

AGENDA REPORT

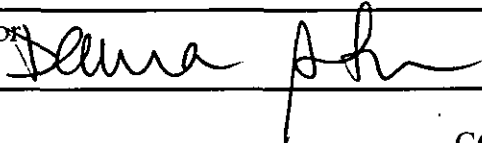
TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Disposition of City-owned
Property for Development

DATE: June 18, 2013

City Administrator
Approval



Date

6/26/13

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Staff recommends that the City Council adopt:

An Ordinance Amending The Oakland Municipal Code To Add A New Chapter 2.41 Entitled "Disposition Of City-Owned Property For Development"

EXECUTIVE SUMMARY

Section 1001 of the Charter of the City of Oakland authorizes the City Council to establish by ordinance uniform procedures for the sale of City property. Ordinance No. 11603 C.M.S. governs the sale of City-owned surplus real property, and Ordinance No. 10142 C.M.S. governs the sale of City-owned real property that is not surplus.

There is a need for additional legislation that governs the City's disposition of property for development purposes, in order to serve economic development, housing, environmental, and community development goals in a manner outside the procedures set forth in current disposition ordinances.

The City has real properties that are no longer usable by the City as initially developed or acquired, but are suitable for disposition for development purposes, as well as properties that were acquired by the City specifically for development purposes. This Ordinance would authorize staff to include considerations in the disposition process beyond property value and bid price, such as the nature of the proposed development and use of the property and resulting benefits to the community.

The City of Oakland is a home-rule charter city with plenary powers under the California

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Constitution to make laws with respect to municipal affairs, subject only to the restrictions and limitations in the Charter, and such home-rule powers include the power to promote economic development and advance the prosperity, general welfare and well-being of Oakland residents.

OUTCOME

Adoption of the proposed Ordinance would allow the City to control the future redevelopment of property sold. Additionally, this ordinance would authorize staff to consider the buyer's/developer's future use of the property and other benefits to the City, in addition to the bid price, during the bid selection and award process for surplus property dispositions.

BACKGROUND/LEGISLATIVE HISTORY

Staff has determined the need for legislation that authorizes the City to dispose of property in a manner outside the authority currently provided by current Ordinances. Staff has observed that the City has real property holdings that fall into two broad categories; 1) properties that are no longer usable as initially developed or acquired, and 2) properties that were acquired for economic purposes, and as such, economic development should be a consideration in the property's disposition.

The proposed Ordinance would authorize staff to include considerations outside the boundary currently set in current City Ordinances such as designated zoning, character of surrounding neighborhood, site potential to contribute to economic vitality of surrounding area, as well as land value. Current City Ordinances limit staff's consideration to land value in a bid process. In summary, the proposed ordinance considers the highest and best use of proposed site in addition to land value to achieve an acceptable outcome for all concerned.

Per Government Code 54220(b) the term "surplus land" means land owned by any local agency that is determined to be no longer necessary for the agency's use, except property being held by the agency for the purpose of exchange.

Ordinance No. 11602 C.M.S. lacks language to authorize staff to consider other benefits to the City during the bid selection and award process. As proposed, the new ordinance would authorize staff to consider other factors, such as benefit to surrounding community, revenue generation, jobs created, and financial ability to perform site improvements, as well as other community and public objectives during the bid selection and award process for surplus property sales. The Ordinance will also authorize staff to consider the buyer's/developer's land use plans for the property in addition to sales price, in the bid selection and award process.

The ordinance is intended to supplement Surplus Property Ordinance No. 11602 C.M.S. All City-owned property sales must comply with the existing surplus property disposition ordinance 11602 C.M.S.

ANALYSIS

Staff recognizes the need to establish a bifurcated process to dispose of City owned properties that are not essential to City operations. Currently, the City utilizes Ordinance 11602 C.M.S. when it needs to disposed of non-essential property. The surplus property bid process has served the City well when it was disposing of remnant parcels, abandoned right of way and vacant land. Oakland's ongoing financial situation has forced the City to operate more efficiently and to evaluate the usefulness of facilities citywide. This evaluation has identified not only premium sites, but also structures whose usefulness to City operations has expired. As opportunities to dispose of these premium sites or structures present themselves, staff would like the authority to consider factors beyond land values in the disposition process. An example of such a property is the former Champion Street fire station.

