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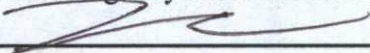
2014 MAY 15 AM 9:58 **AGENDA REPORT**

TO: FRED BLACKWELL
CITY ADMINISTRATOR

FROM: Gregory Hunter

SUBJECT: Rotunda Garage Status Report

DATE: May 2, 2014

Oakland Successor Agency Administrator
Approval 

Date

5/14/14

COUNCIL DISTRICT: 2

RECOMMENDATION

Staff recommends that the City Council receive:

An Oakland Redevelopment Successor Agency (ORSA) Status Report On Efforts To Develop Parcels Associated With The Rotunda Garage

Staff recommends that ORSA refrain from exercising its rights under the disposition and development agreement for the Rotunda Garage properties (Property DDA) to declare Rotunda Garage LP and San Pablo Commercial Center LLC (SPCC) in default for non-performance and repurchase properties located at 1608 San Pablo Avenue (Parcel 2) and 1630 San Pablo Avenue (Parcel 3). Institution of default proceedings will halt current development efforts and delay any future project because of the time and resources required to buy back and remarket the two properties. Therefore, staff recommends that it be directed to continue monitoring SPCC and Rotunda Garage LP's progress on their respective projects to determine whether the developers can clear key project milestones within the next three months as more particularly described below, and to return to the Committee after the summer recess with a project status report and recommendations for potential future actions.

EXECUTIVE SUMMARY

This report is an update to an informational report on the development of two properties pursuant to the terms of a disposition and development agreement for the Rotunda Garage properties between the former Redevelopment Agency (Agency) and Rotunda Garage LP that was presented to the Community and Economic Development Committee on February 11, 2014,

At this time, SPCC plans to develop Parcel 2 into a mixed-use project including office and retail components, while Rotunda Garage LP is proposing to build a pop-up retail space from modified shipping containers on Parcel 3. SPCC has completed construction drawings and building

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permits are ready to be issued. Rotunda Garage has completed its project design and is seeking approval from the City. Based on the progress each developer is making, staff recommends that ORSA not exercise its rights under the Property DDA to declare SPCC or Rotunda Garage LP in default for non-performance and repurchase Parcels 2 and 3. In general, ORSA should only declare the developers in default and repurchase the properties if there is a reasonable likelihood that such action will facilitate a development on each site and is therefore in the best interest of the City. A repurchase of Parcels 2 and 3 by ORSA, however, will stop the momentum of current development efforts at the two properties and create additional delays because of the time and resources required to initiate default proceedings and remarket the properties to other developers. Therefore, staff recommends continuing its work with SPCC and Rotunda Garage LP to develop the proposed projects on the two properties.

OUTCOME

Completion of the proposed projects on Parcel 2 and 3 will transform two vacant properties along San Pablo Avenue into productive commercial assets that will benefit the surrounding neighborhood.

BACKGROUND/LEGISLATIVE HISTORY

A. DDA for Property

On August 26, 2004, pursuant to Resolution No. 2004-36 C.M.S., the Agency entered into the Property DDA with Rotunda Garage LP. Pursuant to the terms of the agreement, the Agency divided an existing property into four parcels (see *Attachment A*, Parcel Map: Parcel 1- the garage site; Parcels 2 and 3 - retail or commercial sites; and Parcel 4 - a remainder site on 16th Street with garage access easements). According to the Property DDA, Rotunda Garage LP had to start construction on Parcels 2 and 3 no later than April 2011. The developer was deemed to have commenced construction upon getting the following: (1) Agency approval of the development plans; (2) City approval of all required zoning and building permits for the Project; (3) An executed contract with a construction contractor who is experienced in retail construction of a similar size and type; (4) Approval of a construction loan by an institutional lender together with sufficient other monies to fund the proposed construction, or sufficient funds set aside in an escrow account to fund construction, including a reasonable amount of contingencies; (5) A construction completion bond or other security approved by Agency sufficient to complete the proposed construction and ensure payment of all construction cost; and (6) Evidence that contractors had begun pouring the foundations for the development approved by the Agency. If these requirements were not satisfied, the Agency, subject to the default provisions included in the Property DDA, could repurchase the parcels for the purchase price (\$99) and reimburse Rotunda Garage LP for the cost of site preparation, which includes the cost of demolishing a small office building.

