

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 FEB 24 AM 11:38

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: March 8, 2011

RE: An Agency Resolution Authorizing The Purchase Of Real Property At 3550 Foothill Boulevard in the Central City East Redevelopment Project Area, From SK Squared, LLC, A California Limited Liability Company, In An Amount Not to Exceed \$715,000 And Authorizing Up To \$200,000 For Demolition, Abatement And Real Estate Closing Costs

SUMMARY

Staff is requesting the approval from the Redevelopment Agency (the "Agency") to purchase the blighted property located at 3550 Foothill Boulevard, Oakland (Assessor's Parcel Number 032-2115-038-01), (the "Property"), through a negotiated option agreement. The purchase will facilitate the improvement and future development of this location. The subject Property, identified as *Exhibit A* to the proposed resolution, is owned by SK Squared. LLC, a California limited liability company, and is located in the Central City East Redevelopment Project Area, in City Council District 5. The Agency issued and received Central City East Series 2006A Taxable Bonds for the acquisition of underutilized and blighted properties in the Central City East ("CCE") area. Staff recommends that the Agency adopt the attached resolution to authorize the acquisition of the subject Property. This item was recommended for acquisition by the Central City East Project Area Committee (PAC) on September 14, 2009.

FISCAL IMPACT

The funding of \$715,000 plus an additional \$200,000 for abatement, demolition, and customary real estate closing costs to be allocated for the acquisition of the Property is available from the Central City East Tax Allocation Bond Series 2006A-T (Tax-Exempt) (Fund 9543) Central City East Organization (88699), Central City East Land Acquisition Project (S233351).

BACKGROUND

The Property is located adjacent to three commercial properties previously acquired (3566 Foothill Boulevard, 3600 Foothill Boulevard and 3614 Foothill Boulevard) by the Agency at an important commercial intersection of Foothill Boulevard and 36th Avenue. The vacant 3550

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Foothill Boulevard property contains approximately 11,893 square feet. The Agency was contacted by the owner for possible acquisition. The original asking price for the property was \$825,000. Through negotiation the Agency and owner agreed to an option purchase agreement for an Agency appraised purchase price of \$715,000, less any environmental remediation costs. A Phase I environmental investigation of the Property has been completed and a Phase II investigation is nearing completion which will identify any potential abatement and remediation costs which will then be deducted from the purchase price.

A Notice for Development Opportunity (NODO) was issued in September 2009 to qualified and interested developers to submit a proposal for the development of two Agency owned sites 3566 & 3600 Foothill Boulevard adjacent to 3550 Foothill Boulevard. The Redevelopment Agency did not receive any proposals for development for these properties. Agency staff contacted developers to assess why there were no proposals. The developers responded that the sites were not large enough to financially support the development. For this reason, Agency staff has pursued the purchase of adjacent properties to increase the square footage of the site.

KEY ISSUES AND IMPACTS

The Property is located in the San Antonio/Fruitvale area within the Central City East Redevelopment Project Area. The immediate objective of the acquisition is to assemble land to create a larger parcel for development. The purchase of the Property will allow for a larger parcel area and increase the development opportunity of the Agency owned sites. Once the sites are assembled, Agency staff will work on a Request for Proposals for the sites and connect these to the strategy plan now underway for this area. The Property is located within the planned Foothill/Fruitvale Streetscape Project which is currently at 100% construction documents and will be ready for construction to commence December 2011 with completion by December 2012. In addition, Cesar Chavez Park is in close proximity to the Property as well and was recently awarded 2.5 million dollars for capital improvements to the park.

The Property was appraised by an independent contract appraiser, under contract with the Agency, and a fair market value offer to purchase was made to the property owner based on the appraisers findings. The property owner agreed to enter into an option purchase agreement to sell the Property to the Agency for a total of \$715,000. The negotiated sales price does include an additional non-refundable option fee of \$5,000, which will be credited toward the purchase price once the option is executed. The option agreement allowed the Agency to control the site until the Agency can make a determination on the purchase of the Property. If the Agency approves the Resolution, the acquisition is expected to commence immediately and should be completed by the end of May 2011. The acquisition of the Property meets the goals of the Central City East Redevelopment Plan to reuse underutilized and blighted building sites and revitalize the surrounding community.