Former Fire Station 14 was used by Oakland Fire Department for over 60 years. Subsequent to use as a Fire Station, the building has been used as storage for the Fire Department and other City Departments. The building was closed to all uses in January 2013. As this building sits in an established commercial district, staff has proposed that the building be marketed in a Notice of Development Opportunity process versus the traditional surplus property sale process. Factors that guided staff s thinking in the creation of a more appropriate ordinance included input from the district Council representative and the community.

The proposed ordinance will provide staff the flexibility to evaluate the best path for both the City and community in disposing of real property assets. Specifically the ordinance will allow staff to consider multiple factors, including; highest and best use, land value, revenue generation, impact on surrounding community, zoning and character of the site.

Prior to marketing a surplus property for sell, staff will recommend if the property should be marketed simply as surplus property or if the property has the potential to be used to assist in the revitalization of a community.

COORDINATION

There has been coordination with the Department of Economic Development, Public Works Department, Office of the City Attorney and the Budget Office.

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COST SUMMARY/IMPLICATIONS

This Ordinance will enable staff to make a finding and determination as to how surplus property, after selling it, may be used for the continuous and highest benefit to the City over time. This Ordinance will support the property management plan by strategically disposing of surplus property in a way that supports Economic Development efforts whenever possible.

SUSTAINABLE OPPORTUNITIES

Economic: Disposal of surplus property has contributed annually to the City's revenue generation strategy. The proposed ordinance would provide staff an alternative to the existing Surplus Property Sale process, to enable the City to maximize the re-incorporation of real assets into the fabric of the community. The proposed Ordinance would allow the City to take underutilized sites and produce increased near and long-term tax revenue for the City. Proceeds from the sale of surplus property will help offset the City's general fund obligations and/or the legal obligations of the Successor Agency.

Environmental: No environmental impacts have been identified in this proposed action.

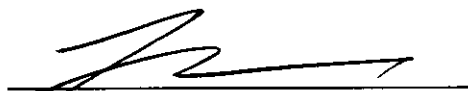
Social Equity: Disposing of property as described herein will promote economic development and lead to additional activities appropriate for the zoning in the neighborhood. In addition the citizens of Oakland will be provided with another opportunity to participate in business ownership and developing real estate in the City.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact Gregory Hunter, Interim Manager, Exempt Limited Duration Employee, at 510-238-2992.

Respectfully submitted;



Fred Blackwell
Assistant City Administrator

Reviewed by:
Gregory Hunter, Interim Manager, Exempt Limited
Duration Employee, Office of Neighborhood Investment

Prepared by:
Anthony J. Reese, Real Estate Agent
Real Estate Services Division, Office of Neighborhood
Investment

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APPROVED AS TO FORM AND LEGALITY:
BY: Kiran Jain
DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

AN ORDINANCE AMENDING THE OAKLAND MUNICIPAL CODE TO ADD A NEW CHAPTER 2.41 ENTITLED "DISPOSITION OF CITY-OWNED PROPERTY FOR DEVELOPMENT"

WHEREAS, Section 1001 of the Charter of the City of Oakland authorizes the City Council to establish by ordinance uniform procedures for the sale, lease or other disposition of City property; and

WHEREAS, Ordinance No. 11602 C.M.S. governs the sale of City-owned surplus real property, Ordinance No. 10142 C.M.S. governs the sale or lease of City-owned real property that is not surplus, Ordinance No. 11603 C.M.S. governs the lease of City-owned property, and Ordinance No. 11722 C.M.S. governs the lease of City-owned real property in which the tenant provides in-kind services; and

WHEREAS, there is need for additional legislation that governs the City's disposition of property through sale or lease for development in order to serve economic development, housing, environmental, and community development goals in a manner outside the procedures set forth in previous City disposition ordinances; and

WHEREAS, the City has real properties that are no longer usable by the City as initially developed or acquired, but that are suitable for disposition for development purposes, as well as properties that were acquired by the City specifically for development purposes; and

