

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**
AGENDA REPORT

FILED
CLERK OF THE CITY CLERK
OAKLAND
2011 APR 13 PM 6:21

TO: Office of the Agency Administrator
ATTN: P. Lamont Ewell, Interim City Administrator
FROM: Community and Economic Development Agency
DATE: April 26, 2011

RE: An Agency Resolution Authorizing An Exclusive Negotiating Agreement (ENA)
With AE3 Associates For Development of Agency-Owned Property At 606 Clara
Street/9418 Edes Avenue

SUMMARY

Staff of the Community and Economic Development Agency recommend that the Agency Board approve a resolution authorizing a twelve-month exclusive negotiating agreement (“ENA”) between the Redevelopment Agency (“Agency”) and AE3 and Associates and Partners (“AE3”), to purchase an Agency-owned property located at 606 Clara Street/9418 Edes Avenue (the “Project Site”, see *Attachment A*) and develop a mixed-use skilled-nursing facility with 13,000 square feet of ground floor services and retail (the “Project”).

The resolution also authorizes the Agency Administrator to extend the ENA for up to three additional months, if the Agency Administrator is satisfied that AE3 has made acceptable progress in completing certain milestone requirements in the ENA and has provided evidence that the Project is feasible within mutually agreed upon timeframes and terms during the initial ENA period. The additional time would be used to permit AE3 to complete CEQA review and other ENA requirements outstanding at the time.

FISCAL IMPACT

The Agency will receive a twenty-five thousand dollar (\$25,000) non-refundable good faith cash deposit (“Deposit”) from AE3 prior to execution of the ENA. The Agency will apply all or a portion of the deposit to project expenses, such as hiring an economic consultant, that are applicable to this project during the ENA period. The Deposit will be received as revenue to the Agency and will be located in Coliseum District: Operations Fund (9450), Capital Improvement Project – Economic Development Organization (94800), and in a project to be established. Funds will be appropriated for expenditures related to the project.

If the Project feasibility studies and negotiations culminate in the approval of a Disposition and Development Agreement (“DDA”) by the Agency Board in the future, there will be a number of fiscal impacts on the City and Agency, which will be specified if and when Agency staff returns to the Agency Board for approval of a DDA with AE3.

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Sales Proceeds

The Developer is proposing to purchase the Project Site from the Agency. The basic terms of the land sale contemplated at this time would be for the Agency to sell the 26,311 square-foot parcel at fair market value.

Taxes

The project is anticipated to generate significant tax benefits to the City and Agency: The project will pay property taxes estimated at \$11,700 during the projected 18-month construction period and an estimated \$188,253 per year thereafter. The project will also generate an estimated \$136,500 in annual sales tax from the proposed commercial activities. Staff will return with updated tax revenue projections if approval of a DDA for the Project is presented to the Agency Board for consideration.

BACKGROUND

On September 4, 2009, CEDA staff issued a notice of development opportunities (NODO) soliciting development proposals for several sites in the Coliseum Redevelopment Project Area, including the available half-acre site (26,311 square feet) located at the southwest corner of Clara and Edes Avenue in the Brookfield Gardens neighborhood (*Attachment A*). This site previously housed a notorious liquor store, which in 2005 was shut down through the efforts of organized community members, working with the Neighborhood Law Corps and the City Council District representative. The Redevelopment Agency then purchased the closed liquor store and adjacent property, in order to remove the existing blighted conditions and to stimulate positive future development of the site, which was not occurring via the private market alone.

Staff received three responses to the NODO and interviewed two of the respondents on January 24, 2010. All interviewers scored the submitted responses and interviewees, with the AE3 team (which includes Pankow Builders and Turner Construction) unanimously rated the highest. AE3 is a local Oakland minority-owned development team with experience and expertise in planning, real estate, architecture, engineering, and construction management services.

The proposal AE3 submitted calls for a three-story skilled nursing facility (112 beds in 56 shared rooms) built over a podium containing 13,000 square feet of ground-floor commercial uses including space for a proposed pharmacy, clinic and a small neighborhood retail/healthy food grocery store. There will also be an on-site security office and 27 parking spaces provided on the second level garage. The total project will be 52,000 square feet with 33,600 square feet of gross residential living area. Construction cost estimates for the project have been provided by Pankow Builders based on their experience with similar projects. The total construction cost is estimated at \$19,687,000. AE3 has provided general references and a letter of support and intent

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from Geiger and Associates who represents several nursing facility operators and has non-disclosure discussions with AgeSong and Shields Nursing care. A new skilled nursing facility requires a federal license to operate which all of the operators have obtained for prior projects.

