



MEASURE B: ALAMEDA POINT REVITALIZATION INITIATIVE PROS AND CONS

Measure B: “Shall the City Charter Amendment, and ordinance proposing General Plan Amendments, Zoning Map and Text Amendment and Development Agreement, regarding development of Alameda Point be adopted?”

The Alameda League of Women Voters' prime mission is to help citizens get the information they need prior to voting. For the February 2nd, 2010 election the League has produced this Pros and Cons Notebook to inform citizens about the issue.

To highlight controversial aspects of the initiative the League developed nine questions and selected two organizations supporting Measure B and two organizations opposing Measure B to respond. This Pros and Cons document is organized by each question followed by responses from each of the four organizations.

The League of Women Voters has taken no position for or against the initiative – instead, it has provided this document in its role of voter education.

INTRODUCTION

The Alameda Naval Air Station (NAS) closed in 1997. When fully operational, the NAS had a combined military and civilian work force of 18,000. The site is now known as Alameda Point. The decision to close the base was announced in 1993, and extensive citizen input by the Base Community Advisory Group (BRAG) produced the 1996 Community Reuse Plan.

In 2000 the Navy agreed to convey the land at no cost, but a 2006 change in federal law requires that they seek fair market value. Negotiations between the City, the then chosen master developer, APCP, and the Navy resulted in a price of \$108.5 million. This was based on a plan consistent with the 1973 Measure A. That measure, now a part of the city charter, prohibits multiple dwelling units. In September 2006 APCP withdrew, citing deteriorating market conditions and the \$108.5 M price tag.

In 2007 the City chose SunCal as master developer. Their plan, which is the initiative before the voters, would exempt Alameda Point from the restrictions of the 1973 Measure A. It is designed to encourage the use of public transit, walking, and cycling by clustering housing, including apartments, near public transportation and neighborhood commercial establishments. The plan includes parks and other public amenities.

The development plan and the charter exemption are included in the February 2010 Measure A. Thus, voters must consider both together.

The Navy still owns the land and can convey it to the ARRA (Alameda Reuse and Development Authority, the City Council under another name), which would then sell it to the developer. Or the Navy can sell it or lease it directly to private developers.

MORE INFORMATION ABOUT THE INITIATIVE

The City of Alameda Summary of the Initiative including an Executive Summary:
www.alameda-point.com

Full Text of the Initiative, Measure B:
www.ci.alameda.ca.us/news/0912_measure_b.html

PROPONENTS*

Alamedans for Alameda Point Revitalization (AAPR)
SunCal Companies

OPPONENTS*

Action Alameda
Protect The Point, A Committee Against Measure B

INFORMATION ABOUT VOTING

Smartvoter.org
<http://www.smartvoter.org/>

INFORMATION ABOUT THE LEAGUE OF WOMEN VOTERS

<http://alameda.ca.lwvnet.org/>

*See final page for complete contact information

MEASURE B - ALAMEDA POINT REVITALIZATION

“Shall the City Charter Amendment, and ordinance proposing General Plan Amendments, Zoning Map and Text Amendment and Development Agreement, regarding development of Alameda Point be adopted?”

RESPONSES FROM PROPONENTS AND OPPONENTS

Q 1. Do you support the Alameda Point Revitalization Initiative? Why or why not?

YES - Alamedans for Alameda Point: Yes, we support the Initiative because it is a viable plan that is the right fit for Alameda. It was shaped by the people of Alameda over 16 years and through hundreds of public workshops and community meetings. Peter Calthorpe has led a team of top designers to develop a plan to create a green, sustainable, transit-oriented development. The former base is steadily deteriorating and a costly burden on Alameda. The City cannot pay indefinitely for this and the Alameda Point plan is a viable solution that will bring new infrastructure, parks, recreation, jobs and other benefits to our community.

