

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2008 SEP -4 PM 2:13

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: September 16, 2008

RE: Supplemental Report On A Revised 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 \$2,750,000, Less Environmental Remediation Costs, Plus Closing Costs In An Amount Of \$60,000

SUMMARY

On July 22, 2008, the Community and Economic Development Committee heard a report from staff recommending the Agency's approval of a resolution authorizing the purchase of 1396 Fifth Street, the former Red Star Yeast Factory ("Site"), from 1396 Fifth Street LLC for a purchase price not to exceed \$3,900,000 plus estimated closing costs of \$60,000. The proposed resolution provided that the stated purchase price was subject to an appraisal of the Site's fair market value. Agency members requested supplemental information regarding the Site. This report responds to the request by the Committee and provides information regarding the valuation of and presence of hazardous materials at the Site. Since the Committee action, an independent real estate appraisal of the Site has been completed. This appraisal concluded that the Site's fair market value (as a clean site) is \$2,750,000; considerably less than the original authorized purchase price (\$3,900,000). Also, there may be additional costs related to an environmental site assessment and remediation at the Site. Accordingly, staff has revised the resolution to reduce the purchase price to reflect this additional information as it relates to the proposed purchase of the Site by the Agency.

KEY ISSUES AND IMPACTS

The Site's Purchase Price

Agency Board members requested to know the prior purchase price for the Site. Alameda County records show that the site was purchased by the Sadegh S. Pahahi Trust for \$1,892,000. The recorded sale date is December 22, 2004. Mr. Sadegh Pahahi is a member of 1396 Fifth Street, LLC.

The Site's Appraised Value

Staff commissioned an independent real estate appraisal from the firm of Yovino Young, Inc., which was delivered to staff on August 25, 2008. The appraisal places the Site's fair market

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value (as a clean site) at \$2,750,000. The Agency resolution has been revised to reflect the fair market purchase price of the property.

National Affordable Communities, Inc.

The Site's owner, 1396 Fifth Street, LLC, has entered into a contract to sell the Site to another developer, National Affordable Communities, Inc. (also known as Oakland Housing Investors, LP), which proposes to develop the site as senior rental housing. (It should be noted that the original staff report for this item erroneously states that 1396 Ventures, LLC, rather than 1396 Fifth Street, entered into this contract.) However, the purchase contract allows the owner to take other offers for the Site, with the buyer having the opportunity to match any offers. The West Oakland Project Area Committee opposes senior rental housing at the Site.

To date, Agency staff has not received any formal notice from National Affordable Communities Inc., or 1396 Fifth Street that the sale of the Site was completed; 1396 Fifth Street has informed staff that the closing date has been extended until October 15, 2008. Staff has also not received any formal notice that National Affordable Communities, Inc plans to apply for any City or Agency housing funds. However, National Affordable Communities, Inc., has received an allocation of low income housing tax credits for this project.

Hazardous Materials

There may still be significant costs associated with environmental site assessment and remediation at the Site. On August 13, 2007, Treadwell & Roll (TR), the environmental consultant of the property owner, prepared a work plan in response to a letter from the Alameda County Environmental Health Agency (ACEH), which had requested soil confirmation sampling for lead at two Site locations. ACEH further requested a sampling for mercury impacted soil. TR's correspondence to ACEH proposed a plan for additional lead testing at the Site. TR further indicated that sampling for mercury had been completed and that detected levels of this chemical were below environmental screening levels for residential use.

It is staff's understanding that TR did not prepare a letter report to the ACEH describing the confirmation soil sampling and analytical results or present their opinion regarding the presence of hazardous materials beneath the site. As a result, the Agency would likely need to work with TR to complete the letter report, perform additional sampling or soil remediation, and obtain regulatory approval from ACEH. Therefore, staff recommends that the purchase price be adjusted to reflect any remediation and assessment costs incurred by the Agency.

RECOMMENDATION AND RATIONALE

Staff recommends approval of the attached revised resolution (which has been redlined to highlight changes from the original resolution) authorizing the purchase of 1396 5th Street from 1396 Fifth Street LLC for a purchase price not to exceed \$2,750,000, less all costs related to completing any hazardous materials assessment and remediation at the Site and securing any regulatory approvals. This purchase will enable the Agency to develop this blighted and vacant

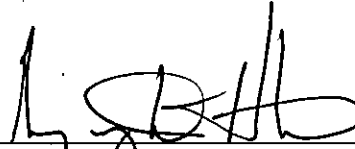
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site in accordance with the policies adopted for a transit village and in accordance with community desires. It also supports the City's vision of a transit village at the West Oakland BART station.

ACTION REQUESTED OF THE REDEVELOPMENT AGENCY

Staff requests that the Agency approve the attached revised resolution authorizing the purchase of 1396 5th Street from 1396 Fifth Street LLC for a purchase price not to exceed the fair market price of \$2,750,000, less remediation costs, plus closing costs in an amount of \$60,000.

Respectfully submitted,

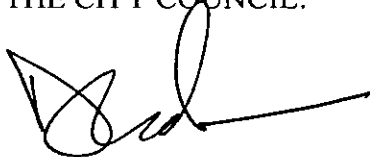


Gregory Hunter, Deputy Director,
Economic Development and Redevelopment

Reviewed by:
Patrick Lane, Redevelopment Manager

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

APPROVED AND FORWARDED TO
THE CITY COUNCIL:




Office of the Agency Administrator

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2008 SEP -4 PM 2: 13

REVISED 8/28/08

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 \$2,750,000 LESS ENVIRONMENTAL REMEDIATION COSTS, 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, the Agency has obtained an appraisal which establishes a fair market value of \$2,750,000 for the Property as a clean site; 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 \$2,750,000 minus any costs related to completing any hazardous materials remediation at the Property and securing regulatory approval thereof, and authorizes \$60,000 for real estate closing costs; and be it further

RESOLVED: That the purchase shall be contingent on adequate environmental due diligence; and be it further

RESOLVED: That the Agency hereby allocates \$2,750,000 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:

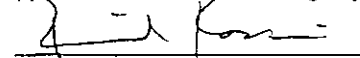
LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

REVISED

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Approved as to Form and Legality


Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

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

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WHEREAS, the Agency has obtained an appraisal which establishes a fair market value of \$2,750,000 for the Property as a clean site; and

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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

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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