

REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND

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OFFICE OF THE CITY CLERK
OAKLAND

2008 JUL 10 PM 6:07

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: July 22, 2008

RE: **An Agency Resolution Authorizing The Purchase Of 1396 Fifth Street (Former Red Star Yeast Factory) In West Oakland From 1396 Fifth Street LLC For A Purchase Price Not To Exceed \$3,900,000 Plus Closing Costs In An Amount Of \$60,000**

SUMMARY

This report requests the Redevelopment Agency's approval of a resolution authorizing the purchase of a property located at 1396 Fifth Street, Oakland (the "Red Star Site", Assessor Parcel Number 004-0069-004-00) from 1396 Fifth Street LLC (the "Seller") for a purchase price not to exceed \$3,900,000. This purchase will enable the Agency to develop this blighted and vacant site in the future in accordance with the policies adopted for a transit village and in accordance with community desires. This purchase is supported by the West Oakland Project Area Committee ("WOPAC").

FISCAL IMPACT

Funds for this \$3,900,000 purchase along with \$60,000 for closing costs will be allocated from FY 2008-09 tax increment funds for the West Oakland Project Area and funds carried over from FY 2007-08 tax increment funds. These funds will be available in West Oakland Redevelopment Operations Fund (9590), West Oakland Organization (88679), West Oakland Repayment Project (S233510).

BACKGROUND

West Oakland Transit Village

The properties surrounding the West Oakland BART station have long been considered a potential transit village site and local agencies have worked closely with the West Oakland community to develop policies and plans for this area for the past several years. In 1998, a tri-agency team consisting of the City of Oakland's Community and Economic Development Agency, the Oakland Housing Authority and BART developed the West Oakland Transit Village Action Report ("Report") which examined the area and the potential for creating a transit village around the West Oakland BART station. The Report supports a transit village concept of concentrating housing units within walking distance of transit stations and providing commercial

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opportunities for commuters and residents of the transit village. The Report also analyzes and identifies several sites for development around the West Oakland BART station, including 1396 Fifth Street. It was reviewed by the Planning Commission and the City Council in February 2002.

Other actions that support the development of a transit village in this area include the adoption of S-15 transit-oriented development zone regulations around the West Oakland BART station, a zoning designation that supports areas that serve multiple transportation modes. The S-15 zone allows high-density residential, commercial and mixed-use developments to encourage a balance of pedestrian-oriented activities, transit opportunities and concentrated development. The City Council also changed the Red Star Site's General Plan designation from Business Mix to Community Commercial and amended Chapter 17.100 (S-15, Transit Oriented Zone) of the Oakland Zoning Code to conditionally permit auto fee parking.

1396 5th Street (Former Red Star Yeast Site)

The Red Star Site is one of the sites identified by the Report as an opportunity site for development. It is located across the street from the BART station and was the location of the Red Star Yeast manufacturing plant. Odors from the plant had long caused concern in the neighborhood and community pressure contributed to the plant's shut-down in April 2003. Since then several developmental entities have unsuccessfully tried to develop the site. The Seller demolished the plant buildings and obtained entitlements and building permits for 119 units of market-rate housing and a commercial unit. The developer ran into financial difficulties and was unable to proceed with the project. The property currently is controlled by the Seller, but is owned as a Tenancy In Common between the Seller and the Sadegh S. Panahi Trust which has a 16 percent ownership interest in the property.

A new developmental entity, 1396 Ventures, LLC ("1396 Ventures"), was formed in 2008 with the intention of developing the site for the approved 119 units of affordable for-sale housing. In March 2008, the developer submitted an application to the State's Proposition 1C Transit Oriented Development Housing Program but did not obtain any funding. The developers also requested financial support from the WOPAC and gave presentations at meetings held on May 1, June 5 and June 11, 2008. During this time, 1396 Ventures entered into a contract to purchase with another developer, National Affordable Communities, Inc., which proposes to develop the site as senior rental housing. The WOPAC opposes senior rental housing at this site. On June 11, 2008, the WOPAC voted to recommend that the Agency make an offer to purchase the site at fair-market value, while granting a one year option for 1396 Ventures to buy back the land. For legal and policy reasons, staff recommends against granting a purchase option back to 1396 Ventures. Staff recommends that the Agency offer to purchase the site free and clear for future development. Staff will inform the WOPAC of this decision at its next meeting, July 9, 2008.