YES - SunCal: Yes, speaking as the City’s development partner with decades of experience and many successful developments, we support the Initiative’s plan. World-renowned land-planner Peter Calthorpe has a proven track record of designing successful, sustainable communities and has created a viable transit-oriented development that will be a positive addition to Alameda. It will contribute jobs, new recreational and sports facilities, open space and trails, new infrastructure and other benefits that can be enjoyed by everyone in Alameda. This plan has been shaped by Alameda residents by way of many public meetings over several years and it is the right one for this community.

NO – Action Alameda: No. The Navy currently pays no property taxes on the land. Under SunCal’s plan, the new property tax revenue that is generated would be used chiefly to repay bonds that were issued to pay for SunCal’s promised public amenities, such as the sports complex. SunCal is using taxpayer money, not their own, to pay for the public amenities. The new property taxes generated would not go to the City’s general fund to ease Alameda’s budget crisis. The initiative, as written, is not fiscally neutral for the City of Alameda, as noted in the City of Alameda election report.

NO - Protect the Point: No, we do not. It is a very bad deal for Alameda. SunCal is asking us to sign into LAW a development agreement that gives them control over the land and its revenues with no requirement for them to ever build anything. Any promises or agreements SunCal may make prior to the election are not part of the ballot measure. This upcoming vote is for the content of Measure B. Period.

Q 2. SunCal has agreed to remove the caps in the initiative – regarding the \$200M limit on the cost of public benefits and a 2% limit on the total tax rate that could be required of Alameda Point homeowners. Are SunCal’s assurances legally binding? Cite appropriate legal basis for your position.

YES - Alamedans for Alameda Point: Disposition and Development Agreements (DDA) aren’t new; the City has done these with other developers. A DDA will make SunCal’s assurances legally binding. Through this agreement, the CIC (redevelopment agency) will transfer land to the developer and impose additional requirements. The exclusive negotiating agreement (ENA) requires that fiscal neutrality, phasing, cleanup and land transfers be addressed in the DDA. Per the Initiative’s Development Agreement, “Nothing in this Development Agreement limits the discretion of the ARRA, CIC and/or the Developer in establishing in the DDA, or such other contract between the CIC and Developer, certain development and phasing obligations of the Developer.”

YES - SunCal: Yes, our assurances will be legally binding in a Disposition and Development Agreement (DDA), a legally enforceable document between SunCal and the redevelopment agency, the Community Improvement Commission (CIC). DDAs are commonly used to specify the business terms for development projects. The City of Alameda has previously entered into DDAs for Bayport Alameda, Alameda Landing and the Alameda Theatre, among others. The CIC can impose added requirements on the developer through the DDA and this is specified in the Initiative’s Development Agreement, Section 2.8. The ENA also requires that fiscal neutrality and other development issues be addressed in the DDA.

Both Proponents cited: *See Alameda Point Revitalization Initiative Exhibit F: Development Agreement, Sect. 2.*

NO – Action Alameda: Residents are being asked to vote on the initiative, and those assurances are not in the initiative. In a November letter to SunCal, the Interim City Manager wrote to SunCal regarding such assurances: “the City cannot, at this point, assure voters of the extent to which these issues would be subsequently and satisfactorily addressed as a result of the negotiation process.” In any event, with these promises, SunCal is offering to spend more taxpayer money, not their own. It’s not a matter of law, but a matter of trust – can Alameda voters trust SunCal to keep their promises?

(Letter from Alameda Interim City Manager Ann Marie Gallant, addressed to Pat Keliher of SunCal Companies, dated November 18, 2009, Re: SunCal Letter of October 19, 2009)

NO - Protect the Point: SunCal and the City have not agreed to this condition. *Pursuant to Section 14(a)(2) of the Initiative and Section 6.1 of the Development Agreement, an amendment may be made ONLY by application by the Developer to the City Council. Anything else SunCal does, such as making oral promises, promises in letters to the editor or even letters to the Mayor and City Council, all are unenforceable. If the Initiative passes and its terms become law, any other form in which SunCal made amendments will be canceled. Only an application by the Developer to the City Council can amend the Initiative and the Development Agreement.*

If passed, the initiative becomes the LAW. The Developer, or more likely a successor to the Developer, could deny the validity of any amendments agreed upon prior to the passing of the initiative.