B. Amendments to Property DDA

On April 18, 2009, the Agency and Rotunda Garage LP amended the Property DDA for the first time by entering into an Agreement to Extend Development Deadlines to extend the right of Rotunda Garage LP to start development on Parcel 2 and 3 by two years from April 2011 to April 2013, effectively increasing the period for development of the two properties from 5 to 7 years before the Agency could exercise its repurchase rights.

In May 2013, the Property DDA was amended for a second time to: (1) provide written Agency consent to the transfer of Parcel 2 from Rotunda Garage LP to SPCC; and (2) modify the Property DDA's financial requirements for development of Parcel 2 and 3. After obtaining the Agency's consent to transfer, Rotunda Garage LP sold Parcel 2 to SPCC for \$152,000.

ANALYSIS

A. Project Status

Parcel 2

As stated in the previous staff report dated February 11, 2014, SPCC did not meet the financial requirements of the amended Property DDA for developing a previously planned commercial building. Subsequently, after excavation and pouring of concrete piers for the foundation of a one-story commercial building, SPCC redesigned the project and is now proposing to build a five-story building with commercial retail space on the ground floor, three floors of office space, and a roof top restaurant. As a result of this new development plan, SPCC must provide new evidence of building permits and planning approvals, a construction contract, financing approvals, labor and material bonds and other security requirements, which together, upon approval by ORSA staff, are deemed to constitute the start of project construction per the terms of the amended Property DDA.

At this time, SPCC has received design review approval from the Planning and Building Department and completed architectural plans for the project. Building permits were ready to be issued as of April 10, 2014. Therefore, SPCC has now satisfied two of the conditions that are necessary to satisfy the Property DDA's definition of "start of construction." SPCC is working with Summit Bank to obtain construction financing for the project. Toward this goal, Summit Bank has received the City-approved building plans and specifications, which were necessary for the Bank to initiate a project appraisal and construction cost estimates. Summit Bank is also requesting letters of intent from future tenants of the building to verify current income projections. SPCC is working on letters of intent with one office and two retail tenants. SPCC is also working with several builders with the goal to execute a construction contract for the project. SPCC has provided the following project development schedule:

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Complete Cost Estimates and Construction Contract negotiations	May 2014
Construction Loan Approval	June/July 2014
Start Construction	July/August 2014
Substantial Completion of Construction	August/September 2016

Based on the schedule outlined above, SPCC should receive construction financing approvals by the end of July. During the next three months, staff will closely monitor project progress to ensure that SPCC delivers the appropriate documents to satisfy the terms of the Property DDA. Securing construction financing is a critical milestone for every development project and will provide an early indication of the project's financial viability. If SPCC cannot obtain construction financing, ORSA should consider declaring the developer in default.

Parcel 3

Rotunda Garage LP has not met the terms of the Property DDA that define the start of construction for Parcel 3. Parcel 3 measures 2,755 square feet and is oddly configured, making any development on the property architecturally challenging. Over the last few months, as economic conditions in the downtown area improved, Rotunda Garage LP began work on a project that would provide pop-up retail space build from modified shipping containers. The proposed container configuration includes a small walk-up coffee vendor with a seating area to accommodate 20 people, an additional 160 feet of space for rotating "pop-up retailers," and a secured area for an independent bicycle ride-share program. The project team currently includes Oakland-based SK Builders for bidding and completion of the necessary site work to accommodate the shipping containers, and ConGlobal Industries, Inc. of Oakland for fabrication of the container conversion. ConGlobal has engineered "pop up retail" container conversions for companies like Starbuck's Coffee, Puma and Adidas, and they manufacture many of these types of projects at their 555 Maritime Street location at the Port of Oakland. Rotunda Garage LP plans to self-finance the project. Rotunda Garage has provided the following project schedule:

Submit final Construction Documents to the Building Department	June 2014
Construction Cost Pricing	June 2014
Building Permit Issuance	October 2014
Start Construction	October 2014
Substantial Completion of Construction	March 2015

The proposed container project is the first of its kind in Oakland. Staff with the Planning and Building Department will have to define design and building standards for this type of project. These standards may affect the financial feasibility of the proposed project. City approval of the final project design and cost estimates based on the approved plans will likely determine whether the developer will go forward. Staff will closely monitor project progress over the next three months and ensure that Rotunda Garage continues to submit all required documentation.

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B. Conclusion

After the presentation of the last informational report on the Properties, certain members of the committee expressed an interest in amending the Property DDA to introduce a new development schedule designed to expedite completion of each project. However, amending the Property DDA may only be acceptable to SPCC and Rotunda Garage LP if the amendment allows for extending performance deadlines instead of declaring each developer in default. Staff does not recommend that this step be taken at this time, since each project is nearing critical milestones that will determine whether it will go forward per the current schedule. If SPCC cannot secure project financing by the end of July, it will continue to be in default of its financing obligation under the Property DDA. Similarly, if Rotunda Garage LP determines the project is infeasible because project income estimates cannot cover development costs, it will also remain in default.

Staff recommends that ORSA refrain from exercising its rights under the Property DDA to declare Rotunda Garage LP and SPCC in default for non-performance and repurchase Parcels 2 and 3. A repurchase of the Properties will halt current and delay any future development efforts at the site because of the time required to (1) identify acquisition funds, (2) exercise ORSA's remedies, (3) seek State approval for a revised Long Range Property Management Plan that includes these properties, and (4) remarket the Properties to other interested parties. Therefore, staff recommends that it be directed to continue monitoring SPCC and Rotunda Garage LP's progress on their respective projects to determine whether the developers can clear key project milestones within the next three months, and to return to the Committee after the summer recess with a status report and recommendations for potential future actions.

PUBLIC OUTREACH/INTEREST

There is no public outreach required with regard to this informational report.

COORDINATION

There is no coordination required with other departments or outside agencies, except for the review of the report by the City Attorney's and Budget Office.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

This is an information report that does not make a funding appropriation.

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

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The Property DDA is an existing contract. Declaring Rotunda Garage LP and SPCC in default of the Property DDA and the costs associated with that type of action will have financial impacts for ORSA, the magnitude of which cannot be determined at this time.

3. SOURCE OF FUNDING:

There is no source of funding required for this informational report.

4. FISCAL IMPACT:

There is no fiscal impact associated with this informational report.

FISCAL/POLICY ALIGNMENT

The proposed projects are in alignment with the following City priorities:

Economic Development: Foster sustainable economic growth and development for the benefit of Oakland residents and businesses

- Develop comprehensive business attraction, retention and growth initiatives to attract green, biotech and other businesses that will result in more jobs for Oakland residents.
- Continue to develop retail space and other attractions that will draw visitors to the City of Oakland.

SUSTAINABLE OPPORTUNITIES

Economic

There are no sustainable economic opportunities that can be implemented as a result of this informational report.

Environmental

There are no sustainable economic opportunities that can be implemented as a result of this informational report.

Social Equity

There are no sustainable economic opportunities that can be implemented as a result of this informational report.

CEQA

This information report is exempt from the application of the provisions of the California Environmental Quality Act.

