

FILED
OFFICE OF THE CITY CLERK
OAKLAND

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

2010 JUN 30 AM 10: 55

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: July 13, 2010

RE: **An Agency Resolution Authorizing an Exclusive Negotiating Agreement with Sunfield Development, LLC or a Related Entity to Develop a Mixed-Use Development on Portions of the Block Bounded by San Pablo Avenue, Telegraph Avenue, 18th Street, and 19th Street**

SUMMARY

Staff of the Community and Economic Development Agency is recommending that the Agency Board approve a resolution authorizing a twelve-month exclusive negotiating agreement (“ENA”) between the Redevelopment Agency (“Agency”) and Sunfield Development, LLC or a related entity (“Sunfield”) to develop a mixed-use project including retail and public parking (the “Project”) on an Agency-owned property located at 1800 San Pablo Avenue on the west side of the block bounded by San Pablo Avenue, Telegraph Avenue, 18th Street, and 19th Street (the “Project Site”, see *Attachment A*). Sunfield has also indicated that they may create a joint venture partnership with Overaa Construction in order to bring more equity financing to the Project.

The contemplated transaction would involve the sale or long-term lease of the Property, an approximately 44,350 square-foot site, from the Agency to Sunfield, and the potential repurchase of a new public parking garage by the Agency at Project completion. Sunfield’s proposal complements the ongoing growth of the Uptown Arts and Entertainment District by providing active ground floor entertainment-oriented uses, needed additional off-street public parking, and parking to encourage future development in a dynamic and revitalizing section of downtown Oakland.

The resolution also authorizes the Agency Administrator to extend the ENA for up to three additional months, if the Agency Administrator is satisfied that Sunfield 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 Sunfield to complete CEQA review and other ENA requirements outstanding at the time.

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FISCAL IMPACT

The Agency will receive a twenty-five thousand dollar (\$25,000) non-refundable good faith cash deposit ("Deposit") from Sunfield 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 Central District: Operations (9510), Capital Improvement Project – Economic Development Organization (94800), and in a new project to be created. 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 Sunfield.

Garage Costs

The Agency has allocated funding for parking development in the Central District Capital Budget for Fiscal Years 2007-2009. Should the Agency elect to purchase a certain number of spaces in the proposed public parking garage, it would be financed with a portion of these funds. In Sunfield's proposal, the Agency may purchase 200 parking spaces in the new garage for approximately \$7.3 million, which includes the cost of the Property. If the Agency decides to pursue this option to purchase a parking component, final acquisition costs would be negotiated during the ENA period.

The Project proposal requires the demolition of the existing temporary surface parking lot. Currently, the Agency proposes to enter into a ground lease agreement with San Jose Arena Management ("SJAM"), operator of the Oakland Ice Center, for up to a period of 39 months. SJAM will invest approximately \$370,000 to improve and operate the surface parking lot until the developer for the Project Site is ready to begin construction. The demolition of this temporary parking lot will result in lost parking revenues and taxes for the Agency and City during the period of construction of the Project. In the event that SJAM needs to vacate the surface parking lot prior to the expiration of the ground lease term, the Agency will reimburse SJAM for all capital costs that have not been recovered from operation of the lot up until that time.

Sales Proceeds

Should the Developer elect 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 44,350 square-foot parcel at fair market value.

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Taxes

The proposed Project would also generate sales, utility, gross receipts, property, and parking. Staff will return with detailed tax revenue projections if approval of a DDA for the Project is presented to the Agency Board for consideration.

BACKGROUND

The Agency owns a 44,350 square-foot vacant site at 1800 San Pablo Avenue. On September 4, 2009, a Notice of Development Opportunity (NODO) was issued to solicit development proposals for the Property. Among other goals listed in the NODO, the Agency stated that the proposed project should provide at least 200 public parking spaces. This goal supports the current need for parking in the Uptown District, specifically for new retail tenants, the Oakland Ice Center, Fox Theater, and other entertainment or recreational establishments.

