	24,623,053	24,623,053	24,623,053	24,623,053
+ Transaction Cost	777,819	869,327	869,327	869,327	1,019,691
- Accum. Depreciation	577,374	1,154,747	1,732,121	2,309,494	2,886,868
+ Accum. Tax Losses (2)	(154,350)	(234,893)	(311,492)	(383,755)	(335,856)
= Adjusted Tax Basis	24,977,848	24,572,525	24,071,751	23,566,640	23,091,732

(1) Assumed to be 3 percent of the sale price.
(2) Unused tax losses were accumulated until year of sale, where they were used first to offset any tax on income from the project, and then added to the adjusted basis to reduce the capital gain.

TABLE 1.6

DISCOUNTED CASH FLOW ANALYSIS
(EBMUD SITE: BUY OPTION)

AFTER TAX CASH FLOWS
AND NET PROCEEDS AT SALE

AR	NPV @ 15 %	IRR	0	1	2	3	4	5
	(405,278)	3.31%	(3,987,407)	4,119,449	0	0	0	0
2	1,096,056	30.09%	(3,987,407)	164,588	6,533,605	0	0	0
3	799,110	22.57%	(3,987,407)	164,588	446,738	6,548,280	0	0
	547,799	19.09%	(3,987,407)	164,588	446,738	446,738	6,577,229	0
	2,289,715	27.02%	(3,987,407)	164,588	446,738	446,738	446,738	10,553,680
6	2,013,532	24.27%	(3,987,407)	164,588	446,738	446,738	446,738	910,361
	1,817,101	22.55%	(3,987,407)	164,588	446,738	446,738	446,738	910,361
	1,648,435	21.32%	(3,987,407)	164,588	446,738	446,738	446,738	910,361
9	1,503,132	20.41%	(3,987,407)	164,588	446,738	446,738	446,738	910,361
0	2,498,505	22.48%	(3,987,407)	164,588	446,738	446,738	446,738	910,361

TABLE 1.7

PROFITABILITY AND RISK MEASURES
(EBMUD SITE: BUY OPTION)

)FITABILITY RATIOS	HOLDING PERIOD				
	1	2	3	4	5
fore Tax Cash Flow	164,588	446,738	446,738	446,738	910,361
itial Equity	3,987,407	3,987,407	3,987,407	3,987,407	3,987,407
SH ON CASH (BTCF/IE)	4.13%	11.20%	11.20%	11.20%	22.83%
SK RATIOS					
I	2,398,275	2,680,425	2,680,425	2,680,425	3,144,049
nual Debt Service	2,233,688	2,233,688	2,233,688	2,233,688	2,233,688
BT COVERAGE RATIO (NOI/DS)	107.37%	120.00%	120.00%	120.00%	140.76%
+ DS	2,500,163	2,531,513	2,531,513	2,531,513	2,583,026
)ss Possible Inc.	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250
EAKEVEN RATIO (OE + DS)/GPI)	79.75%	80.75%	80.75%	80.75%	70.24%

TABLE 2.1

DEVELOPMENT COSTS
(EBMUD Site: GROUND LEASE OPTION)

HARD COSTS	
Grading/Utilities/Paving	2,504,700
Construction	11,160,000
TOTAL HARD COSTS	13,664,700
SOFT COSTS	
Architecture & Engineering	478,265
Fees, Permits, Agencies	230,000
Legal Fees	100,000
Marketing and Rent-up	825,000
Title, Recording and Escrow	26,000
Developer Fee	400,000
Contingency	800,000
Construction Property Taxes & Insurance	75,000
Construction Loan Fees and Interest	939,448
Utility Hook-Up Charges	4,480
TOTAL SOFT COSTS	3,878,193
TOTAL DEVELOPMENT COSTS	17,542,893

LAND LEASE TERMS

Land Area	1,001,880
Annual Land Rent per Square Foot	$0.70
Annual Land Rent	701,316

DEPRECIATION

Depreciable Basis	17,542,893
Annual Depreciation (SL-30.5 yrs.)	575,177

TABLE 2.2

FINANCING TERMS AND CALCULATION
OF REQUIRED EQUITY INVESTMENT
(EBMUD SITE: GROUND LEASE OPTION)

PERMANENT LOAN

Minimum Debt Coverage Ratio	1.20
Income Available for Debt Service (Yr 2)	1,979,109
Maximum Debt Service (NOI/DCR)	1,649,258
Interest Rate	10.00%
Term Amortization (yrs)	30
Payment Factor	0.10608
Loan Amount	15,547,409
Points (2)	310,948
Market Capitalization Rate	9.25%
Market Value End of Year 2 (NOI/CAP)	28,977,568
Implied Loan/Value Ratio	0.54

REQUIRED EQUITY INVESTMENT

Total Development Costs	17,542,893
+ Permanent Loan Fees	310,948
- Permanent Loan	15,547,409
TOTAL EQUITY INVESTMENT	2,306,431

TABLE 2.3

PROJECTED RENTAL INCOME: EBMUD SITE
By Type of Tenant

Number of Square Feet by Type of Tenant

Type 1 (Anchor): 3 @ 50,000	150,000
Type 2 (Large): 3 @ 30,000	90,000
Type 3 (Small): 35 @ 2,000	70,000
Type 4 (Pads): 4 @ 5,000	20,000
GROSS LEASABLE AREA	330,000 Square Feet

LEASE INCOME SUMMARY

RENT/SQFT/YEAR	1	2	3	4	5
Type 1 @ $7.50 (1)	1,125,000	1,125,000	1,125,000	1,125,000	1,293,750
Type 2 @ $8.50 (2)	765,000	765,000	765,000	765,000	879,750
Type 3 @ $15 (3)	1,050,000	1,050,000	1,050,000	1,050,000	1,260,000
Type 4: 3 @ $16.67 (4)	150,000	150,000	150,000	150,000	187,500
1 @ $15	45,000	45,000	45,000	45,000	56,250
TOTAL ANNUAL INCOME	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250

RENT PER SQUARE FOOT

Avg Annual Income	9.50	9.50	9.50	9.50	11.14
Avg Monthly Income	0.79	0.79	0.79	0.79	0.93

(1) Leases are stepped up by 15 percent in year 5.

(2) Leases are stepped up by 15 percent in year 5.

(3) Leases are stepped up by 20 percent in year 5.

(4) Restaurant pads are assumed to be ground leases. Ground lease terms are based on 30,000 square feet of land area per pad. Annual income is calculated by first multiplying the land area per pad by the land rent ($16.67 or $15 per s.f.) to get an estimate of land value. The land value is then discounted assuming a 10% rate of return to estimate annual income. Leases are stepped up by 25 percent in year 5.

TABLE 2.4

OPERATIONS PHASE: GROUND LEASE OPTION
(EBMUD SITE)

Holding Period	1	2	3	4	5
Percent Vacant	15.00%	5.00%	5.00%	5.00%	5.00%
Gross Possible Income	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250
- Expected Vacancy	470,250	156,750	156,750	156,750	183,863
Effective Gross Income	2,664,750	2,978,250	2,978,250	2,978,250	3,493,388
- Operating Expenses (1)	266,475	297,825	297,825	297,825	349,339
Net Operating Income	2,398,275	2,680,425	2,680,425	2,680,425	3,144,049
- Land Rent	701,316	701,316	701,316	701,316	701,316
- Debt Service (*)	1,649,258	1,649,258	1,649,258	1,649,258	1,649,258
Before Tax Cash Flow	47,702	329,852	329,852	329,852	793,475
- Tax Liability (**)	0	0	0	0	0
After Tax Cash Flow	47,702	329,852	329,852	329,852	793,475
(*) DEBT SERVICE					
Annual Payments	1,649,258	1,649,258	1,649,258	1,649,258	1,649,258
Interest Paid	1,554,741	1,545,289	1,534,892	1,523,456	1,510,876
Principal Repaid	94,517	103,968	114,365	125,802	138,382
End of Year Balance	15,452,893	15,348,925	15,234,560	15,108,758	14,970,376
Accumulated Equity	94,517	198,485	312,850	438,651	577,033
(**) TAX LIABILITY					
NOI	2,398,275	2,680,425	2,680,425	2,680,425	3,144,049
- Interest Paid	1,554,741	1,545,289	1,534,892	1,523,456	1,510,876
- Depreciation	575,177	575,177	575,177	575,177	575,177
- Operating Expenses	266,475	297,825	297,825	297,825	349,339
- Land Rent	701,316	701,316	701,316	701,316	701,316
= Taxable Gain/Loss	(699,434)	(439,182)	(428,785)	(417,349)	7,341
* Tax Rate	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax on Gain/Loss	(195,841)	(122,971)	(120,060)	(116,858)	2,056
Accum. Tax Losses (2)	(195,841)	(318,812)	(438,872)	(555,730)	(553,674)
= Tax Liability	0	0	0	0	0

1) Operating expenses are assumed to be 10 percent of Gross Effective Income.
2) Tax losses are not assumed to be used to offset passive income from other sources. In years where tax losses occur, there is no tax liability. Tax losses are carried forward and used when they are necessary to offset tax on gain from the project.