Respectfully submitted,



Gregory Hunter, Manager
Office of Neighborhood Investment

Reviewed by:
Patrick Lane, Manager
Office of Neighborhood Investment

Prepared by:
Jens Hillmer, Urban Economic Coordinator
Office of Neighborhood Investment

Attachments:

Attachment A – Parcel Map

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ATTACHMENT A

Site Map

PARCEL MAP WAIVER MAP

MAP OF A PORTION BLOCK B OF THE SURVEY MADE FOR G.C. POTTER, FILED IN
 BOOK 2 OF MAPS AT PAGE 14, ALAMEDA COUNTY RECORDS
 CITY OF OAKLAND,
 COUNTY OF ALAMEDA,
 STATE OF CALIFORNIA.

OF BEARINGS:
 USING OF SOUTH 17°33'38" WEST BETWEEN CITY OF OAKLAND SEPARATIONS
 AND BEAS AS PROVIDED BY THE CITY OF OAKLAND DEPARTMENT OF
 WORKS WAS TAKEN AS THE BASIS OF BEARING FOR THIS MAP.

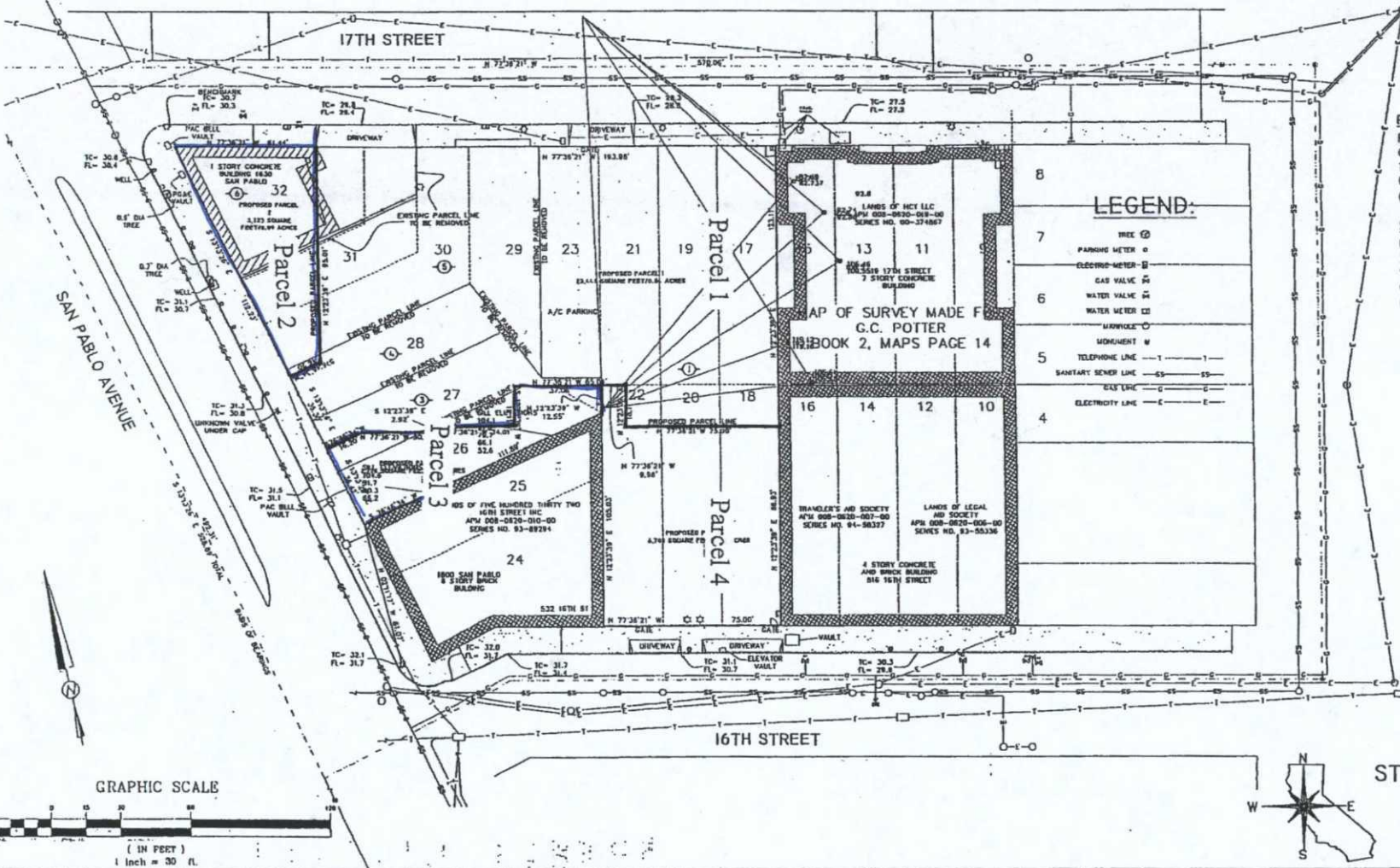
MARK:
 ONE FOR THIS SURVEY ARE BASED UPON THE TOP OF
 ELEVATION AT THE EASTERNLY CORNER OF 17TH
 AT THE SOUTHEASTERLY CORNER OF THE INTERSECTION
 PARK AVENUE WITH 17TH STREET AS SHOWN ON CITY
 LAND SURVEY MAP NO. 931.