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KEY ISSUES AND IMPACTS

The immediate objectives of this acquisition are to acquire a critical parcel in the West Oakland Transit Village Area and hold it for planned future redevelopment. The Agency is also working with owners of surrounding parcels to advance the development of a transit village. In the long run, control of the Red Star Site is important to redevelopment efforts in the West Oakland Redevelopment Project Area ("Project Area") and presents an opportunity to reuse a vacant and blighted site.

A property appraisal prepared in March 2008 determined its value to be \$3,900,000. Another appraisal will be completed before the purchase to confirm the property's current fair market value. Completion of this purchase will be contingent on verification from the Alameda County Department of Environmental Health that the site has successfully been cleaned of all environmental contamination from its former use as a yeast manufacturing plant. The Agency will undertake additional environmental testing to determine whether environmental contamination is present on the site. Staff estimates the closing costs to be approximately \$60,000 as of the writing of this report.

The West Oakland Project Area Committee

The WOPAC is a publicly elected organization of volunteer community representatives who live, work, own property or represent a community organization active in the Project Area. The WOPAC serves as an advisory body to the Oakland Redevelopment Agency on policy matters which affect the residents and businesses of the Project Area. The WOPAC regularly evaluates and considers funding requests from all sectors of the community for projects in the Project Area.

Consistency With West Oakland Redevelopment Plan and Five Year Implementation Plan

This project is consistent with the Redevelopment Plan and the Five Year Implementation Plan for the Project Area. The Five Year Implementation Plan includes the following goals and objectives:

- Improve the quality of housing by assisting new construction, rehabilitation and conservation of living units in the Project Area
- Increase opportunities for homeownership in the Project Area.
- Restore blighted properties in Project Area
- Facilitate economic development by improving and rehabilitating substandard buildings and targeting infill on vacant lots on commercial corridors in the Project Area
- Support maintenance of the mixed-use character of the Project Area in a manner equally beneficial to both businesses and residents.

PROJECT DESCRIPTION

The property is located at 1396 Fifth Street, across the street from the BART station and is located in the Project Area and the West Oakland Transit Village Area. The site measures approximately 38,219 square feet and covers the entire block of 5th Street between Mandela Parkway and Kirkham Street. Please see Attachment A for a map of the site and its immediate vicinity. The site is presently vacant. The site is designated as Community Commercial by the Oakland General Plan and the zoning is S-15 (Transit -Oriented Zone) and M-20 (Light Industrial Zone).

The Project Area covers 1,565 acres in West Oakland and is approximately bounded on the north by the Oakland/Emeryville city limits and 40th Street, on the east by I-980 and Mandela and Union Streets, on the south by 18th Street and Middle Harbor Road, and on the west by Pine and Wood Streets.

SUSTAINABLE OPPORTUNITIES

Economic: The property makes no economic contribution to the area in its vacant condition. Any future projects such as mixed-use housing will improve neighborhood conditions and increase tax increments for the Project Area. Such projects will make the area more attractive to current and prospective residents as well as businesses that can provide employment and sales tax revenues.

Environmental:

The acquisition of the Red Star Site and future development at this location is expected to create an attractive addition to the community and stimulate 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. The development of the transit village concept will decrease vehicular traffic and encourage the use of public transit.

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.