Q 3. What could the City of Alameda do if the initiative is not approved by voters? What could the Navy do if the initiative is not approved by voters? What could SunCal do if the initiative is not approved by voters?

YES - Alamedans for Alameda Point: If Measure B fails, Alameda is responsible for the aging infrastructure, which is financially risky for the City, and the City will not generate additional revenue that is much needed. If Measure B fails, there is a good chance the Navy will sell the land piecemeal, which will result in no master plan, no traffic planning, no parks or open space, and increasing costs for the City. If this plan is not approved, SunCal does not have an alternative plan. It can be expected there would be no immediate plans for Alameda Point if the Initiative is not approved.

YES - SunCal: Should Measure B fail, ARRA could continue to incur an annual deficit of millions to maintain Alameda Point. In the most recent fiscal year, costs far exceeded lease revenues. The City would also lack a way to generate new revenues. We cannot predict what the Navy would do, but historically, it has chosen to auction off the land in such situations. This would reduce the likelihood of any master-planned community and the benefits it would bring. We do not have an alternative plan because we believe the current one is the best one and one we are fully committed to.

(See Alameda Reuse and Redevelopment Authority Budget Report for September 2009)

NO – Action Alameda:

City of Alameda: They might act as a master developer themselves. They might help the Navy sell it parcel-by-parcel to existing tenants to immediately generate much needed property tax revenue. Or they might put it back out to bid for a master developer through the RFP process.

Navy: The Navy might look to other fed-to-fed transfers. The Navy might work with the City as a master developer.

SunCal: Presumably DE Shaw insisted, before giving SunCal \$10 million, on having a “Plan B.” SunCal is likely to bring forth a 1973 Measure A compliant proposal.

NO - Protect the Point: The City still has an agreement with SunCal that lasts until July. Negotiations could continue with SunCal, as they have in New Mexico where the voters defeated another initiative written by SunCal. We believe that the City will work to create a fair and balanced deal that does not put the long term financial health of Alameda at risk. The Navy still has its requirement to clean up the toxins at the base. Measure B is neither the last or only hope to redevelop Alameda Point. In fact if passed it is almost certain that portions will not be developed for as long as 25 years.

Q 4. What in the initiative would help to reduce traffic?

YES - Alamedans for Alameda Point: The Initiative specifies Transportation Demand Management (TDM) programs and transportation strategies that de-emphasize automobile use. Additionally, a monitoring program is required to adjust TDM programs and strategies depending upon the types of users. Alameda Point will be a multi-modal community that includes various transit opportunities. These include ferry boat service, Bus Rapid Transit-designated lanes to and from BART stations, regular bus and shuttle service, and bike and walking paths. A transportation coordinator will monitor these to ensure their use is maximized and constantly reevaluated and adjusted. The City and Redevelopment Agency can impose these strategies as CEQA mitigation requirements.

YES - SunCal: Traffic will rise in the years ahead, even if the plan does not pass; the City's own studies bear this out. However, our plan is a transit-oriented development that has a guiding principle of reducing dependence on automobiles. The CIC and City can also impose traffic mitigation via CEQA. The Initiative calls for Transportation Demand Management (TDM) programs that rely on Bus Rapid Transit to BART stations, bus and shuttle service, ferry service, and paths for bikes and pedestrians. Transportation coordinators will continually adjust the strategies based on current needs and patterns to ensure maximum use of the various transit opportunities.