ON 30.31

APPLICATION TO WAIVE PARCEL MAP

I CERTIFY THAT I AM THE APPLICANT NAMED HEREIN AND THAT THE INFORMATION GIVEN
 BY ANY SUBSCRIBER HEREIN IS IN ALL RESPECTS TRUE AND ACCURATE TO THE BEST
 OF MY KNOWLEDGE AND BELIEF. I FURTHER CERTIFY THAT I AM THE OWNER OR
 PURCHASER (OR FROM HOLDERS) OF THE PROPERTY INVOLVED IN THIS APPLICATION. I
 UNDERSTAND THAT ANY WAIVER OR CORRECTION FILED BECOMES A PERMANENT PART OF THE
 FILE AND MAY NOT BE RETURNED TO ME.

SIGNATURE _____ AM THE OWNER
 ADDRESS _____ PURCHASER
 _____ (INCLUDES COPY OF CONTRACT)
 TELEPHONE NO. _____
 OWNER'S SIGNATURE _____ IF OTHER THAN APPLICANT
 OWNER'S ADDRESS _____ TELEPHONE NO. _____



RECORD PROPERTY OWNERS:
 REDEVELOPMENT AGENCY
 OF THE CITY OF OAKLAND
 1330 BROADWAY
 OAKLAND, CA 94612
 (510) 238.

SURVEYOR:
 BRUCE STORRS L.S. 6914
 2647 INTERNATIONAL BLVD.
 SUITE B53
 OAKLAND, CA 94601
 (510) 532-3501

- EXISTING PARCELS:**
- ① LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-008-00 SERIES NO. 91-315620 14,794 SQUARE FEET/0.42 ACRES
 - ② LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-011-00 SERIES NO. 00-288990 2,787 SQUARE FEET/0.06 ACRES
 - ③ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-012-00 SERIES NO. 00-288990 2,346 SQUARE FEET/0.05 ACRES
 - ④ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-013-00 SERIES NO. 97-223856 2,330 SQUARE FEET/0.05 ACRES
 - ⑤ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-015-00 SERIES NO. 97-223856 7,100 SQUARE FEET/0.16 FEET
 - ⑥ LANDS OF REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND APN 008-0620-014-00 SERIES NO. 01-381062 3,874 SQUARE FEET/0.09 FEET
- TOTAL AREA:
 36,843 SQUARE FEET/ 0.84 ACRES.

STORRS LAND SURVEYING
 2647 INTERNATIONAL BLVD., SUITE B53
 OAKLAND, CA 94601
 PHONE: (510) 532.3501
 03-293_PMMW.DWG