TABLE 2.5

SALES PROCEEDS ANALYSIS
(EBMUD SITE: GROUND LEASE OPTION)

	HOLDING PERIOD				
	1	2	3	4	5
Sale Price	25,927,297	28,977,568	28,977,568	28,977,568	33,989,716
- Transaction Costs (1)	777,819	869,327	869,327	869,327	1,019,691
- Unpaid Mortgage	15,452,893	15,348,925	15,234,560	15,108,758	14,970,376
= Sale Proceeds	9,696,586	12,759,316	12,873,681	12,999,483	17,999,648
- Tax Liability (*)	2,236,058	3,191,129	3,318,562	3,446,891	4,969,816
= AT Sale Proceeds	7,460,528	9,568,187	9,555,119	9,552,591	13,029,833
+ After Tax Cash Flow	47,702	329,852	329,852	329,852	793,475
= Net Sale Proceeds	7,508,229	9,898,038	9,884,971	9,882,443	13,823,308
(*) TAX LIABILITY					
Sale Price	25,927,297	28,977,568	28,977,568	28,977,568	33,989,716
- Adj. Tax Basis (**)	17,941,376	17,580,678	17,125,562	16,667,242	16,240,374
= Capital Gain	7,985,921	11,396,889	11,852,006	12,310,325	17,749,342
* Tax Rate (CG)	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax Liability	2,236,058	3,191,129	3,318,562	3,446,891	4,969,816
(**) ADJUSTED TAX BASIS					
Original Basis	17,542,893	17,542,893	17,542,893	17,542,893	17,542,893
+ Transaction Cost	777,819	869,327	869,327	869,327	1,019,691
- Accum. Depreciation	575,177	1,150,354	1,725,530	2,300,707	2,875,884
+ Accum. Tax Losses (2)	(195,841)	(318,812)	(438,872)	(555,730)	(553,674)
= Adjusted Tax Basis	17,941,376	17,580,678	17,125,562	16,667,242	16,240,374

(1) Assumed to be 3 percent of the sale price.
(2) Unused tax losses were accumulated until year of sale, where they were used first to offset any tax on income from the project, and then added to the adjusted basis to reduce the capital gain.

TABLE 2.6

DISCOUNTED CASH FLOW ANALYSIS
(EBMUD SITE: GROUND LEASE OPTION)

AFTER TAX CASH FLOWS
AND NET PROCEEDS AT SALE

AR	NPV @ 15 %	IRR	0	1	2	3	4	5
1	4,222,463	225.53%	(2,306,431)	7,508,229	0	0	0	0
2	5,219,387	108.20%	(2,306,431)	47,702	9,898,038	0	0	0
3	4,483,992	66.07%	(2,306,431)	47,702	329,852	9,884,971	0	0
4	3,851,665	48.64%	(2,306,431)	47,702	329,852	329,852	9,882,443	0
5	5,262,567	47.91%	(2,306,431)	47,702	329,852	329,852	329,852	13,823,308
6	4,689,794	40.71%	(2,306,431)	47,702	329,852	329,852	329,852	793,475
7	4,264,974	36.18%	(2,306,431)	47,702	329,852	329,852	329,852	793,475
8	3,900,726	33.01%	(2,306,431)	47,702	329,852	329,852	329,852	793,475
9	3,588,238	30.70%	(2,306,431)	47,702	329,852	329,852	329,852	793,475
10	4,474,607	31.49%	(2,306,431)	47,702	329,852	329,852	329,852	793,475

TABLE 2.7

PROFITABILITY AND RISK MEASURES
(EBMUD SITE: GROUND LEASE OPTION)

PROFITABILITY RATIOS	HOLDING PERIOD 1	2	3	4	5
Before Tax Cash Flow	47,702	329,852	329,852	329,852	793,475
Initial Equity	2,306,431	2,306,431	2,306,431	2,306,431	2,306,431
CASH ON CASH (BTCF/IE)	2.07%	14.30%	14.30%	14.30%	34.40%
RISK RATIOS					
NOI - Land Rent	1,696,959	1,979,109	1,979,109	1,979,109	2,442,733
Annual Debt Service	1,649,258	1,649,258	1,649,258	1,649,258	1,649,258
DEBT COVERAGE RATIO ((NOI-Land Rent)/DS)	102.89%	120.00%	120.00%	120.00%	148.11%
OE + Land Rent + DS	2,617,049	2,648,399	2,648,399	2,648,399	2,699,912
Gross Possible Inc.	3,135,000	3,135,000	3,135,000	3,135,000	3,677,250
BREAKEVEN RATIO ((OE + DS)/GPI)	83.48%	84.48%	84.48%	84.48%	73.42%

TABLE 3.1

DEVELOPMENT COSTS
(DRIVE-IN Site: BUY OPTION)

Land Acquisition	3,354,120
Demolition & Site Clearance	50,000
HARD COSTS	
Grading/Utilities/Paving	1,197,900
Construction	5,400,000
TOTAL HARD COSTS	6,597,900
SOFT COSTS	
Architecture & Engineering	230,927
Fees, Permits, Agencies	112,500
Legal Fees	50,000
Marketing and Rent-up	405,000
Title, Recording and Escrow	14,000
Developer Fee	200,000
Contingency	500,000
Construction Property Taxes & Insurance	36,000
Construction Loan Fees and Interest	453,606
Property Taxes on Land	32,000
Utility Hook-Up Charges	3,340
TOTAL SOFT COSTS	2,037,372
TOTAL DEVELOPMENT COSTS	12,039,392

DEPRECIATION

Depreciable Basis	8,685,272
Annual Depreciation (SL-30.5 yrs.)	284,763

TABLE 3.2

FINANCING TERMS AND CALCULATION OF REQUIRED EQUITY INVESTMENT

(DRIVE-IN SITE: BUY OPTION)

PERMANENT LOAN

Minimum Debt Coverage Ratio	1.20
Income Available for Debt Service (Yr 2)	1,282,500
Maximum Debt Service (NOI/DCR)	1,068,750
Interest Rate	10.00%
Term Amortization (yrs)	30
Payment Factor	0.10608
Loan Amount	10,075,015
Points (2)	201,500
Market Capitalization Rate	9.25%
Market Value End of Year 2 (NOI/CAP)	13,864,865
Implied Loan/Value Ratio	0.73

REQUIRED EQUITY INVESTMENT

Total Development Costs	12,039,392
+ Permanent Loan Fees	201,500
- Permanent Loan	10,075,015
TOTAL EQUITY INVESTMENT	2,165,878

TABLE 3.3

PROJECTED RENTAL INCOME: DRIVE-IN SITE
By Type of Tenant

Number of Square Feet by Type of Tenant

Type 1 (Anchor): 3 @ 40,000	120,000
Type 2 (Small): 15 @ 2,000	30,000
Type 3 (Pads): 3 @ 4,000	12,000
GROSS LEASABLE AREA	162,000 Square Feet

LEASE INCOME SUMMARY

RENT/SQFT/YEAR	1	2	3	4	5
Type 1 @ $7.50 (1)	900,000	900,000	900,000	900,000	1,035,000
Type 2 @ $15 (2)	450,000	450,000	450,000	450,000	540,000
Type 3 @ $16.67 (3)	150,000	150,000	150,000	150,000	187,500
TOTAL ANNUAL INCOME	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500

RENT PER SQUARE FOOT

Avg Annual Income	9.26	9.26	9.26	9.26	10.88
Avg Monthly Income	0.77	0.77	0.77	0.77	0.91

(1) Leases are stepped up by 15 percent in year 5.

(2) Leases are stepped up by 20 percent in year 5.

(3) Restaurant pads are assumed to be ground leases. Ground lease terms are based on 30,000 square feet of land area per pad. Annual income is calculated by first multiplying the land area per pad by the land rent ($16.67) to get an estimate of land value. The land value is then discounted assuming a 10% rate of return to estimate annual income. Leases are stepped up by 25 percent in year 5.