The Agency received four proposals (see *Attachment B*) and formed a selection committee for the purpose of reviewing the proposals and to conduct in-depth interviews with all four respondents. The committee evaluated the overall feasibility for each proposed project, which was based on multiple categories, and ranked them accordingly.

During this time, the Agency had to evaluate its goals and level of financial participation for the Project as a result of fiscal constraints that have become more prominent over the last several months. Therefore, staff requested that the top two candidates submit supplemental information to address the Agency's redefined goals for the site, which included a Project scenario that would not require any public participation in financing or owning the public parking garage.

Sunfield ranked first in the initial round of evaluations and their submittal of additional information further solidified the Agency's selection of their Project. An initial term sheet outlining the ENA has been agreed to by the Agency staff and Developer.

KEY ISSUES AND IMPACTS

The proposed Project provides a long-term strategy that supports the existing residential neighborhood and a burgeoning entertainment district for the Project Site by a qualified developer. The incorporation of a supermarket and entertainment-oriented retail into the Project offers several attractive amenities for the Uptown Area. The proposal also includes the construction of needed additional off-street public parking in the Uptown area. The Agency may have the benefit of gaining land sales proceeds by selling the Project Site to the developer.

Parking Shortage

Public parking is in short supply in the Uptown Area. The development of the Uptown Apartments by Forest City necessitated the permanent closure of two major parking lots with approximately 1,200 public parking spaces in an area bounded by Thomas L. Berkley Way (formerly 20th Street) on the north, Telegraph Avenue on the east, 18th Street on the south, and San Pablo Avenue on the west. There is an increasing demand for daytime and evening parking in the surrounding area. Uptown Apartments has expressed interest in locating additional parking space for their tenants. In the immediate vicinity, businesses are seeking nearby parking for their customers, including the Fox Theater, Oakland Ice Center, The New Parish, Flora, Piedmont Piano, and Bench and Bar. Construction of additional parking is an important element to the overall revitalization of this rapidly changing section of downtown Oakland. The new garage would provide convenient parking to existing and emerging retail, restaurant and entertainment venues in the area.

Sunfield Development, LLC

Sunfield Development, LLC is a newly formed company. The company grew out of a team of real estate professionals, including its president, Sid Afshar, who has over 30 years of experience in real estate development and architectural design in California, and Daniel Gondcharoff, a CPA with over 12 years of experience in real estate development and finance. The developer assembled a strong team with substantial experience and an excellent reputation for developing parking and retail projects, including International Parking Design (IPD), JRDV Architects (Oakland-based) and C. Overaa & Company (Certified Local Oakland Contractor).

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 by the Agency Administrator, if he is satisfied with Sunfield's progress in satisfying the requirements of the ten-month schedule of performance, according to the terms of the ENA (refer to *Attachment C*). The basic terms envisioned for the ENA 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 Sunfield is unable to meet any of the milestones listed in the ENA or if the Agency and Sunfield cannot come to an agreement on the terms of a DDA, the ENA would be terminated.

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PROJECT DESCRIPTION

The Project will be built on portions of the block bounded by San Pablo Avenue, Telegraph Avenue, 18th Street, and 19th Street. Sunfield's proposal is a mixed-use development consisting of retail and public parking. The Project would involve the sale or long-term lease of the Property from the Agency to Sunfield. The details to this transaction will be negotiated during the ENA period.

Parking

Sunfield's proposal of a 301-space garage, which provides approximately 106,758 square feet or three (3) levels above ground floor of parking, addresses the increasing demand for daytime and evening parking in the surrounding area. The Agency has the option to purchase 200 parking spaces and the proposal also allows for a later expansion of two additional floors of parking (220 spaces) or a total of 521 parking spaces. 101 parking spaces are set aside as the required spaces for the retail component to comply with zoning requirements.

