



FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2018 DEC -6 PM 2: 38

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City/Successor Agency Administrator

**FROM:** Mark Sawicki  
Director, EWD

**SUBJECT:** 2016 Telegraph Avenue

**DATE:** November 19, 2018

---

Successor Agency Administrator Approval

Date:

*[Signature]*  
11/29/18

## RECOMMENDATION

**Staff Recommends That The Oakland Redevelopment Successor Agency ("ORSA") Approve A Successor Agency Resolution Authorizing The Agency Administrator Or Designee To Execute A Consent To (A) The Assignment By W/L Broadway Telegraph Owner VII, LLC To 2016 Telegraph Owner LLC, Or A Related Entity, Of the Assignor's Interest In The Disposition And Development Agreement For Development Of Property Located At 2000-2016 Telegraph Avenue And 490 Thomas L. Berkeley Way, and (B) The Transfer Of All Of The Ownership Interest In 2016 Telegraph Owner LLC, Or A Related Entity, to NASH – Holland 2016 Telegraph Investors, LLC, Or A Related Entity; Relying On The 2004 Uptown Mixed-Use Project Environmental Impact Report And The "2016 Telegraph Avenue Project CEQA Analysis" Addendum Thereto, Finding That The Project Is Exempt From Additional Environmental Review Pursuant To CEQA Sections 15162-15164, 15168, 15180, 15183 And 15183.3, And Adopting Related CEQA Findings.**

## EXECUTIVE SUMMARY

The Oakland Redevelopment Successor Agency ("ORSA") has a Disposition and Development Agreement ("DDA") with W/L Broadway Telegraph Owner VII, LLC ("BTO"). The DDA outlines certain terms under which BTO can obtain fee title and develop ORSA-owned property located at 2000-2016 Telegraph Avenue and 490 Thomas L. Berkley Way (the "Property").

BTO wishes to assign its rights under the DDA and is requesting that ORSA consent to a transfer of the DDA to a new limited liability corporation, 2016 Telegraph Owner LLC ("Telegraph Owner"), or an affiliate. NASH-Holland 2016 Telegraph Owner, LLC, a joint venture between affiliates of the Holland Partner Group ("HPG") and North America Sekisui House, LLC ("NASH") will acquire Telegraph Owner and develop an 18-story mixed-use residential tower, including 230 apartments, 4,600 square feet of retail, and 78 parking spaces (the "Project") on the Property. Affiliates of HPG will take the lead in all aspects of Project development and operation, while NASH will provide debt and equity capital.

Staff has determined that HPG and its affiliates have the requisite development experience and financial resources to complete the proposed Project per the terms of the DDA. Staff therefore

Item: \_\_\_\_\_  
City Council  
December 11, 2018

recommends that ORSA consent to the assignment of the DDA from BTO to Telegraph Owner, and to the subsequent assignment of Telegraph Owner to NASH-Holland 2016 Telegraph Owner LLC, or a related entity.

### **BACKGROUND / LEGISLATIVE HISTORY**

On October 3, 2017, ORSA, pursuant to Resolution No. 2017-007 C.M.S., authorized an amendment to a Lease Disposition and Development Agreement (“LDDA”) between ORSA and BTO that, among other things, changed the agreement to a DDA to reflect that the Property would be sold and not ground leased with a purchase option.

The Property is listed on ORSA’s Long-Range Property Management Plan as property to be held to satisfy an existing contractual obligation, namely the DDA with BTO.

### **ANALYSIS AND POLICY ALTERNATIVES**

#### *Assignment of the DDA to Telegraph Owner*

BTO has requested that ORSA consent to the assignment of the DDA to Telegraph Owner and to the subsequent transfer of all ownership interest in Telegraph Owner, or a related entity, to NASH – Holland 2016 Telegraph Investors, LLC, or a related entity.

The terms of the DDA restrict BTO from transferring the DDA to an unrelated third party without express consent and authorization by ORSA. DDA Section 11.3 limits ORSA’s basis for approving a transfer to whether such transfer is being made to an entity or individual that has the expertise and financial capability to develop the Property.

BTO will form a new, wholly-owned subsidiary, Telegraph Owner, a limited liability corporation, and following ORSA’s approval, assign BTO’s rights under the DDA to Telegraph Owner. NASH-Holland 2016 Telegraph Owner LLC, or a related entity, which is a joint venture between affiliates of HPG and NASH, will acquire Telegraph Owner, after which NASH-Holland 2016 Telegraph Owner LLC, or a related entity, will be the sole member of Telegraph Owner. NASH is a subsidiary of Sekisui House, Ltd., the largest publicly traded homebuilder in Japan, responsible for all of Sekisui House, Ltd.’s operations in North America. NASH and its affiliate, Nash Financing, LLC, will provide equity and debt capital for the Project. HPG’s affiliates, Holland Development, LLC, Holland Construction Management, LLC, Holland Construction, Inc. and Holland Residential, LLC, will provide development, construction and property management services to Telegraph Owner. Since NASH and its affiliates will provide debt and equity capital for the Project, the following analysis will focus on HPG and its affiliates’ residential development experience and financial capacity.