WHEREAS, this Ordinance would authorize staff to include considerations in the disposition process beyond property value and sale or rental price, such as the nature of the proposed development and use of the property and resulting benefits to the City and community; and

WHEREAS, the City is a home-rule charter city with plenary powers under the California Constitution to make laws with respect to municipal affairs subject only to the restrictions and limitations in the Charter; and

WHEREAS such home-rule powers includes the power to promote economic development and advance the prosperity, general welfare and well-being of Oakland residents; and

WHEREAS, per California Government Code Sections 37350-37351, cities may control and dispose of property for the common benefit, as is necessary or proper for municipal purposes; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA) of 1970, the Guidelines as prescribed by the Secretary for Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of CEQA have been satisfied, and in accordance with Sections 15061(b)(3)(general rule exemption), 15301 (Existing Facilities), 15302 (Replacement or Reconstruction), Section 15183 (projects consistent with the General Plan), Section 15312 (Surplus Government Property Sales) and 15332 (In-fill Development) of the CEQA Guidelines, the adoption of this Ordinance is exempt from the provisions of CEQA; now, therefore,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The City Council finds and determines the foregoing recitals to be true and correct and hereby makes them a part of this Ordinance.

Section 2. A new Chapter 2.41 is hereby added to the Municipal Code of the City of Oakland as follows:

Chapter 2.41

DISPOSITION OF CITY-OWNED PROPERTY FOR DEVELOPMENT

ARTICLE L SCOPE

2.4L010 Title

This chapter shall be known as the "Disposition of City-Owned Property for Development", may be cited as such, and will be referred to herein as "this chapter".

2.41.020 Intent and Application

This chapter is intended to facilitate the City's sale, lease, or disposition of real property for development to promote the economic development, housing, environmental, and community development goals of the City under the procedures set forth in this chapter. Any sale, lease, or other disposition of City-owned real property that conditions the transaction on the development of the property by the purchaser or tenant shall be governed by this chapter. Sales, leases or disposition of City-owned real

property for purposes other than development may be governed by other disposition ordinances, including Ordinance No. 11602 C.M.S. (sale of City-owned surplus real property), Ordinance No. 10142 C.M.S. (sale or lease of City-owned real property that is not surplus), Ordinance No. 11603 C.M.S. (leases of City-owned property), and Ordinance No. 11722 C.M.S. (leases of City-owned real property in which the tenant provides in-kind services).

2.41.030 Authority.

The City Administrator shall have the authority to make the initial determination whether a property should be conveyed for development under this chapter, or under other disposition ordinances.

2.41.040 Compliance with State laws, if applicable.

The City shall comply with the Surplus Lands Act (California Government Code Sections 54220, et seq.) if and to the extent applicable to the disposition of the property. Should the property be intended for development as affordable housing, the City shall also comply with California Government Code Sections 37362, et seq., if and to the extent applicable.

ARTICLE II. ADMINISTRATIVE

2.41.050 Definitions

The following words and phrases, wherever used in this chapter, shall be construed as defined in this section unless otherwise required by the context. The singular shall be taken to mean the plural and the plural shall mean the singular when required by the context of this chapter. The following definitions will not necessarily apply to other portions of this title:

City means the City of Oakland, a municipal corporation.

City Administrator means the City Administrator of the City of Oakland or his or her designee, and successors in title.

Development means the new construction of buildings or other facilities, or the substantial rehabilitation of existing buildings or other facilities.

Disposition means the sale, lease or any other form of property disposition.

NODO means a Notice of Development Opportunity.

Property means City-owned property subject to Disposition and Development, as determined by the City Administrator.

Substantial rehabilitation means rehabilitation, the value of which constitutes 25% or more of the after-rehabilitation value of the building or facility inclusive of land value.

