



AGENDA REPORT

City Attorney's Office

DATE:	April 21, 2026
TO:	Mayor Martinez and Members of the City Council
FROM:	Dave Aleshire, Special Counsel Anne Lanphar, Special Counsel
Subject:	Approval of the Donation Agreement for Leasehold Interests and Joint Escrow Instructions for Craneway Property.
FINANCIAL IMPACT:	<p>At Closing, City will (i) pay the title and escrow closing costs, and will (ii) receive \$80,000 from the donor. City will have future ownership responsibility for the repair and maintenance of the Craneway Property.</p> <p>In addition to these immediate closing-related costs, the preliminary General Fund impact, assuming no revenue, is estimated in present-value terms at \$1.3 million to \$2.5 million annually. This reflects anticipated operating and maintenance costs required to support City ongoing responsibility of the facility, including some, but not all, of the projected long-term capital needs.</p> <p>The annual estimate does not include the full approximately \$12.7 million in long-term capital requirements identified through the City's due-diligence assessments. Only a portion of these capital obligations is reflected in the annual cost range, and the remaining unfunded needs would require separate future appropriations.</p>

<p>PREVIOUS COUNCIL ACTION:</p>	<p>The Ground Lease was assigned in June 2022 to Orton Entertainment, LLC (“Orton”). March 26, 2024 Council considered compliance issues related to Orton use of pickleball in the Pavilion. On June 24, 2025, Council considered Orton offer to end lease 30 years early and make donation to City AS-IS. November 28, 2025 Council approved staff recommendation to retain RDH Building and spend \$169,500 to do a pre-turnover inspection of the facility.</p>
<p>STATEMENT OF THE ISSUE:</p>	<p>The City Council is being asked to approve a Donation Agreement pursuant to which Orton Entertainment, LLC (“Donor”) will donate to the City certain leasehold interests associated with property located at 1414–1422 Harbor Way South (Ford Point area), along with related personal property and a cash contribution of \$80,000 to help pay for first year operations. If approved, the escrow would open within days and close by May 1.</p>
<p>RECOMMENDED ACTION:</p>	<p>ADOPT a resolution approving a Donation Agreement between the City of Richmond and Orton Entertainment, LLC for the donation of said leasehold interests and related personal property located at 1414–1422 Harbor Way South, and authorizing the Mayor or designee to execute the Agreement and all necessary documents, including escrow instructions, and to take all actions necessary to complete the transaction – Special Counsel, Dave Aleshire (949) 223-1170.</p>

BACKGROUND:

Ford Assembly produced 49,000 vehicles during WWII and continued as auto assembly plant until 1956. Thereafter, it was operated until 1976 when it was left abandoned. It was damaged during the 1989 Loma Prieta 7.2 earthquake and became a derelict building which was red-tagged by 2000.

As a redevelopment project and with grant funds, almost \$20M was generated to revitalize Property. A Public Trust Easement was created through a 2004 Settlement Agreement by the City, Redevelopment (“RDA”), and State. The Disposition and Development Agreement (“DDA”) in 2003 between RDA and Orton Development. RDA agreed to lease Property subject to Public Trust.

The 2024 Ground Lease entered with Ford Point was assigned to Orton Entertainment LLC in June 2022. Rent was \$1 per year for 55 years, but with an

evergreen clause. The justification for write-down was investment for repair and restoration of property. The price exceeded the reuse value.

DISCUSSION:

A. CRANEWAY PROPERTY:

The Craneway property is comprised of assessor parcels: (i) APN 560-181-114 (“**Craneway Building Parcel**”); and (ii) APN 560-181-115 which is a portion of the State Tide Land depicted below (“**Submerged Water Parcel**”). The Craneway Building Parcel and Submerged Water Parcel are sometimes jointly referred to herein as the “**Craneway Property**.”