Agency staff, with assistance from David Rosen and Associates, have conducted due diligence to check recommendations and assess the submitted development pro forma for the proposed project. The collective findings are that this project appears to be financially viable, there is a strong market demand for a skilled nursing facility, and the project would be a positive addition to the neighborhood and a worthwhile use of the Agency-owned site.

KEY ISSUES AND IMPACTS

In their proposal, AE3 is not requesting predevelopment assistance and initially has proposed to purchase the vacant site from the Agency for \$345,000 (\$13.11/square foot of land). This amount is lower than the City's direct sales comparison appraisals conducted in 2007 (which concluded a value range for the site from \$35-40 per square foot) but reflects the low-end of the developer's submitted comparison data of 2010 commercial land transaction values in zip codes 94621 and 94603 which range from \$12.50 – \$44.97/square foot. Staff proposes to negotiate this land price offer further as part of the ENA and to negotiate a fair-market sales price upon the results of an appraisal to be conducted during the ENA process.

The sale to the AE3 team would facilitate development of a positive and needed use for this vacant/under-utilized and blighted site. The development would represent an improvement over the current uses of vacant underutilized land which once held a nuisance liquor store. The construction of the project could provide significant employment at the site. Our assessment of project employment benefits are as follows: 200 construction jobs; 32 FTE jobs in the skilled nursing facility; 15-20 FTE retail/commercial jobs; and 6 FTE clinic jobs. The project is also anticipated to generate significant tax benefits to the City and Agency.

The ENA

The proposed ENA contemplates a twelve-month initial project feasibility review period and a potential three-month ENA extension period. The additional three months may be granted if the Agency Administrator is satisfied with AE3's progress in satisfying the requirements of the ten-month schedule of performance, according to the terms of the ENA. The basic terms envisioned for the ENA will include certain deliverables and a non-refundable good faith negotiation deposit that will be applied to internal expenses that are applicable to this project. Use of these funds is up to the sole and absolute discretion of the Agency (the unused balance will not be credited to the purchase price).

If AE3 is unable to meet any of the milestones listed in the ENA or if the Agency and AE3 cannot come to an agreement on the terms of a DDA, the ENA would be terminated.

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SUSTAINABLE OPPORTUNITIES

Economic: Completing this project will reduce existing blight and catalyze further investments in the surrounding neighborhood areas. The project has the potential to be a thriving mixed-use development, fulfilling a needed type of living facility and complementing the nearby library and senior center. The retail space will provide opportunities for new businesses.

Environmental: By developing in an established urban area proximate to major transit nodes, this Project reduces the pressure to construct on other undeveloped land and the periphery of the city and thereby contributes to the prevention of urban sprawl and facilitates access by employees and family visitors to the skilled nursing facility. The project will not create any significant environmental impact, will be LEED certified, and will include a green roof. The DDA will include specific requirements for these features.

Social Equity: The development of the project will provide many job opportunities and needed neighborhood services including a pharmacy and healthy food store for local residents. All of the workers performing construction work for the Agency-funded Project component must be paid prevailing wage rates. The developer will also be subject to the Living Wage Ordinance.

DISABILITY AND SENIOR CITIZEN ACCESS

The DDA will require that any development on the Project site comply with all applicable local, state and federal regulations including Federal ADA Accessibility Guidelines, the Fair Housing Act and the State of California's Title 24 accessibility regulations. These regulations will require the project to provide access and make units available for people with disabilities.

RECOMMENDATION AND RATIONALE

Staff recommends that the Agency Board adopt the attached resolution authorizing the Agency Administrator to execute a twelve-month ENA, with a possible three-month extension, to explore Project feasibility and negotiate terms and conditions for the sale of 606 Clara Street/9418 Edes Avenue. The proposed Project offers a long-term development approach for the Project Site, provides additional financial benefits to the Agency, enhances existing uses in the area, and includes the development of needed additional neighborhood services.

ACTION REQUESTED OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

Staff recommends that the Agency Board authorize a twelve-month ENA between the Agency and AE3 Associates for the proposed sale of 606 Clara Street/9418 Edes Avenue and development of a mixed-use skilled nursing facility on the site.

