



CITY OF OAKLAND

AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, EWDD

SUBJECT: ENA for 1310 Oak Street (Fire Alarm
Building Site)

DATE: July 7, 2020

City Administrator Approval

Date: July 22, 2020

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator to Enter Into An Exclusive Negotiation Agreement With The Museum Of Jazz & Art And/OR Affiliated Entity For Eighteen Months, With One Additional Six-Month Administrative Extension, For The Future Disposition Of The Fire Alarm Building Site At 1310 Oak Street (APN 002-0091-001).

EXECUTIVE SUMMARY

The City owns a property located at 1310 Oak Street, commonly known as the Fire Alarm Building site (Property). The Museum of Jazz & Art (MoJA or Developer) is interested in a long-term ground lease of the Property to develop a jazz and art museum (Project). The Project includes a newly constructed 70,000 square-foot museum that will include exhibit space, an art gallery, educational space, a film/theater/performance venue, administrative offices and on-site retail. The Project also includes adaptive reuse of the existing building as a History Hope Heritage Center that will be publicly accessible and primarily used for educational services, public lectures, and exhibit storage and preparation. MoJA is also committed to working with the Oakland Public Library to explore whether the Library can share some of the newly created community space at the museum. Staff is seeking authorization to negotiate and execute an Exclusive Negotiation Agreement (ENA) with MoJA for an 18-month period, with an optional six-month administrative extension to develop the terms of a potential development agreement.

City Council
July 28, 2020

BACKGROUND/ LEGISLATIVE HISTORY

Fire Alarm Building Site

The Property is located at 1310 Oak Street which is directly across the street from Lake Merritt (**Attachment A**). The Property is approximately 0.75-acres and contains a single-story unreinforced masonry structure that was built in 1911 and is approximately 4,500 square feet in size. The City obtained fee simple title to the Property in 1910, and the building was constructed in 1911-12 as a Beaux Arts derivative and substantially remodeled in 1953-54. In 1995, the Oakland Cultural Heritage Survey rated the building a B-, a1+ (B-, major importance, landmark quality; potential A, highest importance), if restored. The building has been determined eligible for the National Register of Historic Places. The Property is also a contributor to Oakland's historic Lake Merritt District.

The Property was recently used as office space for approximately 20 City employees in Oakland Public Works Department's Facilities Services Division, and as storage space for the Oakland Public Library and the Information Technology Department. The Fire Alarm Building is a key junction point for fiber-optic communication cables for City and County communication networks, which are routed through this building and would have to be relocated at a to-be-determined cost if the building is reused for another purpose. The Property includes a surface parking lot with 45 spaces, of which ten spaces are leased, pursuant to a long-term parking license, to the Lake Chalet Restaurant for overflow parking during evenings and on weekends. In addition, 20 spaces are reserved for the Oakland Public Library, 14 spaces are reserved for Oakland Public Works, and one space is set aside for the Alameda County District Attorney.

In July 1999, staff issued a Request for Proposals (RFP) to develop the Property for residential use. In November 1999, pursuant to Resolution No. 75355 C.M.S., the City Council authorized the City Manager to execute an Exclusive Negotiation Agreement (ENA) with joint venture between Lalanne/Volckman and E.M. Johnson Alliance (LV) for the development of a high-rise residential tower on the Property, which would have necessitated the demolition of the Fire Alarm Building. LV never executed the ENA because of considerable public opposition to the proposed development by a broad coalition of historic preservationists, open space advocates and neighborhood groups, known as the Coalition of Advocates for Lake Merritt. Additionally, on January 25, 2000, the Alameda County Board of Supervisors approved a resolution opposing the development of the project. It is likely that there will be opposition to any effort to redevelop the Property if it includes major modifications to the historic structure.

In February 2018, the City received an unsolicited development proposal from MoJA requesting to purchase or lease the Property to develop a jazz and art museum (**Attachment B**). On January 21, 2020, the City Council passed Resolution No. 87999 C.M.S., which authorized staff to issue noticing consistent with the State Surplus Land Act (SLA) and commence negotiations with MoJA if no proposals were received from the SLA notice. In accordance with the California Government Code, Sections 54220 et seq, the City is restricted from discretionary disposition of surplus land prior to completion of SLA requirements. On January 24, 2020, staff issued a notice of surplus land availability to eligible entities, formally establishing a statutory SLA 60-day noticing period. The SLA noticing period concluded on March 24, 2020 and resulted in no proposals being received during that timeframe by the City.