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Once the Agency acquires the Property, staff will commence a process to demolish the structures on site. While this process is not necessarily a complex process it is lengthy, requires a city contracting process and ultimately relies on PG&E and third party contractors for completion. The average demolition process is taking approximately a year to complete. The process includes:

DEMOLITION PROCESS	TIME	INVOLVED PARTY
Prepare Scope of Work & environmental documentation	30 days	Redevelopment, Environmental Services & Buildings Services Divisions
Advertise & Bidding	60 days	Contract Compliance
Contract Award & Execution	60-90 days	Contract Compliance, Redevelopment, City Attorney's Office, City Administrators Office
Abatement Completed	30 days	Selected abatement contractor
PG&E – Utility Disconnection	60-120 days	PG&E
Demolition	30 days	Selected demolition contractor

The Agency will be responsible for ongoing property management issues until the property is demolished. It would be in the best interest of the Agency if the property could be demolished within 60 days after close of escrow and acquisition. The Agency could then maximize its potential lease revenue generating opportunities until the property is redeveloped.

PROJECT DESCRIPTION

The Property is located in the Foothill Boulevard commercial area which has been targeted for community and economic development revitalization. The Property consists of an 11,893 square foot parcel with an approximately 6,937 square foot commercial building. The existing building will be demolished after acquisition is complete. The topography is level and the frontage is improved with sidewalks, curbs, gutters, and a storm drain. The Property is zoned C-30 District Thoroughfare Commercial Zone. The zoning allows for a wide range of retail uses that are typically found along a major thoroughfare. The highest and best use for the Property at this time would be for a retail development project or a mixed-use project with a residential component on the site.

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SUSTAINABLE OPPORTUNITIES

Economic: In its present condition the subject Property makes minimum economic contribution to the area. The parcel provides a location for illegal dumping and other blight - related problems. Future projects at this location will improve neighborhood conditions, address the needs of the residents and increase tax increments. Such projects will make the area more attractive to current and prospective residents, as well as businesses that can provide employment in the City of Oakland.

Environmental: The acquisition of the subject Property and future development at this location is expected to create an attractive addition to the community, stimulating further neighborhood infill development. The contractors of all future infill projects will be required to make every effort to reuse clean fill materials and recyclable concrete and asphalt products.

Social Equity: The proposed acquisition and potential development will provide further positive stimulus to the local neighborhoods. This future development will be a welcomed contribution to the continued safety, growth, and stability of the neighborhood.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no impact on access for senior citizens or the disabled from this proposed action.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Agency adopt the Resolution authorizing the purchase of real property located at 3550 Foothill Boulevard in the Central City East Redevelopment Project Area, from SK Squared. LLC, a California limited liability company for \$715,000, and authorizing up to \$200,000 for abatement, demolition, and real estate closing costs. Approving the Agency Resolution will further the objectives of the Central City East Redevelopment Plans to improve the Project Areas with positive economic stimulus, thereby creating better communities for residents.

ALTERNATIVE RECOMMENDATION

The Agency Board could choose to not exercise its option to purchase the subject property. Staff does not recommend this option. The purchase of 3550 Foothill Boulevard would represent an important symbolic and material commitment by the Agency toward the Central City East Redevelopment Plan goals. By contrast, a failure to exercise the purchase option could allow the

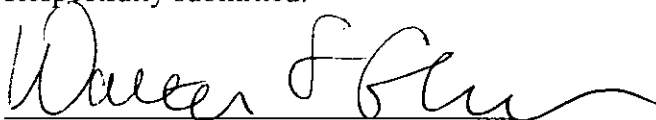
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site to be purchased by an outside entity, whose goals for the site may not be compatible with or supportive of the City's vision for redevelopment of this area.

ACTION REQUESTED OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

The Agency is requested to adopt the Resolution authorizing the purchase of real property at 3550 Foothill Boulevard in the Central City East Redevelopment Project Area, from SK Squared. LLC, a California limited liability company for \$715,000, and authorizing up to \$200,000 for abatement, demolition, and real estate closing costs.