2.41.060 Process.

- (a) The City Administrator shall market the Property by issuing a public and competitive NODO to potential developers and other interested parties. The NODO shall request potential developers and other interested parties to submit written purchase or leasing and development proposals for the Property.
- (b) Notwithstanding the above, the City Administrator may elect to waive the competitive NODO process and negotiate a Disposition transaction with a selected developer, if the City Administrator determines that (1) Disposition through a competitive NODO process is impractical, or (2) Disposition through a process other than a competitive NODO process is otherwise in the best interests of the City. The City Administrator must explain the basis for any such waiver when he or she presents the proposed Disposition to the City Council, and the City Council shall make findings in support of any waiver of the NODO process as a condition to approving any transaction.
- (c) In evaluating Development proposals for Property under this chapter, the City Administrator may consider, without limitation, in addition to price, the following factors:
 - 1. The value of the proposed use of the Property to the community and the City as a whole.
 - 2. The compatibility of the proposed Development and use with current zoning and community plans applicable to the Property.
 - 3. The compatibility of the proposed Development and use with the character of the surrounding neighborhood.
 - 4. The experience, capacity and financial resources of the proposed developer.
 - 5. The quality of project design.
 - 6. The environmental sustainability of the proposed Development.
 - 7. Community and public objectives achieved by the proposed Development, such as creating jobs, expanding the tax base, providing other fiscal benefits, providing needed commercial or social services, providing or improving needed infrastructure, increasing, improving or preserving the stock of housing affordable to low and moderate income households,

eliminating physical or economic blight, and contributing to the economic vitality of the neighborhood.

8. Other factors, as the City Administrator may deem applicable.

(d) Following his or her evaluation of Development proposals, the City Administrator shall make his or her recommendations as to the proposed Development and the terms and conditions of the proposed Development to the City Council. The City Council may evaluate the City's Administrator's recommended Development proposal and any other proposals based on the considerations set forth above.

(e) Per the City Charter, any such approval of a lease (longer than one year) or a sale of the Property requires a Council ordinance.

2.41.070 Fair Market/Rental or Fair Reuse Value.

The Property may be disposed of either at its fair market/rental value, or at its fair reuse value, based on the City's assessment of the proposed Development and use, prevailing market conditions and development climate at the time of Disposition, and other economic and noneconomic factors.

The determination of fair market/rental value will consider the Property's sale or rental value on the open market at the Property's highest and best use.

The determination of fair reuse value will consider the proposed use of the Property and the sale or rental value of the Property with the conditions, covenants, restrictions, and development costs associated with the negotiated disposition and development.

The City Administrator shall complete an analysis of the Property's fair market/rental value, or fair reuse value, as applicable, in determining an appropriate Disposition price.

The ordinance authorizing the Disposition of the Property shall include either a finding that the Property is being conveyed at its fair market/rental value; or, if the Property is being conveyed for less than fair market/rental value, a finding that the Property is being conveyed at its fair reuse value with the reasons for the below-market conveyance.

If the Property is being conveyed at less than fair market/rental value, all City employment and contracting programs pertaining to subsidized projects shall apply.

2.41.080 Agreements to Effectuate Intent of Negotiated Development.

(a) Any Disposition of Property pursuant to this chapter shall be conditioned on the Development and use of the Property as negotiated. The City and the purchaser shall enter into a disposition and development agreement, lease disposition or development agreement, or similar agreement governing the transaction. Such agreement shall set forth the terms and conditions of the Disposition of the

Property, the obligations of the purchaser to develop the agreed-upon project, and any long-term restrictions on the use of the Property. The agreement may contain covenants or conditions running with the land, and may include rights of reverter, repurchase rights, termination rights, or other provisions securing the satisfactory performance of development covenants and other purchaser obligations.

- (b) The City Administrator is authorized to negotiate and execute agreements and to take whatever other action is necessary with respect to the approved Development. The City Attorney shall review and approve all documents and agreements related to the transaction as to form and legality, and a copy shall be placed on file with the City Clerk.

Section 3. Applicability

A. Construction and Severability

Should any article, section, subsection, sentence, clause, or phrase of this Ordinance be held to be invalid or unconstitutional, the offending portion shall be severed and shall not affect the validity of remaining portions which shall remain in full force and effect.

B. Authority

This ordinance is enacted by the Council of the City of Oakland through section 1001 of the Charter of the City of Oakland.

C. Effective Date

This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of the City Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - KALB, REID, GIBSON-MCELHANEY, SCHAAF, GALLO, BROOKS, KAPLAN, AND PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California