Retail

The Agency's efforts over the last 10 years have helped transform the Uptown area into a burgeoning entertainment district; however, most of the new businesses in the area are restaurants and bars.

Sunfield's proposal enhances these existing uses by including a diverse retail tenant mix in their Project in order to attract a wider age range of consumers and to address unmet needs in the neighborhood. The project includes 73,460 square feet of retail space on the basement and ground floors. On the basement floor, Sunfield proposes to incorporate an upscale bowling alley, Lucky Strikes, and possibly a health club or Q-Zar, a laser tag venue for children and adults.

On the ground floor, the Developer plans to offer food and restaurant services. Toward this end, Sunfield has contacted (1) the San Jose Sharks for establishment of Stanley's, a sports bar, which will take approximately 5,010 square feet, (2) the Blue Bottle Café, and (3) Henry's Market, a grocery store, for the remaining 22,440 square feet of space. Over the last few years, there is a growing residential population in the Uptown Area because of new housing projects, such as the Uptown (665 units), Fox Courts (80 units), the Marquee Lofts (24 units), and Jade (78 units). A grocery store will address the need for a convenience grocery store in the area.

Whether these potential tenants will actually commit themselves to lease space in the proposed Project will be determined during the ENA period.

To ensure a successful combination of retail and recreational uses, which would create synergy for each other and the area, the Developer would have to demonstrate Project feasibility by

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conducting a market study for the proposed uses, obtain strong letters of interest or intent from potential tenants, and show project financial feasibility.

SUSTAINABLE OPPORTUNITIES

Economic: The public parking will support existing and new commercial, retail and entertainment activities in Downtown Oakland. The retail space will provide opportunities for new businesses.

Environmental: By developing in establishing areas, this Project reduces the pressure to construct on agricultural and other undeveloped land, and thereby contributes to the prevention of urban sprawl. The location of the Project in proximity to major public transportation nodes will likely encourage project retail customers to use BART and AC Transit. Staff will negotiate with the developer to incorporate as many "environmental sustainability" features into the design and construction of the project as are practical and financially feasible. The DDA will include specific requirements for these features.

Social Equity: If the Property is not sold at its fair market value, and if the Agency opts to acquire a public parking component in the new garage, Sunfield will comply with the City's contracting programs, including the Small/Local Business Construction Program, the Small/Local Business Professional Services Program (L/SLBE) and the Local Employment Program for the public parking component of the Project. 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.

RECOMMENDATIONS 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 1800 San Pablo Avenue. The ENA will also provide a framework for Agency staff to determine if the proposal is the best option for the development of public parking and retail in the Uptown Area. The proposed Project offers a long-term development approach for the Project Site, provides additional financial benefits to the Agency by making land available for sale or lease to the developer,

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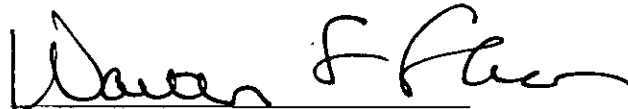
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enhances existing uses in the area, and includes the development of needed additional off-street public parking in the area. The Project is an opportunity to support the continued growth of the Uptown Area, bringing active and attractive retail uses to a transforming Arts and Entertainment District.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff recommends that the Agency Board authorize a twelve-month ENA between the Agency and Sunfield Development, LLC or a related entity to develop a mixed-use development on portions of the block bounded by San Pablo Avenue, Telegraph Avenue, 18th Street, and 19th Street.