Both Proponents Cited: Alameda Point Revitalization Initiative: Sect. 2.d and 3.d; Exhibit A: General Plan, Transportation Sect. 9.4.a through 9.4.z; Exhibit B: Alameda Point Community Plan, Sect. 11.3, 11.3.1 and 11.3.2; Exhibit C: General Plan Amendments, Alameda Point Sect. I. 3. g Traffic Constraints; and Exhibit D: Specific Plan, Chapter 5: Transportation Element

NO – Action Alameda: It will take Alameda residents longer to get to work each morning. Although SunCal suggests traffic mitigations in the initiative, the City's Alameda Point Development Initiative Election Phase II Preliminary Traffic Impact report notes that:

“For example, during the morning peak hour, the outbound commute time through the Posey Tube increases from 16 minutes to 20 minutes, a 28 percent increase. Similarly, during the evening peak hour, the inbound commute time through the Webster Tube increases from 16 minutes to 19 minutes, an 18 percent increase.”

To minimize traffic, the focus should be on job creation, not housing.

NO - Protect the Point: Nothing in the initiative regarding traffic is a requirement, only a suggestion. The developer is not required to add a new bridge, tunnel or build additional public transportation. This plan will put the burden of traffic reduction on the City of Alameda

Q 5. Is SunCal's Alameda Point project financially sound?

YES - Alamedans for Alameda Point: Yes, it is a financially sound plan that has been thoroughly tested, incorporated major engineering analyses, had extensive third-party peer review, received input from leading consultants who are experts in their fields, and has been validated by the many successful developments SunCal has completed. Numerous studies, analyses and data confirm this plan is financially viable and appropriate. SunCal was selected as master developer by the City because of its proven ability to create successful developments. SunCal has the solid backing of its financial partner at Alameda Point, D.E. Shaw, a global investment firm with \$28 billion in worldwide assets.

YES - SunCal: Yes, it is financially sound and has the commitment of the global investment firm D.E. Shaw, our financial partner at Alameda Point, which is a company with assets of \$28 billion. We are fortunate among developers to have such a strong financial partner for this project, particularly considering the current national economic climate. The plan itself has been carefully vetted by expert consultants who are industry leaders, it has undergone rigorous third-party peer reviews and it is supported by SunCal's completion of many successful master-planned communities. Financial studies, engineering analyses and other information confirm this plan is fiscally sound.

NO – Action Alameda: The City of Alameda has said “no.” The initiative as it is written is not fiscally neutral. The use of the redevelopment to pay for the sports complex and other public amenities diverts new property taxes from the City's General Fund. It requires the creation of a community facilities district – a Mello-Roos tax – on the new properties they plan at Alameda Point, to pay for the increased demand on City Services. Yet, still, the initiative alone is not fiscally neutral, hence the promises from SunCal to “negotiate” fixes to it, if it passes.

NO - Protect the Point: Certainly not for the people of Alameda. The \$200 million cap on the developers participation in the funding of the benefits is half what is actually required in today's dollars. Of course, in reality it is less than half, by the time any construction dollars are actually used. There is no requirement for the developer to pay for the infrastructure, that all comes from taxes and bonds. The developer will make more money from sale of the land, while Alamedans will lose money from the overall plan.

Q 6. How can we be sure contamination on the site will be cleaned up, and who is responsible for the cleanup (buildings and land)?

YES - Alamedans for Alameda Point: The Navy is legally required to complete the cleanup of the property to a specified standard. Currently, the Navy has projected a phased cleanup schedule with a completion date of 2018. The Navy's commitment excludes certain key items such as asbestos and lead-based paint. These further remediation efforts will be funded and assured only through redevelopment of the property by the developer. The Initiative's plan will make the property usable for residential and commercial uses.

YES - SunCal: The Navy is doing a good job of cleaning up the site to a certain standard as they are legally required to do. But their mandate does not include contaminants such as lead-based paint and asbestos in building structures. It will be the developer who addresses these toxics and acts to remediate them, but this can only happen with the assistance of the funding mechanisms that exist within the redevelopment project area. Supporting the Initiative's plan and the cleanup goals it establishes will ensure that further cleanup of the property takes place beyond what the Navy is currently doing.