Respectfully submitted:



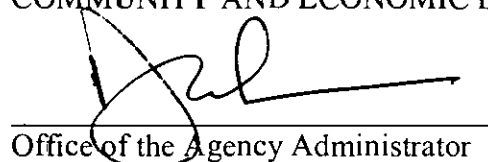
Walter S. Cohen, Director
Community and Economic Development Agency

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

Reviewed by: Frank Fanelli, Manager
Real Estate Services Division

Prepared by: John Monetta
Program Analyst III

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


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APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

AGENCY RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY AT 3550 FOOTHILL BOULEVARD IN THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA FROM SK SQUARED, LLC, IN AN AMOUNT NOT TO EXCEED \$715,000, AND AUTHORIZING UP TO \$200,000 FOR ABATEMENT, DEMOLITION AND REAL ESTATE CLOSING COSTS

WHEREAS, the Central City East Redevelopment Plan adopted by the City Council on July 29, 2003, includes alleviation of general blight and unsafe conditions as a goal for the Central City East Project Area; and

WHEREAS, the Redevelopment Agency is implementing projects in the Central City East Redevelopment Project Area as part of the Redevelopment Plan to improve the Project Area; and

WHEREAS, Section 33391 of the California Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) authorizes a redevelopment agency to purchase real property in a project area for purposes of redevelopment; and

WHEREAS, real property located at 3550 Foothill Boulevard, depicted on Exhibit "A" attached hereto (Oakland Assessor's Parcel Number: 032-2115-038-01), (the "Property") is within the Central City East Redevelopment Project Area in Oakland; and

WHEREAS, the Property, consisting of a parcel totaling approximately 11,893 square feet, is currently blighted and underutilized; and

WHEREAS, the Agency desires to acquire the Property to hold for future development, to rid the Property of blight, and to redevelop the Property in the future; and

WHEREAS, SK Squared. LLC, a California limited liability company, has offered to sell the Property to the Agency at its fair market value of \$715,000 to assist the Agency in its redevelopment efforts in the Central City East Redevelopment Project Area; and

WHEREAS, the sale by the owner was not induced, the sale price is at fair market value as established by an appraisal, and no federal funds will be used for acquisition of the Property; and

WHEREAS, the Property has been appraised, a Phase I environmental investigation has been completed and the Agency has executed an option contract to enter into a purchase and sale agreement with the owner to acquire the Property for \$715,000; and

WHEREAS, the cost of abatement, demolition and real estate closing is estimated to be \$200,000; and

WHEREAS, the Agency issued and received Series 2006-T bonds for the Central City East and Coliseum Redevelopment Project Areas to be used for, among other things, the acquisition of vacant, blighted, obsolete and/or underutilized properties; and

WHEREAS, the funding for the acquisition of the Property is available from Central City East Tax Allocation Bond Series 2006A-T (Taxable) Bonds Fund (9543), Central City East Organization (88699), Central City East Land Acquisition Project (S233351); and

WHEREAS, the Central City East Redevelopment Project Area Committee has made a recommendation to the Agency to acquire the Property; and

WHEREAS, the requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the Agency hereby authorizes the Agency Administrator to negotiate and execute a Purchase and Sale Agreement for the purchase of the Property located at 3550 Foothill Boulevard for an amount not to exceed \$715,000, and allocates \$200,000 for cost of abatement, demolition and real estate closing with reference to the Property; and be it

FURTHER RESOLVED: That the Agency hereby finds and determines as follows:

1. That the funding of the acquisition of the 3550 Foothill Boulevard from redevelopment funds will benefit the Central City East Redevelopment Project Area by creating future development opportunities to better serve area residents and businesses and improve physical conditions in the Central City East Redevelopment Project Area;
2. That the use of tax increment funds from the Central City East Redevelopment Project Area for the purchase is consistent with the implementation plan adopted for the Central City East Project Area and will assist in the elimination of blight in the Project Area by redeveloping underutilized parcels; and be it

FURTHER RESOLVED: That funds will be allocated from Central City East Tax Allocation Bond Series 2006A-T (Taxable) Bonds Fund (9543), Central City East Organization (88699), Central City East Land Acquisition Project (S233351) for this purpose; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA under Section 15061(b)(3) activity covered by the general rule, no significant effect on the environment and Section 15183 for projects consistent with the General Plan, of the CEQA Guidelines, and directs the Agency Administrator to file a Notice of Exemption and an Environmental Declaration under California Fish and Game Code section 711.4 with the County of Alameda; and be it

FURTHER RESOLVED: That the Agency Administrator or his designee is hereby authorized to negotiate and execute all agreements and to take whatever other action is necessary with respect to the Agency acquisition of the Property, consistent with this Resolution and its basic purposes; and be it