Respectfully submitted,



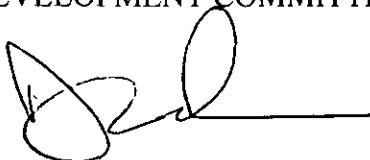
Walter S. Cohen, Director
Community and Economic Development Agency

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

Reviewed by:
Jens Hillmer
Urban Economic Coordinator

Prepared by:
Esther Tam
Urban Economic Analyst II

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:



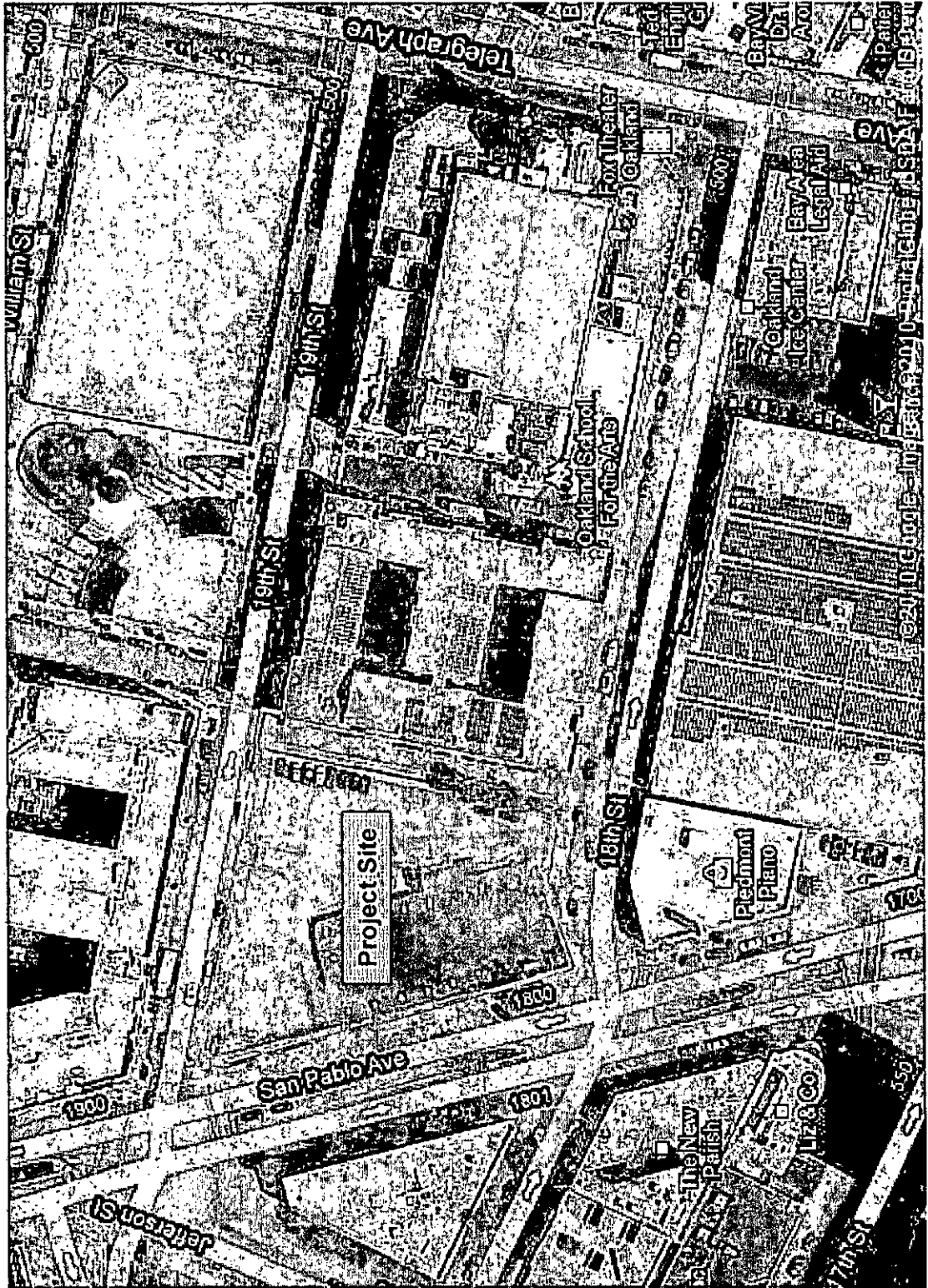
Office of the City/Agency Administrator

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ATTACHMENT A
Project Site

See attached

Exhibit A - Project Site



ATTACHMENT B
NODO Project Summaries

See attached

Exhibit B - NODO Project Summaries (1800 San Pablo Avenue)