TABLE 3.4

OPERATIONS PHASE: BUY OPTION
(DRIVE-IN SITE)

Holding Period	1	2	3	4	5
Percent Vacant	15.00%	5.00%	5.00%	5.00%	5.00
Gross Possible Income	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500
- Expected Vacancy	225,000	75,000	75,000	75,000	88,125
Effective Gross Income	1,275,000	1,425,000	1,425,000	1,425,000	1,674,375
- Operating Expenses (1)	127,500	142,500	142,500	142,500	167,438
Net Operating Income	1,147,500	1,282,500	1,282,500	1,282,500	1,506,938
- Debt Service (*)	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750
Before Tax Cash Flow	78,750	213,750	213,750	213,750	438,188
- Tax Liability (**)	0	0	0	0	0
After Tax Cash Flow	78,750	213,750	213,750	213,750	438,188
(*) DEBT SERVICE					
Annual Payments	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750
Interest Paid	1,007,501	1,001,377	994,639	987,228	979,076
Principal Repaid	61,249	67,373	74,111	81,522	89,674
End of Year Balance	10,013,766	9,946,393	9,872,282	9,790,760	9,701,087
Accumulated Equity	61,249	128,622	202,733	284,254	373,928
(**) TAX LIABILITY					
NOI	1,147,500	1,282,500	1,282,500	1,282,500	1,506,938
- Interest Paid	1,007,501	1,001,377	994,639	987,228	979,076
- Depreciation	284,763	284,763	284,763	284,763	284,763
- Operating Expenses	127,500	142,500	142,500	142,500	167,438
= Taxable Gain/Loss	(272,265)	(146,140)	(139,402)	(131,991)	75,661
* Tax Rate	28.00%	28.00%	28.00%	28.00%	28.00
= Tax on Gain/Loss	(76,234)	(40,919)	(39,033)	(36,958)	21,185
+ Accum. Tax Losses (2)	(76,234)	(117,153)	(156,186)	(193,143)	(171,958
= Tax Liability	0	0	0	0	0

(1) Operating expenses are assumed to be 10 percent of Effective Gross Income.
(2) Tax losses are not assumed to be used to offset passive income from other sources. In years where tax losses occur, there is no tax liability. Tax losses are carried forward and used when they are necessary to offset tax on gain from the project.

TABLE 3.5

SALES PROCEEDS ANALYSIS

(DRIVE-IN SITE: BUY OPTION)

	HOLDING PERIOD				
	1	2	3	4	5
ale Price	12,405,405	13,864,865	13,864,865	13,864,865	16,291,216
Transaction Costs (1)	372,162	415,946	415,946	415,946	488,736
Unpaid Mortgage	10,013,766	9,946,393	9,872,282	9,790,760	9,701,087
Sale Proceeds	2,019,477	3,502,526	3,576,637	3,658,158	6,101,393
Tax Liability (*)	56,666	521,332	590,136	659,522	1,404,184
AT Sale Proceeds	1,962,811	2,981,194	2,986,500	2,998,637	4,697,209
After Tax Cash Flow	78,750	213,750	213,750	213,750	438,188
Net Reversion	2,041,561	3,194,944	3,200,250	3,212,387	5,135,396
(*) TAX LIABILITY					
Sale Price	12,405,405	13,864,865	13,864,865	13,864,865	16,291,216
- Adj. Tax Basis (**)	12,203,025	12,002,965	11,757,235	11,509,429	11,276,272
= Capital Gain	202,380	1,861,900	2,107,630	2,355,436	5,014,944
* Tax Rate (CG)	28.00%	28.00%	28.00%	28.00%	28.00
= Tax Liability	56,666	521,332	590,136	659,522	1,404,184
(**) ADJUSTED TAX BASIS					
Original Basis	12,039,392	12,039,392	12,039,392	12,039,392	12,039,392
+ Transaction Cost	372,162	415,946	415,946	415,946	488,736
- Accum. Depreciation	284,763	569,526	854,289	1,139,052	1,423,815
Accum. Tax Losses (2)	(76,234)	(117,153)	(156,186)	(193,143)	(171,958
= Adjusted Tax Basis	12,203,025	12,002,965	11,757,235	11,509,429	11,276,272

1) Assumed to be 3 percent of the sale price.
2) Unused tax losses were accumulated until year of sale, where they were used first to offset any tax on income from the project, and then added to the adjusted basis to reduce the capital gain.

TABLE 3.6

DISCOUNTED CASH FLOW ANALYSIS
(DRIVE-IN SITE: BUY OPTION)

AFTER TAX CASH FLOWS
AND NET PROCEEDS AT SALE

YEAR	NPV @ 15 %	IRR	0	1	2	3	4	5
1	(390,608)	-5.74%	(2,165,878)	2,041,561	0	0	0	0
2	318,437	23.29%	(2,165,878)	78,750	3,194,944	0	0	0
3	168,443	18.04%	(2,165,878)	78,750	213,750	3,200,250	0	0
4	41,463	15.59%	(2,165,878)	78,750	213,750	213,750	3,212,387	0
5	880,182	23.89%	(2,165,878)	78,750	213,750	213,750	213,750	5,135,396
6	770,319	21.78%	(2,165,878)	78,750	213,750	213,750	213,750	438,188
7	677,511	20.38%	(2,165,878)	78,750	213,750	213,750	213,750	438,188
8	599,030	19.38%	(2,165,878)	78,750	213,750	213,750	213,750	438,188
9	532,575	18.65%	(2,165,878)	78,750	213,750	213,750	213,750	438,188
10	1,017,348	20.83%	(2,165,878)	78,750	213,750	213,750	213,750	438,188

TABLE 3.7

PROFITABILITY AND RISK MEASURES
(DRIVE-IN SITE: BUY OPTION)

PROFITABILITY RATIOS	HOLDING PERIOD 1	2	3	4	5
Before Tax Cash Flow	78,750	213,750	213,750	213,750	438,188
Initial Equity	2,165,878	2,165,878	2,165,878	2,165,878	2,165,878
CASH ON CASH (BTCF/IE)	3.64%	9.87%	9.87%	9.87%	20.23%
RISK RATIOS					
NOI	1,147,500	1,282,500	1,282,500	1,282,500	1,506,938
Annual Debt Service	1,068,750	1,068,750	1,068,750	1,068,750	1,068,750
DEBT COVERAGE RATIO (NOI/DS)	107.37%	120.00%	120.00%	120.00%	141.00%
OE + DS	1,196,250	1,211,250	1,211,250	1,211,250	1,236,188
Gross Possible Inc.	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500
BREAKEVEN RATIO ((OE + DS)/GPI)	79.75%	80.75%	80.75%	80.75%	70.14%

TABLE 4.1

DEVELOPMENT COSTS
(DRIVE-IN Site: GROUND LEASE OPTION)

Demolition & Site Clearance	50,000
HARD COSTS	
Grading/Utilities/Paving	1,197,900
Construction	5,400,000
TOTAL HARD COSTS	6,597,900
SOFT COSTS	
Architecture & Engineering	230,927
Fees, Permits, Agencies	112,500
Legal Fees	50,000
Marketing and Rent-up	405,000
Title, Recording and Escrow	14,000
Developer Fee	200,000
Contingency	500,000
Construction Property Taxes & Insurance	36,000
Construction Loan Fees and Interest	453,606
Utility Hook-Up Charges	3,340
TOTAL SOFT COSTS	2,005,372
TOTAL DEVELOPMENT COSTS	8,653,272

LAND LEASE TERMS

Land Area	479,160
Annual Land Rent per Square Foot	$0.70
Annual Land Rent	335,412

DEPRECIATION

Depreciable Basis	8,653,272
Annual Depreciation (SL-30.5 yrs.)	283,714

TABLE 4.2

FINANCING TERMS AND CALCULATION OF REQUIRED EQUITY INVESTMENT

(DRIVE-IN SITE: GROUND LEASE OPTION)

PERMANENT LOAN

Minimum Debt Coverage Ratio	1.20
Income Available for Debt Service (Yr 2)	947,088
Maximum Debt Service (NOI/DCR)	789,240
Interest Rate	10.00%
Term Amortization (yrs)	30
Payment Factor	0.10608
Loan Amount	7,440,098
Points (2)	148,802
Market Capitalization Rate	9.25%
Market Value End of Year 2 (NOI/CAP)	13,864,865
Implied Loan/Value Ratio	0.54

REQUIRED EQUITY INVESTMENT

Total Development Costs	8,653,272
+ Permanent Loan Fees	148,802
- Permanent Loan	7,440,098
TOTAL EQUITY INVESTMENT	1,361,976

TABLE 4.3

PROJECTED RENTAL INCOME: DRIVE-IN SITE
By Type of Tenant

Number of Square Feet by Type of Tenant

Type 1 (Anchor): 3 @ 40,000	120,000	
Type 2 (Small): 15 @ 2,000	30,000	
Type 3 (Pads): 3 @ 4,000	12,000	
GROSS LEASABLE AREA	162,000	Square Feet

LEASE INCOME SUMMARY

RENT/SQFT/YEAR	1	2	3	4	5
Type 1 @ $7.50 (1)	900,000	900,000	900,000	900,000	1,035,000
Type 2 @ $15 (2)	450,000	450,000	450,000	450,000	540,000
Type 3 @ $16.67 (3)	150,000	150,000	150,000	150,000	187,500
TOTAL ANNUAL INCOME	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500

RENT PER SQUARE FOOT

Avg Annual Income	9.26	9.26	9.26	9.26	10.88
Avg Monthly Income	0.77	0.77	0.77	0.77	0.91

(1) Leases are stepped up by 15 percent in year 5.

