

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2008 JUL 10 PM 6:16

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: July 15, 2008

RE: Supplemental Report Regarding the General Description of the Proposed Foothill and Seminary Project and PAC Approval of Acquisition As Regards to An Agency Resolution Authorizing The Purchase Of Real Property At 2521 And 2529 Seminary Avenue, From Danilo Mayorga Sr. For \$1,450,000 Less Cost Of Environmental Site Remediation and Authorizing Up to \$100,000 for Costs For Demolition And Real Estate Closing

SUMMARY

Council has requested to be provided with a general description of the proposed Foothill and Seminary project, and notification as part of the authorization process for acquisition that the Project Area Committee ("PAC") for the Central City East Redevelopment Project Area has reviewed and approved the proposed purchase of 2521 and 2529 Seminary Avenue (the "Property").

BACKGROUND

In July 2005 the First AME (FAME) church in Oakland acquired four parcels of land in the Central City East (CCE) Redevelopment Project Area with the desire to create a mixed use retail and residential development which would be beneficial to its congregation and surrounding project area. These four interior parcels are located within the south west block of Foothill Boulevard and Seminary Avenue.

FAME has been working with the Agency over the past year and pursuant to Resolution No. 2007-0034 entered into an owner participation agreement with the Agency in May of 2007 whereby the Agency provided FAME a predevelopment loan in the amount of \$175,000 to be used for assistance in the payment of their site acquisition costs and for a market and feasibility analysis to facilitate their due diligence efforts to development the site.

A retail trade area analysis was completed by the Buxton Group and a financial feasibility assessment completed by the Conley Consulting Group (CCG) in April and May 2008. CCG determined that the four vacant parcels owned by FAME were not sufficient to develop an economically viable mixed use development alone (See Exhibit 1 – Foothill Seminary Site Map).

Item: _____
City Council
July 15, 2008

DISCUSSION AND ANALYSIS

The primary reasons that the CCG analysis recommended enlarging the project site area are in part due to both location and financial feasibility assessments. The following two development alternatives were evaluated by CCG and are summarized below:

Alternative 1: This alternative evaluated the four parcels totaling 42,842 square feet, owned by FAME, as a stand-alone development just large enough to support a retail anchor tenant of up to 15,000 square feet.

While the FAME parcel could accommodate up to 15,000 SF stand alone retail user with surface parking, there are several reasons why the assemblage of the adjoining eight other parcels would help to create a more developable and economically viable parcel.

- The configuration of the FAME parcels is irregular as a result of assemblage of four adjacent but not fully contiguous parcels (“FAME Parcel”).
- While the FAME parcel is an “interior land-locked site” with approximately 238 linear feet of frontage along Foothill Boulevard, and 68 linear feet of frontage along Bancroft Avenue, the site lacks any frontage along Seminary Avenue, which has the highest Average Daily Traffic Volumes in this area which is important for visibility from oncoming traffic traveling westbound on Foothill Boulevard and Bancroft Avenue
- Vehicular access to the FAME parcel is limited to right in and right out ingress and egress only. As an interior site, the FAME parcel cannot be accessed directly from an intersection. While left hand turn access and egress to the Site is possible from Foothill, the diagonal parking on Foothill is a constraint to accommodating a left hand turn pocket on this street. Since diagonal parking accommodates more cars it is often an asset to neighborhood rental districts.
- The FAME parcel alone does not have the visibility that retailers require from the corner. Additionally, the existing uses around the FAME parcels are blighted.
- The limited square footage of the FAME parcel cannot support higher paying small shop space to capture the economic advantage of having an anchor tenant. As a result, low density does not provide enough revenue-producing space to support the cost of the site and would not provide a market standard level of return on the required investment which would generate a project that is not financially feasible.

Item: _____
City Council
July 15, 2008

Alternative 2: This alternative evaluated the assemblage of the FAME parcel with the adjoining eight parcels to create a developable site of 83,344 SF, a 15, 000 SF anchor tenant (as a ground lease), 21,500 square feet of small shop space, and 69 for sale residential units.

This alternative yielded the highest residual land value for a mixed-use development but would require assistance from the Agency depending upon the actual negotiated price that the Agency could acquire the FAME parcel.

- Assemblage of the FAME parcel with the other eight parcels would create a more regularly shaped development site.
- The addition of the corner parcels on Foothill and Seminary to the development site will substantially increase visibility and access to the site.
- Several national retailers have expressed interest in being a major anchor if the FAME Parcel is expanded to the corner of Foothill and Seminary.

Tables 2 below, shows a comparison of the two alternatives evaluated by CCG.