Respectfully submitted,



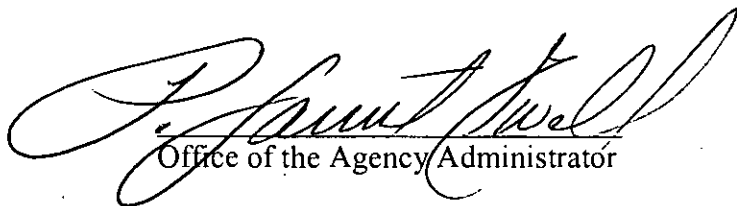
Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Reviewed by:
Larry Gallegos,
Coliseum Redevelopment Area Manager

Prepared by:
David Ralston,
Coliseum Redevelopment Project Manager

**APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:**



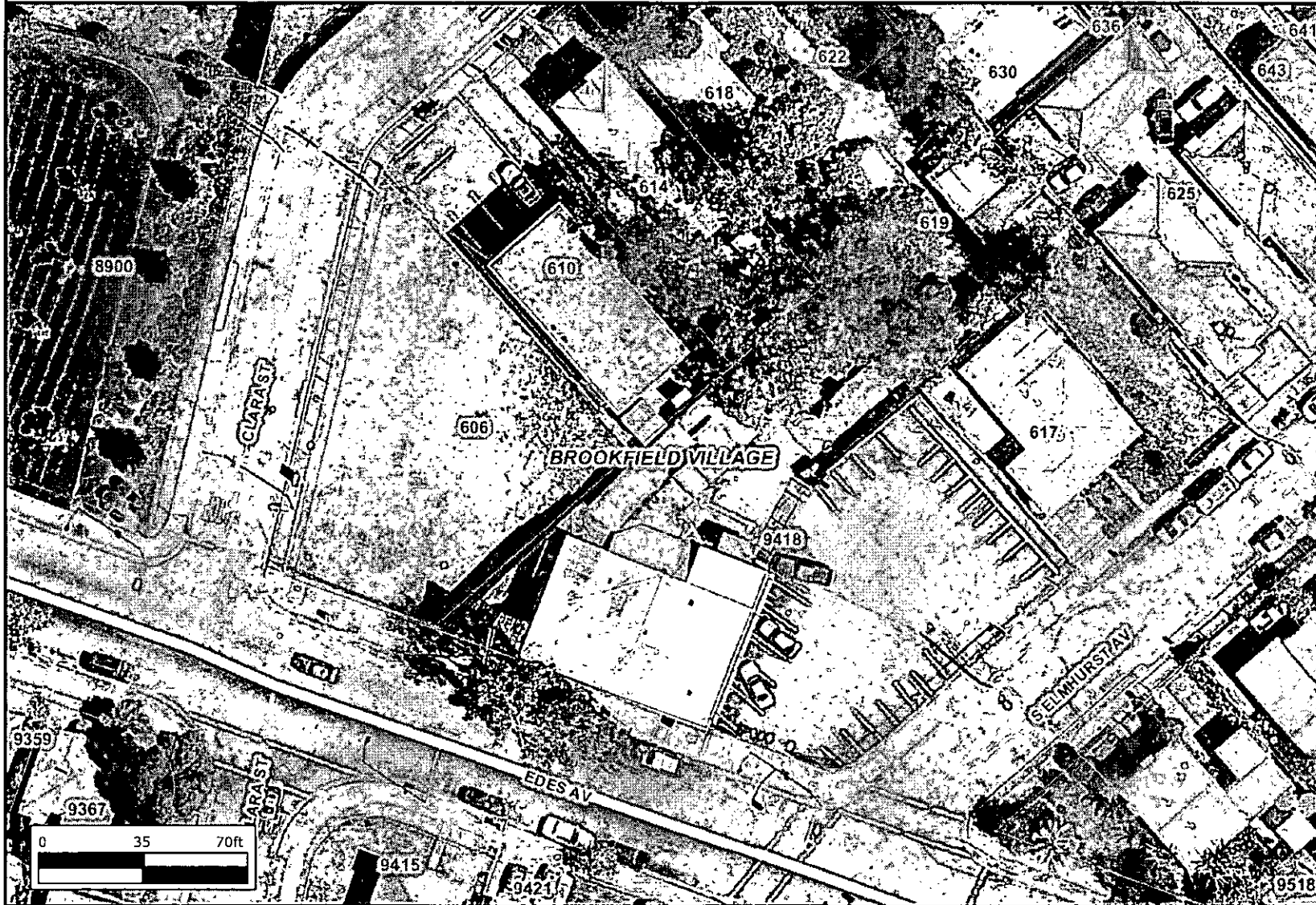
Office of the Agency Administrator

Attachment A: Site Aerial of 606 Clara Street/9418 Edes Avenue

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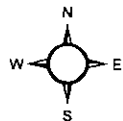
606 Clara St & 9418 Edes Ave