(2) Leases are stepped up by 20 percent in year 5.

(3) Restaurant pads are assumed to be ground leases. Ground lease terms are based on 30,000 square feet of land area per pad. Annual income is calculated by first multiplying the land area per pad by the land rent ($16.67) to get an estimate of land value. The land value is then discounted assuming a 10% rate of return to estimate annual income. Leases are stepped up by 25 percent in year 5.

TABLE 4.4

OPERATIONS PHASE: GROUND LEASE OPTION
(DRIVE-IN SITE)

Holding Period	1	2	3	4	5
Percent Vacant	15.00%	5.00%	5.00%	5.00%	5.00%
Gross Possible Income	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500
- Expected Vacancy	225,000	75,000	75,000	75,000	88,125
Effective Gross Income	1,275,000	1,425,000	1,425,000	1,425,000	1,674,375
- Operating Expenses (1)	127,500	142,500	142,500	142,500	167,438
Net Operating Income	1,147,500	1,282,500	1,282,500	1,282,500	1,506,938
- Land Rent	335,412	335,412	335,412	335,412	335,412
- Debt Service (*)	789,240	789,240	789,240	789,240	789,240
Before Tax Cash Flow	22,848	157,848	157,848	157,848	382,286
- Tax Liability (**)	0	0	0	0	0
After Tax Cash Flow	22,848	157,848	157,848	157,848	382,286
(*) DEBT SERVICE					
Annual Payments	789,240	789,240	789,240	789,240	789,240
Interest Paid	744,010	739,487	734,511	729,039	723,018
Principal Repaid	45,230	49,753	54,729	60,201	66,222
End of Year Balance	7,394,868	7,345,115	7,290,386	7,230,185	7,163,963
Accumulated Equity	45,230	94,983	149,712	209,913	276,135
(**) TAX LIABILITY					
NOI	1,147,500	1,282,500	1,282,500	1,282,500	1,506,938
- Interest Paid	744,010	739,487	734,511	729,039	723,018
- Depreciation	283,714	283,714	283,714	283,714	283,714
- Operating Expenses	127,500	142,500	142,500	142,500	167,438
- Land Rent	335,412	335,412	335,412	335,412	335,412
= Taxable Gain/Loss	(343,136)	(218,613)	(213,637)	(208,164)	(2,644)
* Tax Rate	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax on Gain/Loss	(96,078)	(61,212)	(59,818)	(58,286)	(740)
+ Accum. Tax Losses (2)	(96,078)	(157,290)	(217,108)	(275,394)	(276,134)
= Tax Liability	0	0	0	0	0

(1) Operating expenses are assumed to be 10 percent of Effective Gross Income.
(2) Tax losses are not assumed to be used to offset passive income from other sources. In years where tax losses occur, there is no tax liability. Tax losses are carried forward and used when they are necessary to offset tax on gain from the project.

TABLE 4.5

SALES PROCEEDS ANALYSIS
(DRIVE-IN SITE: GROUND LEASE OPTION)

	HOLDING PERIOD				
	1	2	3	4	5
Sale Price	12,405,405	13,864,865	13,864,865	13,864,865	16,291,216
- Transaction Costs (1)	372,162	415,946	415,946	415,946	488,736
- Unpaid Mortgage	7,394,868	7,345,115	7,290,386	7,230,185	7,163,963
= Sale Proceeds	4,638,375	6,103,804	6,158,533	6,218,734	8,638,517
- Tax Liability (*)	998,930	1,457,620	1,520,311	1,583,430	2,321,660
= AT Sale Proceeds	3,639,446	4,646,185	4,638,222	4,635,304	6,316,857
+ After Tax Cash Flow	22,848	157,848	157,848	157,848	382,286
= Net Sale Proceeds	3,662,294	4,804,033	4,796,070	4,793,152	6,699,142
(*) TAX LIABILITY					
Sale Price	12,405,405	13,864,865	13,864,865	13,864,865	16,291,216
- Adj. Tax Basis (**)	8,837,798	8,659,080	8,435,185	8,209,757	7,999,574
= Capital Gain	3,567,607	5,205,785	5,429,680	5,655,108	8,291,642
* Tax Rate (CG)	28.00%	28.00%	28.00%	28.00%	28.00%
= Tax Liability	998,930	1,457,620	1,520,311	1,583,430	2,321,660
(**) ADJUSTED TAX BASIS					
Original Basis	8,653,272	8,653,272	8,653,272	8,653,272	8,653,272
+ Transaction Cost	372,162	415,946	415,946	415,946	488,736
- Accum. Depreciation	283,714	567,428	851,142	1,134,855	1,418,569
+ Accum. Tax Losses (2)	(96,078)	(157,290)	(217,108)	(275,394)	(276,134)
= Adjusted Tax Basis	8,837,798	8,659,080	8,435,185	8,209,757	7,999,574

(1) Assumed to be 3 percent of the sale price.
(2) Unused tax losses were accumulated until year of sale, where they were used first to offset any tax on income from the project, and then added to the adjusted basis to reduce the capital gain.

TABLE 4.6

DISCOUNTED CASH FLOW ANALYSIS
(DRIVE-IN SITE: GROUND LEASE OPTION)

AFTER TAX CASH FLOWS
AND NET PROCEEDS AT SALE

NPV @ 15 %	IRR	0	1	2	3	4	5
1,822,627	168.90%	(1,361,976)	3,662,294	0	0	0	0
2,290,431	88.65%	(1,361,976)	22,848	4,804,033	0	0	0
1,930,742	55.25%	(1,361,976)	22,848	157,848	4,796,070	0	0
1,621,535	41.07%	(1,361,976)	22,848	157,848	157,848	4,793,152	0
2,301,943	41.70%	(1,361,976)	22,848	157,848	157,848	157,848	6,699,142
2,054,586	35.79%	(1,361,976)	22,848	157,848	157,848	157,848	382,286
1,842,407	31.88%	(1,361,976)	22,848	157,848	157,848	157,848	382,286
1,660,326	29.13%	(1,361,976)	22,848	157,848	157,848	157,848	382,286
1,503,998	27.10%	(1,361,976)	22,848	157,848	157,848	157,848	382,286
1,925,542	28.10%	(1,361,976)	22,848	157,848	157,848	157,848	382,286

TABLE 4.7

PROFITABILITY AND RISK MEASURES
(DRIVE-IN SITE: GROUND LEASE OPTION)

PROFITABILITY RATIOS	HOLDING PERIOD 1	2	3	4	5
Before Tax Cash Flow	22,848	157,848	157,848	157,848	382,286
Initial Equity	1,361,976	1,361,976	1,361,976	1,361,976	1,361,976
CASH ON CASH (BTCF/IE)	1.68%	11.59%	11.59%	11.59%	28.07%
RISK RATIOS					
NOI - Land Rent	812,088	947,088	947,088	947,088	1,171,526
Annual Debt Service	789,240	789,240	789,240	789,240	789,240
DEBT COVERAGE RATIO ((NOI-Land Rent)/DS)	102.89%	120.00%	120.00%	120.00%	148.44%
OE + Land Rent + DS	1,252,152	1,267,152	1,267,152	1,267,152	1,292,090
Gross Possible Inc.	1,500,000	1,500,000	1,500,000	1,500,000	1,762,500
BREAKEVEN RATIO ((OE + DS)/GPI)	83.48%	84.48%	84.48%	84.48%	73.31%

APPENDIX D

APPENDIX D

ECONOMIC DEVELOPMENT BENEFITS

CITATIONS

1. City of Oakland Property Tax Revenue Calculation: Assessed Valuation = 50% (Total Development Costs minus land cost) * Property Tax Rate (0.012725) * City Share (0.35).

2. Sales Tax Revenue: 1 percent of estimated gross sales.

3. Oakland Business Tax: For commercial-retail: $1.20 per $1000 of gross receipts. Source: Ezra Rapport, Asst. City Manager, City of Oakland.