Table 2: Development Program Alternative Summary

| | ALTERNATIVE 1 FAME Parcel | ALTERNATIVE 2 All Parcels |
|-------------------------------|------------------------------|------------------------------|
| Total Land Area (Square Feet) | 42,842 | 83,344 |
| Retail Anchor (Square Feet) | 14,800 | 14,800 |
| Small Stores (Square Feet) | 0 | 21,500 |
| Total Retail (Square Feet) | 14,800 | 36,000 |
| Residential (Units) | 0 | 69 |
| Retail Parking | 68 | 68 |
| Residential Parking | 0 | 104 |
| Total Parking Spaces | 68 | 172 |

CCG’s analysis helps to demonstrate that development of the FAME parcel as a stand alone retail development is not financially feasible. CCG’s underlying assumption is that a larger more visible and accessible site is required for stronger retail interest. As a result, assembling the FAME parcels with the adjoining eight other parcels between the FAME owned parcels and street frontage along Foothill Blvd, Seminary and Bancroft Avenues could help to create a

Item: _____
 City Council
 July 15, 2008

substantial level of residual land value which could be used to significantly offset the cost of assembling all of the required parcels.

The purpose of ultimately acquiring the properties, and more specifically, the property located at 2521 and 2529 Seminary Avenue at this time is to take advantage of the opportunity to acquire these two parcels from a property owner who is willing to sell. This will enable the Agency to begin the process of acquiring contiguous parcels at the current fair market value in order to assemble approximately two acres of land located at the southwest corner of Foothill Boulevard and Seminary Avenue for future redevelopment.

CCG analysis essentially evaluated two mixed use development alternatives. The first evaluated the feasibility of FAME developing a stand alone project on the four parcels which they own. The alternative which maximized the site area could support a total payment for land of approximately \$4.2M, thereby allowing a developer a fair return on investment. However, the estimated fair market value ("FMV") to assemble all twelve parcels is estimated to be approximately \$4.8M. It should be noted that while the Redevelopment Agency has available fund resources to acquire the subject properties, that the Redevelopment Agency may not be able to recover the cost to assemble the properties until a project has been established through the CEQA process, a qualified Developer has been selected, and the property is taken down pursuant to term and conditions of a DDA to be negotiated.

The requested actions are consistent with the Agency's goals to eliminate blight and negative economic impact on surrounding homes and neighborhoods and the Agency may be able to acquire properties at a relatively lower cost now, prior to the establishment of a Project. Additionally, the acquisition of the properties by the Agency would help control future development of the properties and ultimately redevelopment of the properties would help to increase property values and stimulate more private investment in the surrounding community.

RECOMMENDATION AND RATIONALE

With approval from the PAC, staff recommends that the Agency adopt the resolution authorizing the following actions:

1. Purchase of the Property from Mr. Danilo Mayorga, Sr. for \$1,450,000 less all costs for any required environmental site remediation; and
2. Additional authorization to spend up to \$100,000 for demolition and real estate closing costs.

The Property is the first of twelve proposed parcels held by seven individual property owners which would ultimately be acquired by the Agency. The purpose of acquiring the twelve contiguous parcels is to assemble an approximately two acre site for a proposed mixed-use 36,000 square foot commercial retail and 69 unit residential development. Ownership of these parcels by the Agency will help the community control future development of the property

Item: _____
City Council
July 15, 2008

through the selection of a qualified Developer through a request for qualifications and proposal process. The Developer selected would be required to enter into a negotiated disposition and development agreement with the Agency. The Agency's involvement will ultimately help to leverage private investment in the proposed project, CCE Project Area, and help to increase property values in the surrounding community.

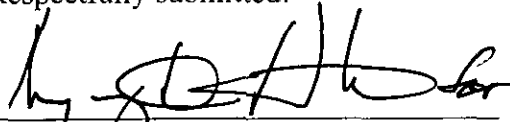
Finally, on July 7, 2008 the Central City East PAC met. On the agenda was the request to approve the purchase of all twelve contiguous parcels under seven separate ownerships, which are shown on the attached Exhibit 1 Site Map. The PAC approved the purchase of all twelve parcels which includes 2521 and 2529 Seminary Avenue by a 16 to 1 vote.

ACTION REQUESTED OF CITY COUNCIL

Council is requested to adopt the Resolution authorizing the following actions:

1. Purchase of the Property from Mr. Danilo Mayorga, Sr. for \$1,450,000 less all costs for any required environmental site remediation; and
2. Additional authorization to spend up to \$100,000 for demolition and real estate closing costs.