Both Proponents cited: *See Alameda Point Revitalization Initiative: Sect. 2.c, 3.b and 3.c; Exhibit A: General Plan, Environmental Plan Sect. 9.6, 9.6.o, 9.6.p, 9.6.q and 9.6.r; Exhibit B: Alameda Point Community Plan, Sect. 11.6.4 and 11.6.5; Exhibit C: General Plan Amendments, Alameda Point Sect. 3.b Remediation of Hazardous and Toxic Materials; and Exhibit D: Specific Plan, Sect. 1.4 Plan Objectives)*

NO – Action Alameda: The Navy is responsible for the clean-up of the land, under federal “superfund” law. They are working on that now. There is a citizens oversight board that meets monthly and oversees the work of the Navy. There are some impressive Alameda residents on that board who are pushing the Navy to clean up the land.

The asbestos and lead-paint contamination in the buildings will ultimately be a challenge for anyone – a developer, the City of Alameda, a private owner – to remediate. There is nothing in the Development Agreement in the Initiative (Exhibit F) that commits SunCal to remediating buildings.

NO - Protect the Point: The land contamination is and always has been the responsibility of the Navy, and they are proceeding in accordance with the agreements with the City. Any usage of the land or buildings that is not in accordance with the City/Navy cleanup plan will have to be addressed by the Developer.

Q 7. What are the costs and benefits to the City of leaving Alameda Point as it is? How much revenue is the City currently receiving for leases?

YES - Alamedans for Alameda Point: Alameda Point has cost the City over \$100 million for repairs, security and other expenses. This has resulted in an ARRA FY 08/09 shortfall of \$2.7 million, a huge drain on the budget. With ongoing deterioration, this burden will continue to use money that could provide other services our community needs, such as funding police and fire. Doing nothing isn't cost-effective or wise. If the City doesn't redevelop the site, it will miss an opportunity to revitalize, create new public facilities and generate revenue. ARRA lease revenues in FY 08/09 were \$11.9 million, but maintenance and other costs were \$15.7 million)

YES - SunCal: Doing nothing at Alameda Point doesn't appear to be a realistic option because it means the City will continue to spend millions of dollars every year to maintain the property and spot-repair its steadily decaying infrastructure and buildings. In the most recent ARRA fiscal year budget, the property's costs far exceeded lease revenues. Without redevelopment, the City will not be able to create a vibrant new community and its new public facilities, and there will be no new revenue stream. The leases on the base generated \$11.9 million in FY 08/09, but the costs were \$15.7 million.

Both proponents cite: *Alameda Reuse and Redevelopment Authority Budget Report for September 2009)*

NO – Action Alameda: There are alternatives between the two extremes of “leaving Alameda Point as it is” and approving SunCal's initiative. Currently, roughly 1,200 people are employed at Alameda Point at dozens of businesses that lease countless buildings from the Navy through the City of Alameda. Those tenants generate over \$10 million per year in lease revenue.

More revenue could be generated with an aggressive leasing and marketing program which the City of Alameda has to date refused to undertake, as they have been operating under the assumption that the buildings would be torn down to make way for housing.

NO - Protect the Point: Currently the tenants at Alameda Point pay \$11 million in rent to the City. It is in everyone's interest to see Alameda Point developed. The issue is Measure B is a one sided, developer written measure that puts a massive financial burden on the City of Alameda and its taxpayers.

Q 8. If this initiative fails and the City acts as its own master developer, how will it finance the infrastructure (streets, pipelines, etc.) necessary for land and buildings to be sold?

YES - Alamedans for Alameda Point: Redevelopment agencies collect tax increment revenue – the property tax drawn on increases in property value from year to year within the Project Area after a Redevelopment Project Area is created. The redevelopment agency uses this revenue to finance infrastructure, facilitate revitalization efforts within the Project Area and create affordable housing. However, without a master developer and the expertise and financial investment it would contribute, the City lacks the experience and resources to redevelop on its own. It is doubtful it could alone redevelop and create sufficient tax increment to sustain development of this large and complex property.