Developer	Resources for Community Development	California Capital Group	Uptown Central LLC	Sunfield Development	Sunfield Development
	(RCD)	(CCG)	(UC)	(SUN)	(SUN)
Name of Project	Uptown Gateway	Fox Garage	Uptown Central	Uptown Retail & Parking Facility	Uptown Retail & Parking Facility
Proposal*	<i>Original</i>	<i>Original</i>	<i>Original & Resubmittal</i>	<i>Original</i>	<i>Resubmittal</i>
# of Stories	6 stories	6 stories (80 feet)	5 stories (75 foot), 1 underground pkg level	3, 4 or 6 stories	3 (with roof pkg) or 6 stores (with roof pkg)
# of Public Parking Spaces	210	315	170 (option of 200)	200, 283, or 475	301 or 521
Parking SQFT**	100,082	141,250	72,640	114,000 to 176,000	106,590 or 177,850
Details	5-story pkg garage on top of ground floor retail.	2nd to 5th floor	Type 1 (2 story above grade, 1 story underground)	200 public spaces; 25 spaces to OSA; 58 to retail, etc.	200 public spaces; Proposed Parking for Retail: Bowling (20), Health Club/Q-zar (21), Stanley's (10), Café (5), Market (45), totalling 101 pkg spaces.
Retail SQFT	11,518	48,216	2,200	21,000	73,460
Details	Ground floor along San Pablo and 18th/19th landmark corners, 15-foot ceilings	15,516 sf (ground floor); 32,700 sf (6th floor)	Along San Pablo (Type 1)	3 sections (6,000; 7,000; 8,000sf) all ground floor; sports restaurant	Ground Floor (2,430 sf Blue Bottle, 22,440 sf Henry's Market, 5,010 sf Stanleys), Basement (20,230 sf Lucky Strike, 23,350 sf Health Club/Laser)
Office SQFT			82,300		
Details			75,500 sf offices (level 4-5), 6,800 sf comm/office ground floor space		
Residential SQFT	54,000	N/A	9,100		
Details	59 senior units in 4-story bldg; 58 (1-bdrm), 1 (2-bdrm mgr unit); 50% AMI or lower; 3,200 sf residential community space		13 Live-work units along public walkway		
Other SQFT		11,100	33,250		
Details		Roof Garden	70 room boutique hotel (5 story type III)	Option 1 - Permanent 200-car garage; Option 2 - 283-car garage; Option 3 - Permanent 475-car garage (Can build to expand at a later time).	
Total Project SQFT	165,600	200,566	199,490	135,000 to 197,000	180,050 or 251,310
Proposed Purchase Price	\$0	\$2,882,880	\$2,443,650	\$3,146,633	\$3,146,633

* Both UC and SUN (top 2 candidates after the first round of evaluations) were asked to resubmit a revised proposal to address Agency's redefined goals. UC did not resubmit any changes to their original proposal.

** SQFT - Square Feet

ATTACHMENT C
Term Sheet
1800 San Pablo Avenue Development Proposal

The following terms will be incorporated into an Exclusive Negotiation Agreement (“ENA”) between the Redevelopment Agency of the City of Oakland (the “Agency”) and Sunfield Development, LLC or a related entity (“Developer”), a joint venture between Sunfield Development, LLC and Overaa Construction, to develop a mixed-use project including retail and public parking (the “Project”) on portions of the block bounded by San Pablo Avenue, Telegraph Avenue, 18th Street, and 19th Street.