ANALYSIS / POLICY ALTERNATIVES

Museum of Jazz and Art

The Developer

MoJA is a California nonprofit public benefit corporation and the primary project owner and current developer of the proposed Project. The developer established itself in 2013 for the purpose of developing a museum dedicated to jazz music and its history in Oakland. In February 2018, MoJA's founders and its funding partner submitted an unsolicited request to City staff for a review of MoJA's project proposal and execution of an ENA between the Developer and the City.

The Project

MoJA proposes to rehabilitate and adaptively reuse the Property as a new museum dedicated to the history of jazz. Preliminary designs show a total floor area of approximately 70,000 square feet distributed across three levels and a mezzanine: approx. 21,000 square feet dedicated to exhibit galleries, 6,000 square feet dedicated to a restaurant and café space, and 1,450 square feet dedicated to retail (gift shop). MoJA projects a total project cost of roughly \$83 million with approx. 50 regularly staffed employees for the gallery/museum space, restaurant, café, and gift shop.

The existing building would be modified and expanded to include three stories of gallery space, a 400-seat performance space for music, film, theatre, and dance, a street-level gallery and café, a rooftop restaurant overlooking Lake Merritt, and a learning center called the History, Hope, and Heritage Center, for teaching science, technology, engineering and math (STEM Center) curriculum by incorporating music and art. MoJA plans to have the STEM Center be open to the public and provide tutoring access to children. MoJA projects between 200,000 to 350,000 annual visitors to the museum.

Community Benefits, Support and Funding

In 2018, MoJA hired Economic and Planning Solutions, Inc. (EPS) to conduct a fiscal and economic analysis that estimated the project's economic impact and number of newly created employment opportunities (**Attachment C**). Key findings from the report include:

- An estimated range of \$164,000 to \$248,000 in annual fiscal benefit to the City's General Fund, depending on average museum attendance.
- One-time construction activities are estimated to support a total of 540 jobs and generate \$91.8 million in economic output to Alameda County.
- An estimated support for 88 to 101 jobs, with an associated \$4.2 to \$4.6 million in annual labor income during museum operations.
- An estimated \$10 to \$11 million in total annual economic output during museum operations.

It's likely that the ongoing COVID-19 pandemic will profoundly impact the figures in this analysis; however, the actual fiscal and economic impact is currently unknown.

Along with its proposal, MoJA has provided documents demonstrating widespread community support for its project. In addition to providing over 100 signatures in support of the Project, MoJA has provided letters from Erik Arnold and Dr. Ayodele Nzinga with the Black Arts Movement Business District, US Congresswoman Barbara Lee, and former Oakland City Administrator Fred Blackwell.

Moreover, MoJA has already started its initial capital campaign and fundraising efforts for the project. The TomKat Foundation, run by Tom Steyer and Kat Taylor have committed funding through a funding charter authorization for soft costs related to project pre-development, site acquisition, and fundraising (**Attachment D**). In addition, Community Bank of the Bay has provided a conditional \$5 million commitment towards the project (**Attachment E**). Regardless, MoJA will continue to seek additional funding sources such as New Market Tax Credits, and other philanthropic, capital and institutional sources to finance the project.

Oakland Public Library

The Oakland Public Library (OPL) has identified the Property as a potential new location for its main branch. The Property is favorable due to its proximity to the current OPL main branch library and, and a potential partnership with the Project could provide a new location for the Library at a lower cost by sharing a portion of the re-adapted Fire Alarm building rather than constructing a new building to house the library. OPL has yet to complete its New Main Library Feasibility Study, so financial and logistical feasibility of the Property are still pending confirmation.

Both MoJA and OPL have expressed a willingness to partner together on a project that adequately addresses the goals and constraints of both parties. Aside from typical library operations, OPL has expressed the need for conference and meeting room space in a New Main Library site. If the City Council authorizes the ENA, the negotiation period will include discussions to revise the Project to address OPL critical and potential needs identified in OPL's forthcoming feasibility study.

As noted above, on November 5, 2019 the City Council passed Resolution No. 87903 C.M.S., directing staff upon completion of SLA requirements, to commence negotiations of the lease and development of the Property with MoJA. After the 60-day SLA noticing period concluded in March 2020, staff began negotiations with MoJA, in accordance with Resolution No. 87903 C.M.S. and as a result, recommends entering into an ENA with MoJA.