YES - SunCal: It appears to be a risky venture for the City to attempt developing Alameda Point on its own. It would be highly unusual for any city to solely pursue a massive redevelopment project such as this without the finances, staff or expertise a developer would contribute. The likelihood of the City successfully financing the infrastructure appears unlikely. Years ago, Alameda created a redevelopment project area to take advantage of special financing laws and powers, and to pursue a public-private partnership with an experienced development company. That is why the City chose us in 2007 as its development partner for Alameda Point.

NO – Action Alameda: Housing is the most expensive and intensive form of land use – it costs \$1.15 to service residential parcels for every \$1 of tax revenue raised, versus \$0.20 for commercial/industrial for every \$1 raised. One can reasonably expect that a plan that was less focused on housing, but more focused on open space and adaptive re-use of the existing buildings for commercial and light industrial use would require less infrastructure, and therefore, the infrastructure cost would be lower. No such plan has yet been brought forth and costed, so it's impossible to say how it could be financed.

Opponent cites: (*The Impact of Parks and Open Space on Property Values and the Property Tax Base*, John L. Crompton, Texas A&M University.
<http://rptsweb.tamu.edu/faculty/pubs/property%20value.pdf>)

NO - Protect the Point: This question assumes the City will become its own master developer. At this point that is only speculation. The current developer's contribution to infrastructure has been capped so the question should be, if the initiative PASSES, how will the City pay for these improvements, since that is the question being raised by the independent analyses of the initiative that have been done by the City Manager, Chamber of Commerce, Alameda Unified School District, and many others throughout Alameda. Under the terms of Measure B the developer can compel the City to sell bonds to finance these improvements.

Q 9. Based upon experience, financial robustness and availability of staff how well equipped is the City of Alameda, SunCal or another developer in carrying out the plan described in this initiative?

YES - Alamedans for Alameda Point: The City created a redevelopment project area years ago to form a public/private partnership. Reversing direction and attempting to redevelop this site with no development experience, limited finances and insufficient staffing is beyond the City's capabilities. The City would have to pay \$108.5 million for the property. SunCal has decades of successful development expertise plus the financial backing of D.E. Shaw. It has the resources to make this plan a reality, which is why the City selected SunCal as master developer.

YES - SunCal: The City does not possess the required financial capabilities, planning and development staff, and years of industry expertise that is required for a development of this scope. Cities typically do not act as a master developer and for good reason – they lack the funds and the development knowledge. We have the commitment of D.E. Shaw and its \$28 billion in assets; we possess decades of development expertise and the staff to do the job; and we have completed successful master-planned communities.

NO – Action Alameda: SunCal's only financing partner for this project is DE Shaw. When their sole financing partner for SunCal Oak Knoll, Lehman Brothers, filed for bankruptcy, SunCal fled the site in less than a month. Their reliance on a single financing partner, as they did for 30 now-bankrupt project sites with Lehman, for Alameda Point is risky.

If the land at Alameda Point was sold off piece-by-piece to current tenants, it would immediately start generating property tax revenue for the City of Alameda, improving our finances. This would also free up resources currently allocated to leasing management.

(Opponent cites :

<http://actionalameda.org/actionalamedanewsblog/2009/12/14/alameda-point-developer-suncal-has-30-bankruptcies-pending/>)

NO - Protect the Point: Nothing in Measure B requires SunCal to move forward with this project. It is likely that they will manage the leases which currently provide eleven million of dollars in revenue and sell off a few choice pieces of land. The rest of the project will sit untouched until the real estate markets improve. This would be similar to the situation in Oakland at SunCal's Oak Knoll project.

CONTACT INFORMATION FOR PROPONENTS AND OPPONENTS

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