S.F. appox. 26,000 combined Zoning: C-10



Legend

- City Limits
- Parcels
- Freeways
- MajorSts
- Streets
- Water
- Land



It is imperative that you obtain BOTH the Zoning and General Plan designations for the property(s) you are searching for.

Questions? Contact a planner at (510)238-3911.

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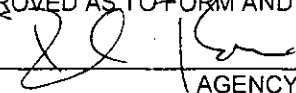


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APPROVED AS TO FORM AND LEGALITY:

BY:



AGENCY COUNSEL

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

**AN AGENCY RESOLUTION AUTHORIZING AN
EXCLUSIVE NEGOTIATING AGREEMENT (ENA) WITH
AE3 ASSOCIATES FOR DEVELOPMENT OF AGENCY-
OWNED PROPERTY AT 606 CLARA STREET/9418
EDES AVENUE**

WHEREAS, the Redevelopment Agency owns property located at 606 Clara Street/9418 Edes Avenue on the southwest side of the block bounded by Elmhurst Avenue, Edes Avenue and Clara Streets in the Brookfield Gardens neighborhood of the Coliseum Redevelopment Project Area (the "Property"), and

WHEREAS, on September 4 2009, the Agency issued a notice of development opportunities (**NODO**) soliciting mixed-use development proposals for several sites in the Coliseum Redevelopment Project Area, including the Property; and

WHEREAS, in response to the **NODO**, AE3 Associates and Partners ("AE3") submitted a proposal to construct a three-story skilled nursing facility built over a podium containing 13,000 square feet of ground-floor commercial uses including space for a proposed pharmacy, clinic and a small neighborhood retail/healthy food grocery store (the "Project"); and

WHEREAS, staff established a selection committee to review responses to the **NODO** and recommend a developer; and

WHEREAS, after Agency review and evaluation of the proposals, the selection committee recommended AE3's proposal for the development of the mixed-use Project on the Property; and

WHEREAS, after further assessment, AE3 refined the submitted proposal to include purchase of the Property for a fair market value, and the Agency and AE3, as the prospective developer, wish to now enter into a period of preliminary study and negotiations over the Project proposal, understanding that this does not constitute a binding commitment on the part of the Agency to any project or developer for the Property; now, therefore, be it

RESOLVED: That the Agency Administrator is authorized to negotiate and enter into an Exclusive Negotiating Agreement ("ENA") with AE3 for purposes of studying and evaluating the feasibility of, and negotiating terms and conditions for, the transfer of the Property, and its development for a skilled nursing facility and other uses; and be it

FURTHER RESOLVED: That the exclusive negotiating period will be for twelve months from the date of this Resolution, with the option to extend said period by an additional three months with the approval of the Agency Administrator in his or her sole discretion; and be it

FURTHER RESOLVED: That the \$25,000 nonrefundable good faith deposit from AE3 will be appropriated to Coliseum District Operations (Fund 9450) and a project to be created, for expenditures related to the Project; and be it

FURTHER RESOLVED: That the ENA shall be reviewed and approved as to form and legality by Agency Counsel prior to execution; and be it

FURTHER RESOLVED: That the Agency finds and determines, after independent review and consideration, that this action complies with the California Environmental Quality Act ("CEQA") because this action on the part of the Agency is exempt from CEQA pursuant to Section 15262 (feasibility and planning studies), Section 15306 (information collection), and Section 15061(b)(3) (general rule) of the CEQA Guidelines; and be it

FURTHER RESOLVED: That the Agency Administrator or his or her designee shall cause to be filed with the County of Alameda a Notice of Exemption for this action; and be it

FURTHER RESOLVED: That the Agency Administrator is further authorized to take whatever action is necessary with respect to the ENA and the Project consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, BRUNNER,
AND CHAIRPERSON REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California