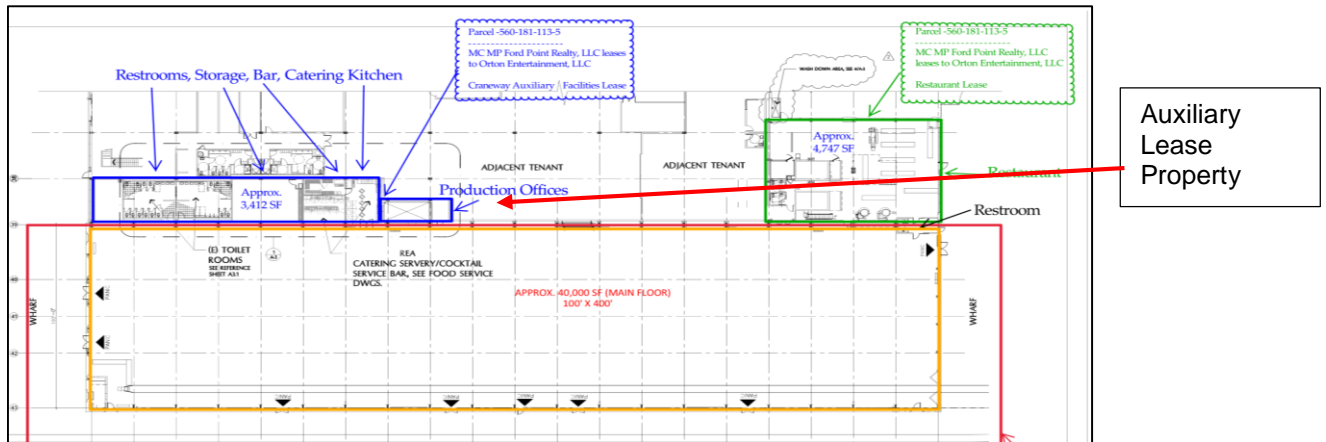


- **Fee Ownership** – The fee ownership of the Craneway Property is currently vested in the City of Richmond having been transferred to the City from the Richmond Successor Agency (“**SA**”) in accordance with the Long Range Property Management Plan subject to the Ground Leases (defined below) at no cost because the terms of the Ground Leases made the value of the underlying property negligible.
 - The Craneway Property is subject to the following which impact uses:
 - a Public Trust Easement.
 - BCDC.
- **Ground Leases** - The Craneway Property is subject to two Ground Leases: one for each of the Craneway Building Parcel and the Submerged Water Parcel. The Ground Leases (each dated 2004) were part of the original Disposition and Development Agreement with Orton Development in 2003 which made \$20M in renovations. Orton Development completed the required work under the DDA and transferred the ground leasehold interests to Orton Entertainment LLC (“**Orton**”) in 2022.

Primary ground Lease terms:

- **Term:** 55 years with evergreen extensions.

- **Rent:** \$1 per year.
- **Auxiliary Lease:** Concurrently with the Ground Leases, Orton executed that certain Auxiliary Lease with MC MP Ford Point Realty, LLC (owner of the adjacent property) (hereinafter referred to as “**Madison**”) to lease (i) the adjacent facility containing the restrooms, kitchen, storage area, etc. together with (ii) the right to use adjacent common areas which include parking, etc. (“**Madison Common Areas**”).



Auxiliary Lease terms:

- **Tied to Ground Leases:** The Auxiliary Lease can be transferred concurrently with the Ground Leases without landlord consent.
- **Term:** Evergreen provision. However, termination of the Ground Leases will automatically terminate the Auxiliary Lease. Accordingly, the Ground Leases must remain in effect.
- **Rent:** \$1 per year.
- **Madison CAM Charges (2 levels):**
 - Auxiliary lease property (2026 estimate: \$32,000)
 - Madison Common Areas (2026 estimate: \$65,000)

Critical Importance of Auxiliary Lease to Ground Leases:

Without the Auxiliary Lease, the Craneway Property has no restrooms, no kitchen, etc. and cannot use the Madison Common Areas. Accordingly the Auxiliary Lease **must** be assigned to the City concurrently with the Ground Leases.