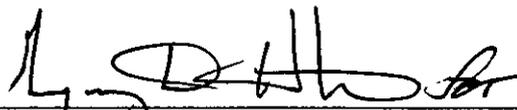
RECOMMENDATION AND RATIONALE

Staff recommends approval of the attached resolution authorizing the purchase of 1396 5th Street from 1396 Fifth Street LLC for a purchase price not to exceed \$3,900,000. This purchase will enable the Agency to develop this blighted and vacant site in accordance with the policies adopted for a transit village and in accordance with community desires. It also supports the City's vision of a transit village at the West Oakland BART station.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff requests that the Agency approve the attached resolution authorizing the purchase of 1396 5th Street from 1396 Fifth Street LLC for a purchase price not to exceed \$3,900,000.

Respectfully submitted,



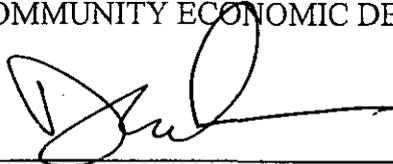
Dan Lindheim, Director
Community and Economic Development Agency

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

Reviewed by:
Jens Hillmer, Urban Economic Coordinator

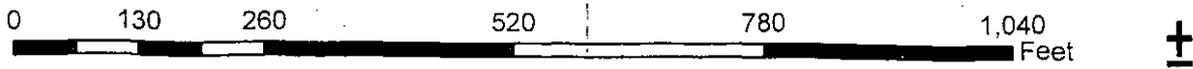
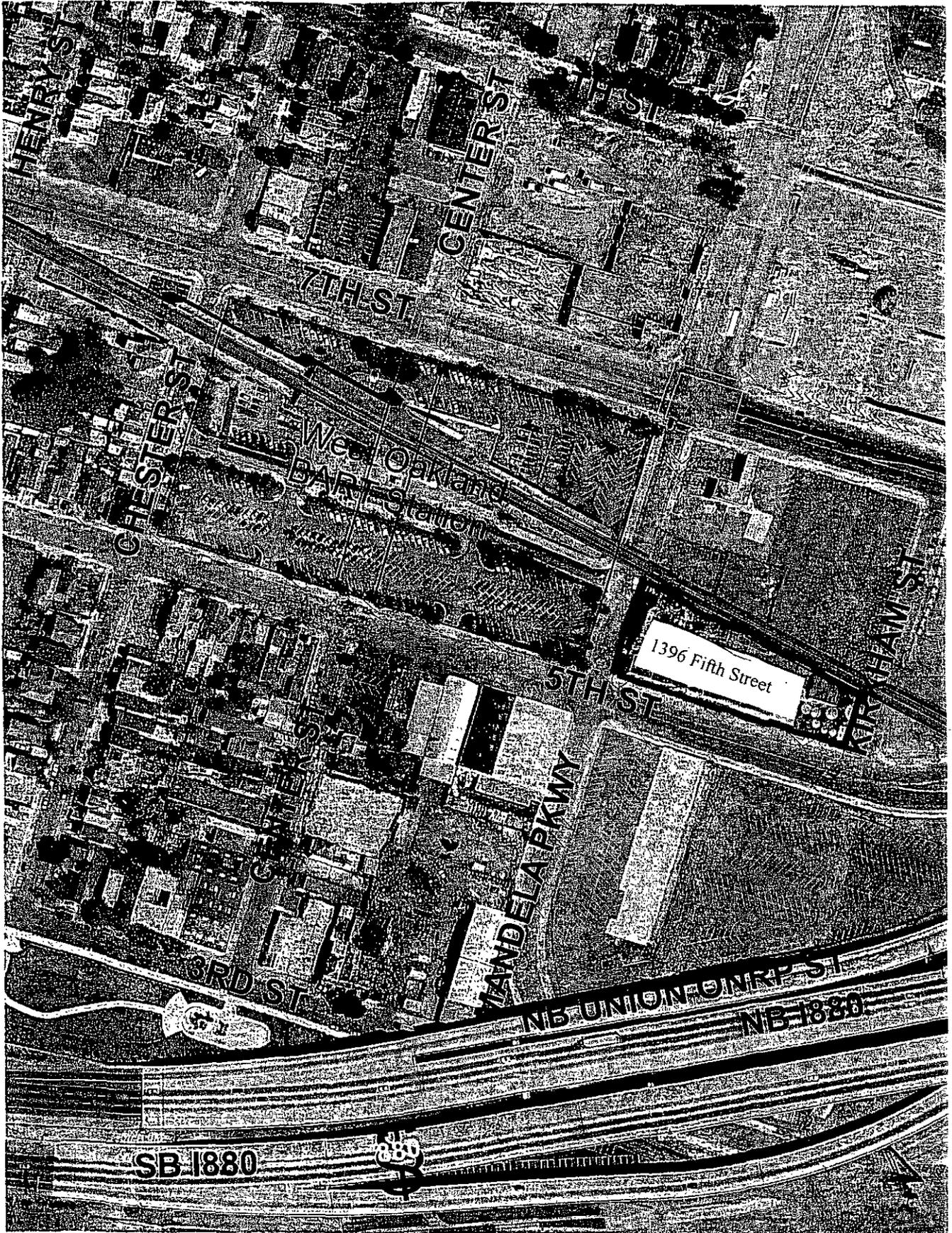
Prepared by:
Wendy Simon, Urban Economic Analyst IV
Redevelopment Division