These terms will be incorporated into a 12-months ENA following City Council/Redevelopment Agency Board approval. During ENA period, the development team will perform the following tasks:

- Identify relevant zoning, design review, environmental review and code requirements and establish a schedule by which relevant zoning, design review, and environmental approvals will be obtained;
- Define the project scope and schedule, develop a Project description suitable for environmental review under the California Environmental Quality Act (“CEQA”);
- Retain an environmental and professional design consultant to prepare all necessary environmental documentation required to conduct environmental review under the CEQA for the Project and issue a Notice of Preparation if an Environmental Impact Report is required;
- Demonstrate financial capacity;
- Verify legal status;
- Identify the development team;
- Demonstrate Project financial feasibility;
- Arrive at a project design that meets the needs of the Agency and is acceptable to both parties.
- Provide a market feasibility study and strategy for all aspects of the Project, excluding the public parking component;
- Solicit detailed statements of interest from retail operators;
- Provide cost estimates for the development of the Agency parking garage that are verified by a parking development consultant;
- Negotiate the terms of a Disposition and Development Agreement (“DDA”) with the Agency and a Purchase and Sales Agreement with the Agency for the public parking garage.

In addition to the general ENA terms listed above, the Developer must agree to the following:

1. In consideration for the Agency entering into an ENA, the Developer shall make a non-refundable good faith, cash deposit of Twenty-five Thousand Dollars (\$25,000). The Agency will apply these funds towards internal expenses that are applicable to this project. Use of these funds is up to the sole and absolute discretion of the Agency. Any unused funds will not be applied to the purchase price.
2. Developer will work with the Agency to activate the pedestrian walkway by implementing uses that fit with the rest of the project concept.

The ENA will allow the Agency Administrator to extend the ENA for up to three additional months, if the Agency Administrator is satisfied that the Developer has made acceptable progress in completing the above requirements and has provided evidence that the Project is feasible within mutually agreed upon timeframes and terms during the first ten months of the ENA term. The additional time would be used to permit the Developer to complete CEQA review. The DDA and other agreements will then be brought to the City Council/Redevelopment Agency Board for final discretionary approval.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2010 JUN 30 AM 10:56

APPROVED AS TO FORM AND LEGALITY:

BY: *Dianne Miller*
AGENCY COUNSEL

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

AN AGENCY RESOLUTION AUTHORIZING AN EXCLUSIVE NEGOTIATING AGREEMENT WITH SUNFIELD DEVELOPMENT, LLC OR A RELATED ENTITY TO DEVELOP PORTIONS OF THE BLOCK BOUNDED BY SAN PABLO AVENUE, TELEGRAPH AVENUE, 18TH STREET, AND 19TH STREET

WHEREAS, the Agency owns property located at 1800 San Pablo Avenue on the west side of the block bounded by San Pablo Avenue, Telegraph Avenue, 18th and 19th Street (the "Property"), and

WHEREAS, on September 4, 2009, the Agency issued a Notice of Development Opportunity (NODO) for the Property that called for proposals to provide a low- to mid-rise project, at least 200 public parking spaces, and retail or other commercial use at ground level along San Pablo Avenue; and

WHEREAS, in response to the NODO, Sunfield Development, LLC, ("Sunfield") submitted a proposal that includes a 301-space parking garage with an option to expand to 521 parking spaces, and approximately 73,500 square feet of retail and recreational uses (the "Project"); and

WHEREAS, Sunfield proposes to acquire the Property and provide the Agency with an option to repurchase 200 new parking spaces in the garage at development cost at Project completion; and

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

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

WHEREAS, the Agency and Sunfield, as the prospective developer, wish to 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 Negotiation Agreement (ENA) with Sunfield for purposes of studying and evaluating the feasibility of, and negotiating terms and conditions for, the transfer of the Property, its development for retail, public parking and other uses, and the option to repurchase up to 200 public parking spaces developed as part of the project; 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 sole discretion; and be it

FURTHER RESOLVED: That the \$25,000 nonrefundable good faith deposit from Sunfield will be appropriated to Central District: Operations (Fund 9510) 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 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, _____, 2010

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

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