4. Standard Retail Jobs Multiplier: 0.002 jobs per square foot GLA. Source: Alternative Land Use Planning Options for City of Pleasanton, CA, Gruen Gruen + Associates, 1985.

5. Standard Monthly Payroll Multiplier for Entry-level Non-union Retail Jobs: $4.40/hr(82$)*(1.3752l inflator to 87$)* 40 hours* 4.33 weeks/month. Source: Carol Marshall, Employment & Data Research, CA Employment Development Dept. (EDD).

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 8, In-person interviews, No. 10: (continued)

Case #	Type of Business	Firm Size	
211	2	500	Has seen a copy of this before from Haraburda. There should be something about schools. Companies will relocate where employees live. Talk about housing, schools, shopping; include this all in a positive, honest way.
212	2	2	Need to include information on Oakland's efforts at central city redevelopment. We need to sell the concept that the city is moving to modernize.
213	2	5	'The Economy': general economic profile of Oakland, available markets; consummable income demographics. Infrastructure that is already available, e.g., transportation, ports, childcare, schools; also location (close to San Francisco).
214	4	5	Information on taxes and utility costs; don't leave out things that are considered as negatives; best to have an honest presentation.
217	4	5	Places to live in the area within reasonable community distance.
219	1	5	Transportation; housing (and not just in Oakland). One section on economy for attracting tenants. They want to invest in an upward rising economy. Climate: one of the most attractive features for someone from New York or Boston. They want to join a firm and come to an area that is on the cutting edge of new technologies. A list of firms in the Bay Area who ae doing this. Also, sell the advantage of higher education for keeping technically current, whether engineering, business, or social disciplines. This area has a great number of universities and colleges. This includes Berkeley and Stanford, which is a tremendous advantage. We are always pointing out the resources that Oakland has, including the Lawrence Livermore Labs, UC Berkeley, Stanford, the high-tech firms that surround Oakland, etc. It is really important in a career development to come into an area that has so many resources. To continue education. To work with associates in good companies.

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 8, In-person interviews, No. 10: (continued)

Case #	Type of Business	Firm Size	
204	1	2	More on the people of the East Bay. He pulled out an "East Bay Market Profile", a folder done by the Oakland Tribune; looked like the Chamber's folder. What are community facilities? These are broad topics, difficult to discern. He has identified 26 categories that a relocating campaign looks at. A one page summary is needed, a community profile; basic data (facts and figures). People need airline data, transportation information. These all effect potential workers and businesses.
205	1	4	Needs a good photo of Oakland with Lake Merritt. Doesn't think leisure aspects are important for the packet--you don't need to live in Oakland to have a business. Same with cultural life. It's not so important for businesses. Needs a map. "Community facilities" seems vague. Promote downtown, the Port, the Lake. Sees Oakland as having 3 centers. Also promote high quality architecture. There are different types of office space available for different budgets. Promote human resources--Asian population is expanding--can work entry level jobs; promote people.
207	2	3	Should include statistics on what businesses are here. Give people proof of what is really happening in Oakland. Has to be more than just pretty pictures. Maps and photos of different areas are important.
208	2	2	Maps, pictures, transportation maps; maps showing restaurants, banks/S&Ls, public offices; BART & freeway maps
209	2	3	City service information such as permit and processing fees should be listed. Transportation should be highlighted as well as taxes and hook-up charges. Regional services should be spotlighted. Maps that place Oakland in the state and also within the Bay Area should be produced as some potential business will be from out of the country.

LIST OF SAMPLE DOCUMENTS
PRODUCED BY THE COMPANIES INTERVIEWED

Port of Oakland =
1) The Port of Oakland - Gateway to America
2) Port Progress (Oct/Nov 1986)
3) Port Progress (April/May 1986)
4) Port Progress (June/July 1986)
5) Driving Guide to Harbor Terminals
6) The Port of Oakland - Its Contribution to Oakland and the Bay Area
7) Port of Oakland Training Programs
8) NOW! AirBART Goes to Town
9) Flight Selector
10) Oakland International Airport - Lionel J. Wilson Terminal

Oakland Convention & Visitors' Bureau:

1) Map of Oakland (downtown)
2) Oakland Convention Services Guide
3) Oakland Accommodations
4) Oakland in the middle of it all!
5) Oakland in the middle of it all! (small brochure)
6) Oakland Calendar of Events - Fall 1986

Coldwell Banker:

1) Oakland/East Bay Market Profile. June 1986
2) 1986 Sacramento Commercial Real Estate Market
3) Relocation, Affordable Housing in the 580/680 Corridor,

Cushman and Wakefield:

1) Oakland Office Market - Third Quarter Statistics, 1986; Office Building Survey - Alameda and Richmond

Clorox:

1) The Clorox Company - Community Support Programs. 1985-1986, Oakland, California.

Rooney, Ida, Nolt and Ahern:

1) A Career in Public Accounting

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 8, In-person interviews, No. 10: (continued)

Case #	Type of Business	Firm Size	
219	1	5	Climate/recreation/culture has got to be there. Outdoor life, sports, etc. Things a person can do outside office. Sailing, skiing. Experiences for the family. This is a lot different than trying to attract businesses. Quality of life in the whole Bay Area. If you talk just about Oakland, you can't win a fabulous market. Pasadena has the same mix, but you don't look at it with the same perspective. In 75 years time, the population of the Bay Area is going to double. The land from San Jose to Richmond, which sells for peanuts, is going to be prime land. Because of the hills, the Bay, most importantly the universities. The smoke stacks and the car foundaries have moved out of this area. This is the age of information, high-tech, and artificial intelligence. Oakland should meet this challenge.
220	4	5	He is not impressed by what he has seen from the folder. Thinks it will be very ordinary; isn't positive enough. Should feature facts like "Oakland a center of 5.2 million people", then present sales pitch. Thinks titles like "Commercial Facilities" and "Human Resources" are non-saleable. Play on Oakland's "knowledge base"; talk about higher education. Climate most perfect in U.S. Physical features--be proactive. Talk about his "6 features of greatness". He would support a comprehensive data source on Oakland but would not if it were the one he was shown.

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 8, In-person interviews, No. 10: (continued)

Case #	Type of Business	Firm Size	
113	4	5	Stress cultural factors (in favor of promoting Oakland; doesn't believe people will ask these questions from future employers).
142	4	4	Promotion of positive image and the need to improve image -- such as the need to conserve Wetlands around the Port.
157	3	3	Include information on Lake Merritt, Oakland Museum, Downtown Plan
158	2	3	Transportation (BART, etc.); traffic (good, comparatively)
163	3	3	Labor market (good); arts
165	4	5	Comprehensive information about entire Bay Area (broader scope)
170	4	5	Should include information about residential areas in Oakland
176	1	3	Types of businesses; size of businesses (# of employees)
177	2	3	Transportation ease; cultural aspects (entertainment, etc.)
178	1	4	Emphasize positive aspects: cultural stuff, convention facilities; information on businesses, especially specialized businesses.
202	2	1	Economic profile (already produced by the Chamber of Commerce)
203	2	3	Should point out magnitude of East Bay market, how that translates to entrepreneurial opportunities; East Bay is 4th or 5th richest metropolitan area in the country. Market Oakland with the East Bay--it's not enough by itself. East Bay is a great story which hasn't been told. It's perceived as a blue collar backwater, but is really very influential. Promote Oakland as the center of the area (BART, best place to capture money-making potential of the area). Be sure the book has a focus --it's a typical Chamber of Commerce exercise to give out information without a focus. The reason for the brochure should be obvious. Just as San Francisco has marketed itself as the center of Northern California enterprise, Oakland should be marketed as the focus of the East Bay--or else Oakland will lose that focus to Walnut Creek.

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 8, In-person interviews, No. 10: Additional suggestions about what should be in the information packets:

Case #	Type of Business	Firm Size	
8	4	1	Should include issues that address social problems in Oakland such as drugs dealing. Information regarding physical appearance of Oakland.
15	2	1	Should include information about retail climate in Oakland in order to encourage the development of businesses.
16	4	4	Should include information that would help improve the image of Oakland from the businesses' perspective. Should try to find out why businesses are leaving Oakland.
17	1	5	Include information that would improve the image of Oakland. High crime rate & very large minority population are usually seen as two main negative images of the city because people tend to relate those two factors, a common stereotype that somehow should be eliminated.
34	4	5	Transportation facilities
52	1	2	Industry Directory
61	4	5	Would be good to have ethnic breakdowns to help find, develop contacts with and encourage minority businesses to locate.
64	4	1	All businesses should work to communicate with each other.
65	2	2	Maps, points of interests
67	4	4	Stress manufacturing infrastructure in Oakland.
70	1	4	A listing of public and private health care resources and services.
79	2	3	The fact that there is a lot of office & rental space being developed in Oakland.
81	1	5	A relocation package for families moving to Oakland.
98	4	4	Information on the Harbor, docks & shipping (water transportation facilities)
99	3	1	Maps, Bay Area Business Journal (e.g., AT&T "Opportunity Calling Guide")
102	2	3	Emphasize transportation: airport, highway links etc.
109	1	4	Information on ethnic restaurants, ethnic neighborhoods and recreational opportunities

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 7, In-person interviews, No. 5: What other type of presentations does the firm make about Oakland, aside from slide, film & video shows and tours?