APPROVED AND FORWARDED TO THE
COMMUNITY ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

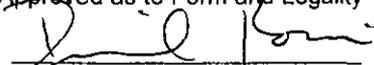
Attachment A: Location of 1396 5th St Site and West Oakland BART Station



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Approved as to Form and Legality


Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

**AN AGENCY RESOLUTION AUTHORIZING THE PURCHASE
OF 1396 FIFTH STREET (FORMER RED STAR YEAST
FACTORY) IN WEST OAKLAND FROM 1396 FIFTH STREET
LLC FOR A PURCHASE PRICE NOT TO EXCEED \$3,900,000,
PLUS CLOSING COSTS IN AN AMOUNT OF \$60,000**

WHEREAS, real property located at 1396 Fifth Street, Oakland (APN 004-0069-004-00) (the "Property") is within the West Oakland Redevelopment Project Area; and

WHEREAS, 1396 Fifth Street LLC is the owner of the property and has discussed the possibility of selling the Property to the Redevelopment Agency to assist the Agency in its redevelopment efforts in the West Oakland Redevelopment Project Area; and

WHEREAS, the West Oakland Transit Village Action Report, which examined the area surrounding the West Oakland BART and the potential for creating a transit village around the station, identified several sites for development around the West Oakland BART station, including the Property; and

WHEREAS, the West Oakland Project Area Committee ("WOPAC") voted on June 11, 2008 to support the Agency purchase of this site; and

WHEREAS, the Agency wishes to acquire the Property for future redevelopment of the area; and

WHEREAS, there are sufficient funds available in FY 2007-08 carryforward and FY 2008-09 ORA Adopted Budget; and

WHEREAS, the acquisition of the Property is exempt from the California Environmental Quality Act (CEQA) under Section 15061(b)(3) (no possibility of significant environmental impact) of the CEQA Guidelines; now, therefore, be it

RESOLVED: That the Agency hereby authorizes the purchase of the Property for an amount not to exceed \$3,900,000, and authorizes \$60,000 for real estate closing costs; and be it further

RESOLVED: That the purchase shall be contingent on an appraisal of the Property's fair market value and adequate environmental due diligence; and be it further

RESOLVED: That the Agency hereby allocates \$3,900,000 for the purchase and \$60,000 for the closing costs from West Oakland Redevelopment Operations Fund (9590), West Oakland Organization (88679), West Oakland Repayment Project (S233510); and be it further

RESOLVED: That the Agency Administrator or his designee is hereby authorized to negotiate and execute a Purchase and Sale Agreement for the acquisition, and to take whatever other action is necessary with respect to the acquisition consistent with this Resolution and its basic purposes; and be it further

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

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND
CHAIRPERSON DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California