*Developer Experience*

HPG was founded in 2001 and is based in Vancouver, Washington. HPG is an established developer of multi-story and multi-family residential properties in the Western United States. HPG consists of five vertically integrated operating companies, including development, construction, acquisition, redevelopment and property management. HPG and its affiliates have completed 34 projects (9,204 units) in Washington, Oregon, California, Arizona and Colorado and have 32 projects (10,242 units) in predevelopment or under construction. In Oakland, HPG and its affiliates, in partnership with NASH, currently have three residential projects under construction:

Address	Floors	Number of Units	Parking Spaces	Retail	Office	Status
1721 Webster Street	24	247	250	2,500 sf	5,000 sf	Under Construction
24 <sup>th</sup> & Harrison Street	18	405	443	60,250 sf	-	Under Construction
226 13 <sup>th</sup> Street	7	261	195	15,000 sf	-	Under Construction

Based on its review of HPG's portfolio and current development activities, staff has determined that HPG is well-qualified to undertake the development of the Project.

*Financial Capacity*

Holland Partner Group, Investments, LLC ("HPGI") is the investment entity of Holland's organizational platform. HPGI's assets under management total multiple billion dollars and include garden-style, mid-rise and high-rise buildings in major metropolitan markets in Colorado, California, Oregon and Washington State. HPGI will provide equity and the Completion Guaranty for the Project.

Staff enlisted Century Urban, a real estate investment, advisory and project management company, to review HPGI's financial statements. HPGI has stated that it will finance approximately 65 percent of the Project's cost with a construction loan. HPGI also anticipates that its capital partner, NASH, will provide a substantial amount of equity and the permanent financing required for the project. HPGI will therefore only be responsible for a small percentage of the equity necessary to complete the Project.

This approach to financing is consistent with a typical joint venture equity arrangement and with HPGI's real estate activities to date. HPGI has worked with several of the top national lending and equity platforms, most considered "institutional", such as UBS, Blackstone and Pacific Life. These financial partners have funded debt and equity on many of HPGI's developments in the multi-hundred million-dollar range, and several projects substantially larger than the proposed development at 2016 Telegraph Avenue.

Century Urban concluded that HPGI's self-reported net worth, which is reflected on a Statement of Net Worth and Liquidity as "Collateral value available to support guarantee obligations" as of December 31, 2017, meets the net worth requirement set by the DDA to provide the Guaranty.

Century Urban also found that because of its large number of equity and debt partners and its proven experience financing and completing projects at the scale of the proposed Project, HPGL should be able to finance and complete the Project pursuant to the terms of the DDA under current economic conditions. HPGL's contemplated joint venture partner, NASH, is currently invested with HPG and its affiliates in many development projects across the West Coast, indicating a strong relationship between the two groups. The Project would represent only a small part of HPGL's development project portfolio and would not require HPGL to take on an investment or project at a size or scope that is new to the company.

### **FISCAL IMPACT**

The actions currently under consideration by the Successor Agency concerning the assignment of the DDA from BTO to Telegraph Owner will not result in any direct fiscal impacts to the City of Oakland or Successor Agency.

### **PUBLIC OUTREACH**

No public outreach or coordination is required for this legislation other than the posting of the staff report on the City's website.

### **COORDINATION**

Staff consulted with the Office of the City Attorney and the Controller's Bureau during the preparation of this report.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** Development of the Project will bring an underutilized site in the heart of the Uptown district back to economically viable use. The development of the Property into a mixed-use residential tower will generate property taxes, business taxes, sales taxes and utility taxes for the City of Oakland.

***Environmental:*** Telegraph Owner will comply with the City's Green Building Ordinance and is seeking a Leadership in Energy and Environmental Design (LEED) Silver certification for the Project.

***Social Equity:*** Telegraph Owner will remit a housing impact fee of \$2.645 million, which will be used for the development of affordable housing in Oakland.

---

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

On July 20, 2004, the Oakland City Council adopted Resolution No. 78728 C.M.S., which adopted the Uptown Mixed Use Project Environmental Impact Report ("EIR"). The 2004 Uptown EIR directly applies to the Project and provided the basis for preparation of an EIR addendum to assess the current proposed Project.

Separate and independently, qualified planning level documents, specifically program level EIRs, that can be used as a basis to provide additional clearance under the California Environmental Quality Act (Public Resources Code section 21000 et seq.; "CEQA") of the proposed Project (all or in part) under specific CEQA provisions include (1) Oakland's 1998 General Plan Land Use and Transportation Element EIR, (2) the Oakland Housing Element Update EIR and Addendum and (3) the 2011 Central District Urban Renewal Plan Amendments EIR (or "Redevelopment Plan Amendments EIR").