Case #	Type of Business	Firm Size	
3	4	5	Produce materials related to transportation issues in Oakland
65	2	2	Oakland Tribune
67	4	4	Chamber of Commerce membership guide
135	3	1	Photographs
202	2	1	Gives speeches to act to introduce people to Oakland
204	1	2	Sales presentations, bid presentations, fly-ins
205	1	4	(Said "lots of things" but would not elaborate on them)
207	2	3	Formal presentations to possible clients
213	2	5	Presentations on the firm's involvement in Oakland, especially in the area of housing & community development. Also talk about several creative community efforts in the area.
216	1	3	Produce their own recruiting brochure which talks about Oakland and has a picture of Lake Merritt.
220	4	5	Photo books

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 6: The main sources for any statistical information about Oakland in the materials the firm produces:

Case #	Type of Business	Firm Size	
3	4	5	U.S. Census, A.B.A.G., Metropolitan Transportation Commission
15	2	1	Chamber of Commerce, City's Office of Economic Development, Community Development Organizations
34	4	5	Chamber of Commerce, Visitor's Bureau, East Bay Regional Parts, other Government entities
44	2	2	Newspapers, Real Estate literature, Chamber of Commerce
61	4	5	Develop own information
65	2	2	Oakland Tribune
67	4	4	Chamber of Commerce membership guide
70	1	4	Chamber of Commerce; the City's Office of Economic Development and Employment
85	1	4	Census Bureau
91	2	4	Oakland Chamber of Commerce
109	1	4	Mills College Institute Research Office; Census; various organization reports (SRI, Business Roundtable)
119	2	3	Oakland Board of Realtors; A.B.A.G., Chamber of Commerce
135	3	1	Generate own information

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 5, In-Person No. 3: Are these materials about Oakland produced by any other organizations that you use or distribute?

Case #	Type of Business	Firm Size	
3	4	5	Transportation information; transportation promotion
29	2	3	Oakland Chinatown Chamber of Commerce
61	4	5	Posters from joint poster campaign with the Oakland museum
64	4	1	The telephone book
65	2	2	Thomas Brother's maps
85	1	4	Sports Teams: Oakland A's, Golden State Coliseum
107	3	4	Museum mats; Salvation Army mats
109	1	4	Business District directory for "Lower Commercial District" (area around Mills College); color-coded travel guides of the Bay Area
119	2	3	Civic groups (Opera, Symphony)
127	3	4	Oakland community organizations
157	2	3	Rotary Club
163	3	3	Museum, Symphony
164	1	1	Use hiring trends by Marketing Consortium
173	2	2	Real Estate Board; Rent Control Board
202	2	1	Oakland Board of Realtors, BART, AC Transit city services, hotels (info. on cultural events), major developers (mkt. studies), community groups' newsletters
203	1	5	Have a speakers bureau focused on the port. They also have a public relations and promotion department; they write all the port's materials. The port also holds meetings where they bring in people from the community to explain what the port does and how they do it.
204	1	2	Attraction-oriented stuff from the Zoo, Fairyland, etc. 3000 copies in total.
207	2	3	San Francisco Chronicle
208	2	2	Black's Office Guide
209	2	3	Black's Office Guide
217	4	5	A.B.A.G. materials
219	1	5	Real-estate agents' maps. Other newspapers (an article that has some pertinent data)
220	4	5	Materials are from A.B.A.G. and the Bay Area Council

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 4: The firm regularly makes presentations to people from the following parts of the world:

Case #	Type of Business	Firm Size	
15	2	1	The Pacific Rim: Hong Kong, Japan, Taiwan
29	2	3	Southeast Asia, Hong Kong
71	1	3	The Pacific Rim: mainly Japan
78	3	1	Most presentations to people from outside the US. But the composition changes each year.
98	4	4	Guam, Philippines, Japan
109	1	4	Europe, Pacific Rim countries and to a lesser extent the Middle East and Latin America.
113	4	5	France, Japan, Belgium, Spain
116	4	4	Middle East & Europe
119	2	3	Saudi Arabia, France (Europe)
142	4	4	Canada, England, India, Ceylon, Southeast Asia
163	3	3	Japan

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 3: (continued)

Case #	Type of Business	Firm Size	
141	4	2	Entire Bay Area
142	4	4	All 13 counties in and around Bay Area
147	4	1	Entire Bay Area
153	4	2	San Leandro
156	3	1	San Leandro to Richmond (areas in between); Oakland, Walnut Creek
158	2	3	Entire Bay Area
163	3	3	No businesses (Food Industries) ?
164	1	1	Entire Bay Area
170	4	5	The Bay Area in general
173	2	2	Oakland, Berkeley, Emeryville, San Leandro
176	1	3	East Bay; Industrial/Commercial buildings and companies (Alameda-Berkeley-Emeryville, Oakland)
177	2	3	East Bay
178	1	4	Oakland and immediate vicinity
183	1	2	Oakland, Alameda, Emeryville
189	3	2	Bay Area in general

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 3: The firm regularly makes presentations to people from the following parts of the Bay Area:

Case #	Type of Business	Firm Size	
3	4	5	Oakland, San Francisco
15	2	1	Not any particular part of the Bay Area
16	4	4	San Leandro, San Francisco, San Jose
17	1	5	All Bay Area
21	3	4	San Francisco
29	2	3	Oakland (Chinatown esp.)
30	2	2	70% Alameda, Contra Costa counties; 30% some of San Francisco area
34	4	5	Entire Bay Area
43	2	2	East Bay
44	2	2	Berkeley-Oakland
45	3	3	Alameda and Contra Costa counties
52	1	2	Contra Costa and Alameda counties mostly; some of San Francisco
61	4	5	Alameda, Contra Costa counties; mostly Oakland
64	4	1	Emeryville, Fremont, Vallejo
70	1	4	East Bay; mainly Alameda and Contra Costa counties
77	1	1	The Bay Area in general
79	2	3	From Hayward to Marin county
85	1	4	Hayward, San Leandro, East Bay in general, Oakland Airport
88	3	3	San Francisco
95	4	1	Oakland
98	4	4	No particular parts
103	1	2	No particular parts
104	3	1	San Rafael to San Jose range; encompasses most of Bay Area
109	1	4	Entire Bay Area
110	1	1	Entire Bay Area
112	1	2	Oakland, Berkeley, Richmond, San Francisco
113	4	5	All of Bay Area; no particular parts
116	4	4	Entire Bay Area
117	3	1	Most of work in San Francisco and Sausalito; sometimes in San Jose
119	2	3	Entire Bay Area
125	3	1	Entire Bay Area
127	3	4	East Bay in general
128	3	1	Oakland, Berkeley and the East Bay in general
133	1	1	Everywhere in the Bay Area
135	3	1	Entire Bay Area
140	1	1	Greater East Bay

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 2: People involved in making presentations about Oakland work in the following divisions of the company:

Case #	Type of Business	Firm Size	
3	4	5	marketing, PR, government departments
15	2	1	vice president
16	4	4	manager
21	3		marketing
30	2	2	manager, senior officers
34	4	5	planning, PR, speakers' corps directors, manager
43	2	2	manager
44	2	2	all real estate people (everyone in the office)
61	4	5	personnel
65	2	2	sales
67	4	4	sales
70	1	4	administration
71	1	3	(x)
79	2	3	sales, marketing
81	1	5	sales
85	1	4	sales, catering, management
91	2	4	properties, personnel, medical groups
109	1	4	admissions, alumni association, PR office
112	1	2	no divisions in the firm
113	4	5	sales & purchasing, marketing, finance, manufacturing, human resources
116	4	4	marketing
119	2	3	corporate headquarters
120	3	3	sales
127	3	4	catalogue department
128	3	1	no divisions in the firm
135	3	1	marketing, business
140	1	1	sales managers
141	4	2	manufacturing, distribution, administration
142	4	4	restaurant, finance, manufacturing, sales
144	4	4	plant manager
158	2	3	loan department
165	4	5	engineering, sales, industrial relations, manufacturing
170	4	5	management
173	2	2	everyone in the office
178	1	4	president, director of marketing & sales
183	1	2	management

RESPONSES TO OPEN-ENDED QUESTIONS:

Telephone Interviews, No. 1: Other purposes than recruiting new employees, attracting new investors, seeking contracts with out-of-town agencies and attracting tenants for which the firm markets Oakland on a regular basis.