B. DUE DILIGENCE.

1. PHYSICAL INSPECTIONS. Orton has allowed the City and its consultants with access to the Craneway Property. Orton has provided the following documents:

- Phase I Environmental Site Assessment issued by Geologica dated February 9, 2016. The summary is attached as **Attachment 3**.
- Letter Report – Limited Groundwater Investigation issued by Geologica dated March 31, 2016. The summary is attached as **Attachment 4**.

The City has conducted extensive due diligence using RDH retained on 11/28/2025, to investigate the Property. The RDH report suggested that over the coming 10 years, as much as \$12M of physical maintenance projects are recommended. The summary of those costs is included as Attachment 4. It was in view of these costs that Orton was persuaded to contribute \$80,000 toward those expenses, but he has not agreed to contribute any further.

2. LAWSUIT. Orton is currently defending a lawsuit filed against Orton by the prior pickleball operator PB Development Group, Inc. (“**Pickleball Lawsuit**”). The Pickleball Lawsuit is filed personally against Orton and not the Craneway Property. Orton has agreed to indemnify the City with respect to the Pickleball Lawsuit.

3. DOCK REMOVAL. A dock which had fallen into disrepair was a part of the Property. Orton removed the dock without BCDC permission. However, the City has received a letter from BCDC indicating it has no issues with the dock removal. Orton has agreed to indemnify the City with respect to the Dock Removal.

C. DONATION AGREEMENT: Orton has been negotiating with the City to donate the Craneway Property since June of 2025.

The terms of the Donation Agreement (**Attachment 2**) are summarized as follows:

- **Interests Donated:**
 - **Leasehold Assignments:** Both the Ground Leases and the Auxiliary Lease will be assigned to City (“**Leasehold Interests**”). As the City owns the fee interest, the assignments provide that the fee interest and the Ground Leasehold interests will not merge as it is important that the Auxiliary Lease to remain in effect.
 - **Ground Lease Assignment:** The Ground Lease assignments will provide (i) that there is no merger of the fee interest with the ground leasehold interests; and (ii) City will assume liability for requirements under the Ground Leases after the Closing.
 - **Auxiliary Lease Assignment:** Madison has agreed to release Orton of liability under the Auxiliary Lease Assignment which Madison will execute and also assure the City that the Auxiliary Lease Assignment is in full force and effect without any defaults (“**Auxiliary Lease Assignment**”).

- **Bill of Sale:** All applicable personal property will be transferred to the City.
- **AS-IS Condition:** The Leasehold Interests are being transferred to the City in AS-IS condition subject limited representations and warranties by Orton.
- **Cash Contribution:** At closing, Orton will donated \$80,000 to the City through escrow.
- **Title Insurance:** The City will receive an ALTA (non-extended) owner's title insurance policy insuring the Ground Leasehold interests are vested in the City for with no delinquent real estate taxes, and such exceptions as approved by the City. The title policy will also include a non-merger endorsement insuring that the leasehold interests are not merged into the fee interest held by the City. The amount of coverage will be \$5M which is the estimated value of the Leasehold Interests.
- **Representations and Warranties:** Orton is providing representations and warranties to the City including, among other matters and to the best of Orton's knowledge, that there are no leases, subleases; all utilities are in good working order; the Auxiliary Lease is in effect; dock removal complied with the law; there are no hazardous materials; no threatened lawsuits except the PB Lawsuit; no other contracts which will survive the closing, etc. The representations and warranties survive for 2 years after the closing.
- **Closing:** On or before May 1, 2026.
- **Conditions to Closing:**
 - Title insurance policy is issued to the City.
 - Madison executes the Auxiliary Lease Assignment.
- **Costs:** Escrow and title insurance costs are to be paid by the City.