The City Council could alternatively and contrary to its previous resolution direct staff to solicit and re-release the property through a formal and competitive Request for Proposal (RFP) process. However, there is no guarantee that this would ultimately result in generating any additional proposals. The City Council could also choose, by not adopting the recommended Resolution, to direct staff to not proceed with any disposition of the Property.

FISCAL IMPACT

Aside from standard staffing costs, there are no fiscal impacts to the City for entering into an ENA with the developer as described in this report. However, in order to cover minimal staff and third-party expenses related to this project, the City will require a non-refundable Project

Negotiating Fee of \$25,000 for the Project. All such payment funds will be accepted and appropriated into Miscellaneous Capital Projects (Fund 5999), Project account to be determined, for the administration and management of the ENA.

PUBLIC OUTREACH / INTEREST

In addition to the extensive outreach that MoJA has already conducted for its current proposal, the Project outreach will involve the interaction of owners/residents, community leaders, neighborhood organizations, and local officials. If Council authorizes the ENA, the negotiation period will include the development team holding a series of community meetings inviting community organizations, residents, and stakeholders to solicit feedback, input, and comments regarding the proposed development. In addition, MoJA will be required to go through a similar public approval process in order to obtain Design Review and Planning entitlements from the Bureau of Planning.

COORDINATION

Economic and Workforce Development staff has coordinated with Oakland Public Library staff regarding the Library's additional programming and space needs at the Property and has consulted with the Bureau of Planning regarding the historical status of the property, and will coordinate with the Developer and the Bureau of Planning on the project entitlement work. The Office of the City Attorney has also assisted in preparation of the staff report and legislation and in preparing the form of ENA for the Project (**Attachment F**).

SUSTAINABLE OPPORTUNITIES

Economic: There are no direct economic impacts connected to the request for an ENA with the developer for the project described in this report. However, new local jobs would be created from the future development of a museum at the Property. The Project would improve neighborhood conditions and make the neighborhood area more attractive to current and prospective homeowners and businesses and add additional quality of life amenities for residents and commuters traveling within one of Oakland's most central locations.

Environmental: There are no direct environmental impacts connected to the request for an ENA with the developer for the project described in this report. MoJa will use its good faith efforts to design, develop and construct a LEED accredited building and an environmentally sustainable project with minimum conformance with the Oakland's "Build It Green" commercial checklist.

Race & Equity: There are no direct equity impacts connected to the request for an ENA with the developer for the project described in this report. The project will be a catalyst to the neighborhood where the development of cultural institutions representing Oakland's cultural history is both welcomed and important to the continued neighborhood growth and stability.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Nothing in this action to authorize entrance into an ENA should be interpreted as an approval or a pre-commitment to approve, now or in the future, of the disposition of the City's interest in the Property to any particular party, on any particular terms, or for any particular purposes. Any proposed disposition of the Property, whether made pursuant to the ENA or otherwise, will require further discretionary actions of the City Council, and the City retains full discretion, following conclusion of the response and negotiation periods set forth in ENA to proceed with disposition of its interest in the Property in compliance with CEQA. As such, this action will not result in a direct or indirect physical change in the environment and does not in-and-of-itself constitute a "project" pursuant to CEQA Guidelines Section 15378.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a Resolution Authorizing An Exclusive Negotiation Agreement With The Museum Of Jazz & Art and/or Affiliated Entity For Eighteen Months With One Additional Six-Month Administrative Extension For The Future Disposition of the Fire Alarm Building Site Located At 1310 Oak Street (APN 002-0091-001).

For questions regarding this report, please contact Larry Gallegos, Development Area Manager at (510) 238-6174.

Respectfully submitted,



ALEXA JEFFRESS
Director, Economic & Workforce Development

Reviewed by:
Larry Gallegos, Development Area Manager

Reviewed by:
Rupa Parikh, UEA III

Prepared by:
Brandon Wolinsky, UEA I
Public/Private Development
Economic and Workforce Development
Department

Attachments (6):

- A: Assessor's Parcel Site Map
- B: Oakland Museum of Jazz and Art Proposal
- C: EPS Study
- D. TomKat Funding Charter Authorization
- E. Community Bank of the Bay Letter
- F: Form of ENA