Case #	Type of Business	Firm Size	
107	3	4	Advertise Lake Merritt Area; advise potential/existing employees about the amount of building going on in Oakland.
113	4	5	Speak with students and give speeches in schools about the Oakland business community to promote it.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 11: (continued)

Case #	Type of Business	Firm Size	
217	4	5	Keep government responsible to the Commercial sector. "Lionel" has done well in this. He's not sure Wilson's successor will do as well.
219	1	5	We don't need the whole packet to give to an employee, e.g., it might be better if we are able to buy individual sections.
220	4	5	Thinks this could be the wrong way to go about this: presell the plan. Work backwards to design the book. Make sure it meets people's needs. Try to make own employees better salespeople for Oakland.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 11: (continued)

Case #	Type of Business	Firm Size	
213	2	5	The entire thrust of this information package and survey is 'relocation' - what about everyone who is already in Oakland? What about keeping these people from leaving? Give us reasons why we should stay in Oakland. If each 'sub-folder' in the package could stand on its own, i.e., if we could buy just, for example, the piece on 'Human Resources', for something like $1.00, we would purchase quite a few to distribute - the package really does not need to be glossy. People like the Chamber of Comerce are too concerned with the image of Oakland. They don't look forward, they're always looking backwards. We need a development approach at the grassroots level.
215	1	2	For his purposes the new development planned for Oakland should be highlighted, such as the Oakland City Center. Focus on new activities headquartered here. A.C. Transit and East Bay moves. Chance that UC will be headquartered downtown. A new Federal building. The folder should say "yes, there really is a future in Oakland". Focus on development at Jack London Square and Chinatown.
216	1	3	The Convention Bureau is doing a great job bringing convention and tourism to Oakland. Money has a lot to do with locational decisions; housing costs and rents are important. Should look at what can be done in those areas; human resources are important. Employers need to be near labor supply. Promote Oakland's ethnic groups. Try to attract new technologies (Silicon Valley type of business). Silicon Valley ended up where it is because of Stanford. Oakland is close to Berkeley. Perhaps a "Silicon Valley"-like climate can be created.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 11: (continued)

Case #	Type of Business	Firm Size	
205	1	4	There have been numerous attempts at "sales pitches" like this one. He feels Oakland has a basic inferiority complex compared to San Francisco. Hype the balance which Oakland has of quality of life, good business opportunities, infrastructure, smallness, etc. 3/4 of the year you can brown bag lunch at Lake Merritt; good alternative to eating out. He rows in the Lake; people at his building can jog at lunchtime 3 miles around the Lake (perfect distance), or go shopping downtown. Good alternatives here.
206	2	4	"Good plan"
209	2	3	No, looks good!
210	2	3	Would like a place on the packet to inset a "compliments of" card. Feels that a cost of $10-15 for the packet is too high; should be around $2.50-5.00 so it can be used by companies as a promotional tool and could be given in quantity to clients.
211	2	4	This is a step in the right direction. There is a tremendous need for Oakland to put a good foot forward and let people know that Oakland has some excellent things. Do something to combat the "Herb Caen" attitude that it costs $.75 to come to Oakland and it's free to leave Oakland. Combat the media image: "Oakland's 11 Bloodiest Days"; need more than a glossy "Roast Beef and Cream Pie" approach.
212	2	2	The main thing is to enhance the overall image of the community -- we need grassroots involvement and a sense of pride in the fact that we are in Oakland. Image may be important, but it won't do any good if the people here don't feel good about living in Oakland.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 11: Suggestions and comments about the marketing information plan:

Case #	Type of Business	Firm Size	
202	2	1	Small firms would have little interest in this type of material due to only limited need and availability of other and personal sources. Suggests that the input of larger firms making major decisions should be weighed more heavily. Brochures of this type seem to have short shelf lives. Helpful to include 3rd party produced materials in packet -- either newspaper articles or magazines.
203	1	5	Good idea to put out a unified source of information about Oakland. The brochure should attempt to bring together various Oakland organizations to consolidate efforts in a unified concept rather than have a separate effort because the negative aspects of Oakland are city-wide, and should be dealt with on that basis.
204	1	2	He has offered to contribute funds to help pay for the booklet, so he reacted to the cost question. Feels $ up to $15 is a hefty price. Feels there should be some facility for providing periodic updates (bulletin), with pertinent data as it develops. It will be out-of-date immediately when it is printed so it needs to be updated [regularly]. For example, if an article appears on test scores rising in the school system, a bulletin should be sent to a mailing list. [One should] do a good profile of the market, plan for changes in advance. Could design an insert with the same design for new data.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 9: The firm uses data about the characteristics of Oakland and the East Bay for other uses than to directly provide information to new potential firms, investors, clients, or employees. These uses are as follows:

Case #	Type of Business	Firm Size	
202	2	1	Appraisals
203	1	5	Affirmative action uses for hiring. Look at ethnic composition, aviation uses statistics to market the airport; looks at East Bay demographics.
204	1	2	Attract convention and visitor traffic.
206	2	4	To determine market trends, desirability of locations, and to attract new businesses.
215	2	5	Directing their own community investment program.
220	4	5	Use it to try to get employees to have a more positive attitude about Oakland.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 8: (continued)

Case #	Type of Business	Firm Size	
208	2	2	San Francisco - financial center Contra Costa county - suburban lifestyle San Mateo - suburban lifestyle Depends on the company and what they are looking for
209	2	3	San Francisco, Concord: strong employee base, educational level, employee dependability. Crime free work environment. Positive business image.
210	2	3	Suburbs; Stockton/Sacramento Lower land prices, greater land availability.
213	2	5	San Francisco: Its name, the prestige of a San Francisco address; it is central to other businesses, and has a large number of business support services (e.g., restaurants) Contra Costa county: Its proximity to residential locations; free parking.
216	1	3	If he is trying to attract a San Francisco client, he is at a disadvantage if the client is in San Francisco; so, location is key. Also, culture is better in San Francisco.
220	4	5	Nearby available housing; rural campus; like setting. Seeming escape from urban problems like crime, schools, ethnic minorities. These are all perceived as issues to run from.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 8: The most attractive traits of communities competing with Oakland:

Case #	Type of Business	Firm Size	
202	2	1	Better image, larger potential for appreciation and room for growth due to land availability.
203	1	5	Opposite of Oakland's negative image; perceived as affluent, stable, safe, no minority or ethnic problem. These are also growth areas.
204	1	2	It's not what they have but what they don't have. They have new facilities, proximity to labor pool. They have transportation problems, however, in the Tri Valley area. But, good because people live there: school systems are better, less restrictive; best price; best personnel are in area. Good quality of life.
205	1	4	San Francisco has natural beauty, the reputation of a headquarters city. Contra Costa has the reputation of being hassle-frfee, suburban living. Now it's getting the reputation of having more hassles. They've "blown" their good reputation. Oakland has better infrastructure and freeways than Contra Costa.
206	2	4	San Francisco is the hub of a major metropolitan area. Alameda and Emeryville both offer low rent rates and a suburban setting in an urban environment. Walnut Creek, Pleasanton, and San Ramon have low rates, campus-like suburban settings, and the CEO often lives in the area.
207	2	3	For R&D firms: its parking and garden-like setting. For Law firms: downtown highrise image. For Industrial: access.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 7: Which particular communities does the firm seem to be competing with most of the time?

Case #	Type of Business	Firm Size	
202	2	1	San Francisco; the suburbs of Alameda and Contra Costa counties.
203	1	5	Compete with other East Bay cities for hotels and restaurants. For maritime business, competes with Seattle, Long Beach/L.A. For aviation, with San Francisco and San Jose.
204	1	2	San Jose, Pleasanton, the 680 Corridor, Concord, San Mateo County.
205	1	4	San Francisco and Contra Costa counties.
206	2	4	San Francisco, Alameda, Emeryville, Walnut Creek, San Ramon, and Pleasanton.
207	2	3	For new clients to the area, San Francisco and Walnut Creek. For existing clients, Emeryville or Berkeley.
208	2	2	San Francisco, Contra Costa county; sometimes San Mateo.
209	2	3	San Francisco, Pleasanton, Contra Costa county, Walnut Creek, Concord.
210	2	3	Surrounding suburbs (Contra Costa county); Stockton/Sacramento.
213	2	5	San Francisco and Contra Costa counties.
216	1	3	Other Bay Area communities, mainly San Francisco.
220	4	5	1. Contra Costa - San Ramon, Livermore, Concord, and Walnut Creek. 2. To a lesser extent, Newark, Marin, and other attractive areas.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews. No. 6: The kinds of business or industry that the company is seeking to attract to Oakland.