FURTHER RESOLVED: That Agency Counsel shall review and approve all documents and agreements related to this acquisition as to form and legality, and a copy shall be placed on file with the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

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

NOES-

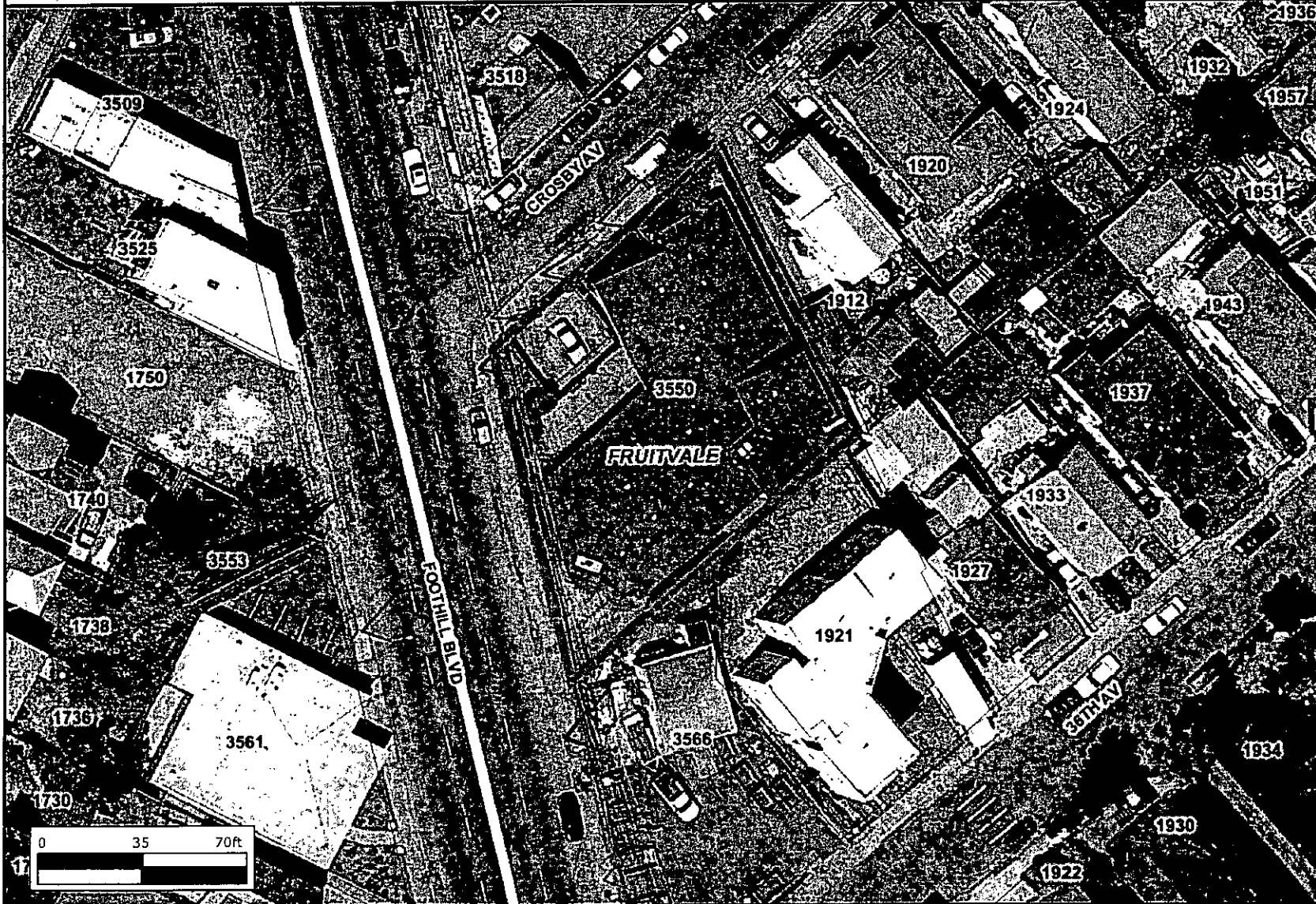
ABSENT-

ABSTENTION-

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

EXHIBIT A

3550 Foothill Boulevard



Legend

-  Selected Features
-  City Limits
-  Parcels
-  Freeways
-  Major Sts
-  Streets
-  Water
- 2003 ORTHOPHOTOS**

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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