Respectfully submitted:



Dan Lindheim
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

ATTACHMENT: Exhibit 1 Site Map

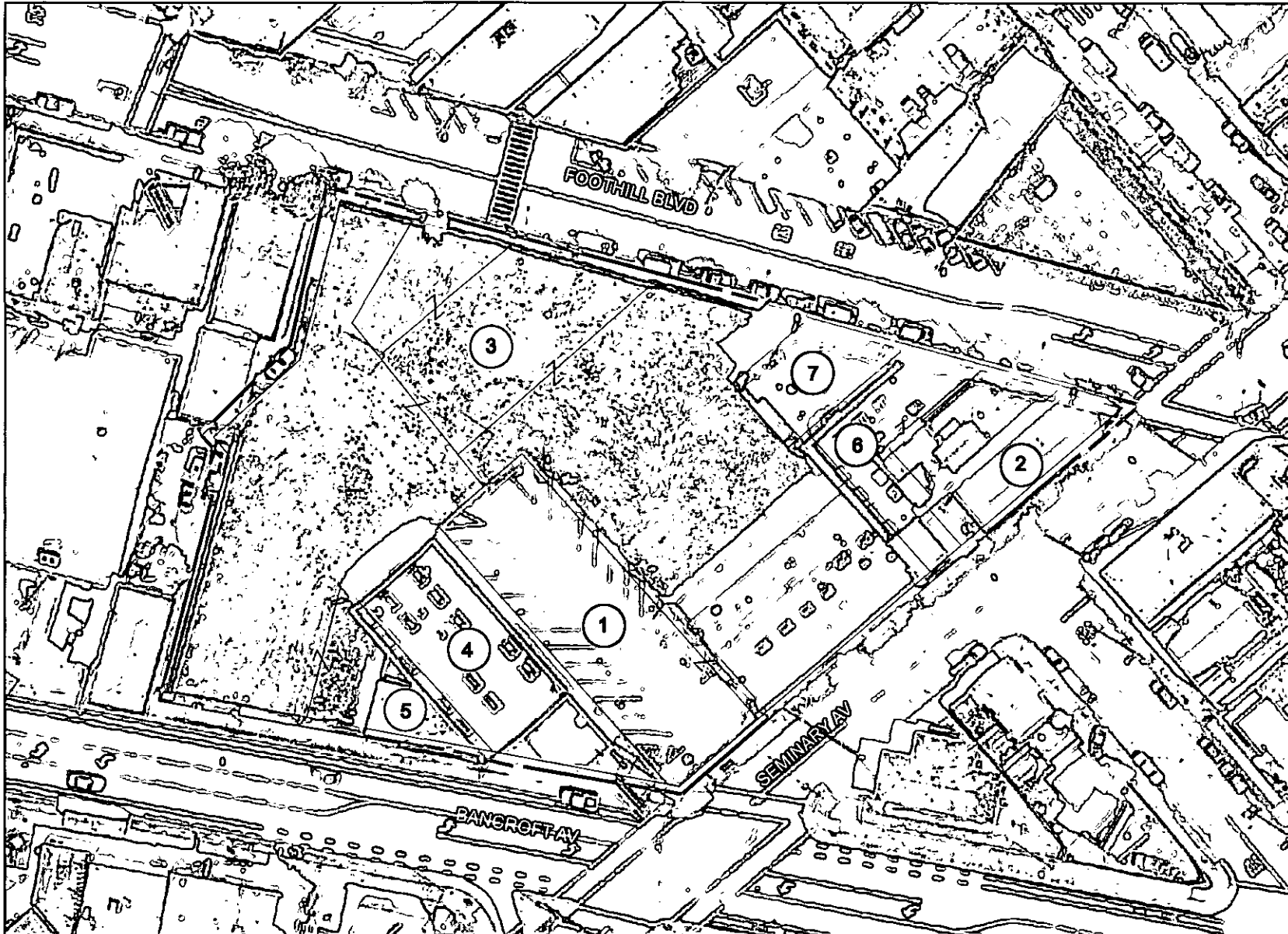
APPROVED FOR FORWARDING
TO THE ORA / CITY COUNCIL:



Office of the City / Agency Administrator

Item: _____
City Council
July 15, 2008

Foothill & Seminary



LEGEND

proposed project
boundary

Z common ownership

- 1 2521 & 2529 Seminary Ave.
- 2 5859 Foothill Blvd.
- 3 5803-5833 Foothill Blvd. (FAME)
- 4 2515 Seminary Ave.
- 5 5844 Bancroft Ave.
- 6 5847 & 5851 Foothill Blvd.
- 7 5835 Foothill Blvd.

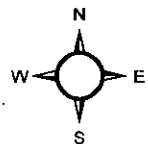


Exhibit 1 Site Map



CITY OF OAKLAND