Case #	Type of Business	Firm Size	
202	2	1	Small retail, national retail chains; small office tenants, local businesses
203	2	3	Real estate developers (commercial), restaurant, hotel development, and operations. Industrial users, maritime-related, aviation-related.
205	1	4	People are often Japanese, interested in investment. Also, a lot of interest from Canadian and English interests. They appreciate the climate.
206	2	4	There are 5 disciplines of real estate, including retail, office, industrial concerns, and real estate developers. They are involved with many different interests, including residential developers, and a vast assortment of various interests.
207	2	3	Office, industrial, apartment
208	2	2	They are really all over the board. All types, but sales/service segments are the majority, then distribution, then manufacturing.
209	2	3	Insurance, medical, professional services, shipping.
220	4	5	Many firms are involved in office type pursuits; need space around Lake Merritt area (things like law firms, accounting, universities, etc.). Also, trying to attract high-tech (basically another type of business). Trying to attract regional headquarters -- probably unrealistic for national headquarters to locate in Oakland, but region has possibilities. Foreign investors come from Hong Kong, Japan, Pacific Rim and invest in real estate and high-tech.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 5: What other type of presentation does the company make about Oakland?

Case #	Type of Business	Firm Size	
202	2	1	He gives speeches that act to introduce people to Oakland.
204	1	2	Sales presentations, bid presentations, fly-in's.
206	2	4	Lots of things -- but would not elaborate on what those were.
207	2	3	Formal presentations to possible clients.
213	2	5	'Spoken' presentation on Citicorp Savings' involvement in Oakland, especially in the area of housing and community development. Also talk about several creative community efforts in these areas.
216	1	3	They produce their own recruiting brochure, which talks about Oakland (picture of Lake Merritt). [They] gave us a copy.
220	4	5	Photo books.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 4: (continued)

Case #	Type of Business	Firm Size	
215	1	2	The materials seem to serve the purpose fairly well. Can't think of anything to improve them.
217	4	5	He has gotten no terribly negative feedback, so he really has no suggestions.
219	1	5	No. There is not a lot of it. But, what we are doing is not extensive enough to make this an important factor.
220	4	5	City's materials are very good, as are the Office of Economic Development and Employment's materials, which have been praised in other cities. Likes Convention Bureau's stuff. There is always a need to have quality material. There needs to be an overall package to bring it all together.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 4: In what ways do you wish to see any of the existing materials be improved or expanded?

Case #	Type of Business	Firm Size	
202	2	1	Materials are good, would like some listing of what is out there to be made available.
204	1	2	Repackaged in a more suitable manner.
205	1	4	The only materials he uses is a map of downtown Oakland which was done by the City Office of Economic Development and Employment. He uses the maps to illustrate points when he talks to people about Oakland. He would give them away to people if he had extras, and estimates he gave people 10 of them in the past year.
206	2	4	Fairly satisfied with available materials. The Tribune should be more "pro Oakland".
207	2	3	They should be simplified, easier to read. Cut out the advertising; they should be well organized, visually and graphically more interesting.
208	2	2	More maps; less raw statistics; more pictures to get image across [of Oakland] as a good place.
209	2	3	Not applicable--dont' use any specific publications, only newspaper clippings.
210	2	1	Need for a central data base, updated on a monthly or quarterly basis.
211	2	4	Timing is important. It's a problem to rely on 1980 census data for statistics. Businesses want current information which is honest and realistic. What they hear through people they know and trust is probably more valuable than all the written stuff they are given.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 1: (continued)

Case #	Type of Business	Firm Size	
220	4	5	General Statement: six major qualities make cities great. 1) Climate - physical attributes - Oakland is clearly one of the most beautiful settings; most consistent climate in the U.S. 2) In exact center of a market of 5.2 million people. Most perfect U.S. location in one of U.S. and world's favorite locations. 3) Port is second largest in Pacific Rim, 4th largest containerized in the world (or was until Long Beach/LA began to bring major competition). Oakland Airport was rated by one magazine as the most convenient, best access to the City, in the U.S. Highway system is totally complete - BART offers access in 2 directions; its headquarters is here. One of the most extensive buslines in California. 4) Higher education: blessed with 6 major universities - Cal, Mills, Holly Names, Arts & Crafts, Peralter System, J.F.K., Golden Gate 5) Sports Teams: will get football back; all other major teams. Stadium is within City boundaries. 6) Arts: symphony is down but will be back. Programs and facilities are here; an extensive "arts infrastructure is in place"; "not another City in the U.S. has all this - Oakland has everything". Hidden advantages - infrastructure - sewer lines and the park system - East Bay Regional Parks.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 1: (continued)

Case #	Type of Business	Firm Size	
214	4	5	Central location; transportation hub. Quality of life: cultural events; proximity to San Francisco; reasonable office space costs; available labor market; availability of land, in East Oakland especially; the weather; the views, scenery (environment)
215	1	2	Desirability of location - proximity to San Francisco. Lack of congestion in Oakland - redevelopment in downtown Oakland - City is in the process of revitalization. Also, since his is a principally minority firm, he talks about the large and influential black community in Oakland - depending on who he is talking with, feels there is a more influential black community than in many cities.
216	1	3	Oakland is in an expanding phase - business is expanding. Oakland is becoming a financial center. Physically, there's a lot of change.
217	4	5	Accessibility to suburban housing - reasonable community in and out of town - General acceptability of City government. Access to San Francisco; BART transportation advantages. General desirability of Bay Area.
219	1	5	Climate most important. Transportation access, higher education potentials, quality of private, primary, and secondary schools, quality of life in housing and in arts and culture. Differential in the cost of high-quality housing. Abundant recreational facilities. Don't speak about Oakland, but the San Francisco Bay Area. We attract people from at least L.A., but perhaps more from Boston and New York.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 1: (continued)

Case #	Type of Business	Firm Size	
208	2	2	The positive business attitude and environment of Oakland
209	2	3	Location: public transport, freeway, BART, Port, Oakland airport, Lake Merritt Office Development; access to labor force
210	2	1	Oakland's "Hidden Secret" - the potential to make money. Proximity within the East Bay; transportation; Oakland as a place to live and work.
211	2	4	Surveys have shown that Oakland is excellent for public transportation. Good labor market; can draw from all parts of the Bay Area. Excellent weather. City Council and Mayor want to encourage business to come to Oakland. Housing is close to downtown, especially with public transportation. People are an asset in Oakland: a cross-section; five people - "has seen more good people do good things for the City than any other place he has been". No big highway problems, such as you have along Highway 24, near the Bay Bridge or 680. Low per square foot prices for office or industrial space. Does have problems such as drugs, and unemployment, which the City is trying desperately to solve. In the middle of one of the U.S.' finest metropolitan areas.
212	2	2	It is very rare that we discuss such matters with people from outside Oakland; we mostly work with clients already in Oakland. However, we would be willing to work in a consolidated effort with others to 'sell' Oakland as a relocation area.
213	2	5	Oakland's central location, its easy accessibility to San Francisco, to Airports. in effect, "sells" to entire Bay Area.

RESPONSES TO OPEN-ENDED QUESTIONS

In Person Interviews, No. 1: What things do you usually choose to talk about, first, when describing Oakland to a potential business tenant, investor, client or employee?

Case #	Type of Business	Firm Size	
202	2	1	Discussions are tailored to different types of clients: Tenants: convenience to transportation; lower rents than other areas Investors: low values w/higher potential for appreciation Customers: Chinatown is booming, a lucrative market Employees: convenient, junior colleges have good R.E. programs
203	1	5	Depends on the client, and his/her interests. If he's talking to a hotel, they will want to know their chances for success in Oakland. Stresses positive aspects of Oakland. People are concerned about Oakland's negative media image and perceive security problem. Talks about positive business aspects. On the Port of Oakland: talks about how it functions, its contributions, activities, structures, political authority (where it comes from), budget. He is always positively oriented -- oriented to the Port, not the City.
204	1	2	Climate, proximity to other places in the Bay Area, Scope of the City. Easily accessible to government and the power structure - a relatively small town in many respects; easy to get things done.
205	1	4	Location, center of the growth side of the Bay Area. Also accessible: BART, freeways.
206	2	4	Location, climate, business environment, lack of competition
207	2	3	1) Proximity to other Bay Area cities. Access is excellent. Infrastructure in the city is good for access. It's a mature city without the growing pains that other cities are going through. 2) Weather - no fog 3) Other companies who have chosen Oakland