D. EVALUATION OF FISCAL IMPACT OF OPERATIONS

Fiscal Impact of Direct City Operation

The City Council has not made any decisions about how it would operate the facility, but is interested in an event center. It has had preliminary discussions with event promoters. Staff has also had SCI Consulting Group (**Attachment 6**) evaluate four operational scenarios, all of which are projected to require substantial annual subsidy :

- Non-Operation (Mothball): -\$600,000 per year
- Special Event Venue: -\$930,000 per year
- Business/Technical Exposition Center: -\$731,000 per year (smallest deficit)

- Recreation Complex: -\$1,673,300 per year including \$390,000 startup

All scenarios require specialized staffing, expanded operational capacity, and rapid decision-making not aligned with municipal processes. Indirect municipal overhead (HR, Legal, IT, Finance) would add an additional 15–25% to costs. Operator-based models remain the most fiscally responsible approach following donation.

Land Econ Group Economic Analysis

Because the renovation and operating cost to sustain public use of the building could be a significant burden on the City's General Fund, City staff also requested that Land Econ Group (LEG) develop and analyze reuse concepts that satisfy the criteria of public use and minimize the financial burden on the City. This report explores the reuse alternatives and their financial implications on the City of Richmond. **(Attachment 7)**

E. Operations and Reasons for Taking over the Lease

Under the Trust, use restrictions, uses are limited as follows: overnight accommodation, restaurants and cafes, water industry, museums regarding waterfront history, visitor-serving retail, boating, and ferry.

In fact, during Orton's prior operations, there was a period where he was focusing on events and a number of very successful events were held. He explained that ultimately the challenges and costs were significant, and he didn't get sufficient assistance. He did suggest that the City as a public agency would be free from some of the tax burden of a private operator, and could operate less expensively than he can.

The Council intent is to focus on developing the Pavilion as a significant regional venue. To do this expertly, requires a professional event promotor. The City has made contact with several possible candidates, but ultimately this effort has not been on the same track as finalizing the Donation Agreement. This is intended to be a significant effort after the facility is acquired. Mr. Orton who initiated the Donation discussion as the Council's summer recess started and hoped to conclude it by the end of last year, has taken the position that the discussions can not be further continued indefinitely.

Although Orton did successfully operated the property before COVID making \$100-200K per year, he reports, he has not been successful in recent years. Moreover, the City's due diligence reveals significant long-term maintenance costs to keep the Pavilion up, and the City used consultant SCS to look at different operation scenarios and estimated that even leaving it empty could cost \$600K annually. Orton accordingly has found a back up entity to receive the donation. He doesn't identify the entity and only tells us it is not an event vendor but a "marine use". Under the Ground Lease, Orton has the right to assign the lease without the landlord's approval, and the assignee has the obligation to operate under the terms of the Ground Lease and to keep the Property in good condition and repair.

Mr. Orton as an operator of such entertainment venues in the Bay Area, also took the position that this is really the City of Richmond's most prime location for such a facility. The view of the Bay from the Pavilion is spectacular. He comments that the Rosie the Riveter venue was originally scheduled for 15,000 visitors annually, but is now up to 60,000, and the Bay Ferry docks here as well connecting to the rest of the Bay. The key issue is to get enough visitors that restaurant and commercial facilities are attracted—which could then bring other attractions. The City needs to expose the site and its vision around the region and Bay Area.

Due diligence has been performed, delaying this transaction, and has shown significant costs to the operation of the Pavilion as a special event venue, but without the City involvement such a use is unlikely.

If the City wishes to realize this vision, it should accept the donation. We are informed if this does not happen tonight, Mr. Orton intends to withdraw the offer and proceed to his next option where the board has already met to accept the donation.

DOCUMENTS ATTACHED:

Attachment 1 – Resolution

Attachment 2 – Donation Agreement

Attachment 3 – Summary of Geologica Phase I Report

Attachment 4 – Summary of Geologica Groundwater Report

Attachment 5 - RDH Facility Condition Assessment – Craneway

Attachment 6 – SCI Direct City Operation Cost Study – Craneway

Attachment 7 – Land Econ Group Economic Analysis – Craneway

Attachment 8 - Ford Assembly Building - Section 33433 Summary Report

Attachment 9 - Disposition and Development Agreement RDA and Orton Development, Inc.

Attachment 10 - First Amendment to Disposition and Development Agreement