The City conducted a detailed evaluation entitled "2016 Telegraph Avenue Project CEQA Analysis", dated June 2017 ("2016 CEQA Analysis") of the proposed Project pursuant to CEQA and the CEQA Guidelines (Cal. Code Regs., title 14, section 15000 et seq.; "CEQA Guidelines"), which concludes that the Project qualifies for an Addendum to the EIR, as well as an exemption from additional environmental review, in accordance with Public Resources Code Sections 21083.3, 21094.5, 21090 and 21166; and CEQA Guidelines Sections 15162-15164, 15168, 15180, 15183, and 15183.3.

The 2016 CEQA Analysis constitutes an Addendum to the 2004 Uptown EIR pursuant to Public Resources Code section 21166 (CEQA Guidelines §15162-15164), which determined that no changes have occurred in the circumstances under which the proposed Project would be implemented, and that no new information has emerged that would materially change the analyses or conclusions set forth in the 2004 Uptown EIR, and that the proposed Project would not result in any new significant environmental impacts, result in any substantial increases in the significance of previously identified effects, or necessitate implementation of additional or considerably different mitigation measures than those identified in the 2004 Uptown EIR, nor render any mitigation measures or alternatives found not to be feasible, feasible, and therefore that no Subsequent or Supplemental EIR or additional environmental analysis of the Project beyond that contained in the Uptown EIR and the 2016 CEQA Analysis is necessary.

ORSA finds and determines, after separate and independent review and consideration of (1) the 2016 CEQA Analysis to the previously certified 2004 Uptown EIR, (2) the previously certified 1998 General Plan Land Use and Transportation Element EIR, (3) the Oakland Housing Element Update EIR and Addendum, and (4) the previously certified 2011 Redevelopment Plan Amendments EIR, that the proposed Project is exempt from any additional CEQA Analysis under the "Community Plan Exemption" of Public Resources Code section 21083.3 (CEQA Guidelines §15183) and/or the "Qualified Infill Exemption" under Public Resources section 21094.5 (CEQA Guidelines §15183.3) and/or the "Redevelopment Projects" under Public Resources Code section 21090 (CEQA Guidelines §15180) and affirms and adopts the CEQA findings made by the Zoning Manager.

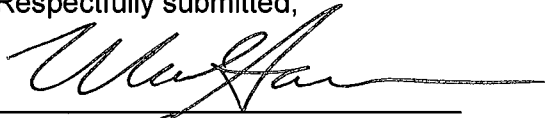
The CEQA Analysis document is available to the public at 250 Frank Ogawa Plaza, Suite 3315, Oakland, CA 94612, during normal business hours.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that ORSA adopt legislation authorizing its consent to (A) the assignment by W/L Broadway Telegraph Owner VII, LLC to 2016 Telegraph Owner LLC, or a related entity, of the assignor's interest in the DDA for development of property located at 2000-2016 Telegraph Avenue and 490 Thomas L. Berkeley Way, and (B) the transfer of all of the ownership interest in 2016 Telegraph Owner LLC, or a related entity, to NASH – Holland 2016 Telegraph Investors, LLC, or a related entity.

For questions regarding this report, please contact Jens Hillmer, Office of Economic and Workforce Development at (510) 238-3317.

Respectfully submitted,



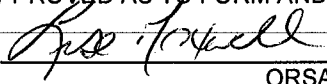
Mark Sawicki  
Director, Office of Economic &  
Workforce Development

Reviewed by:  
Patrick Lane  
Manager, Public/Private Development  
Office of Economic and Workforce  
Development

Prepared by:  
Jens Hillmer, Development Area Manager  
Public/Private Development

2018 DEC -6 PM 2:38

APPROVED AS TO FORM AND LEGALITY:

BY:   
ORSA COUNSEL

## OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

Resolution No. 2018-\_\_\_\_\_

---

**A Successor Agency Resolution Authorizing The Agency Administrator Or Designee To Execute A Consent To (A) The Assignment By W/L Broadway Telegraph Owner VII, LLC To 2016 Telegraph Owner LLC, Or A Related Entity, Of the Assignor's Interest In The Disposition And Development Agreement For Development Of Property Located At 2000-2016 Telegraph Avenue And 490 Thomas L. Berkeley Way, and (B) The Transfer Of All Of The Ownership Interest In 2016 Telegraph Owner LLC, Or A Related Entity, to NASH – Holland 2016 Telegraph Investors, LLC, Or A Related Entity; Relying On The 2004 Uptown Mixed-Use Project Environmental Impact Report And The "2016 Telegraph Avenue Project CEQA Analysis" Addendum Thereto, Finding That The Project Is Exempt From Additional Environmental Review Pursuant To CEQA Sections 15162-15164, 15168, 15180, 15183 And 15183.3, And Adopting Related CEQA Findings**

**WHEREAS**, the Oakland Redevelopment Successor Agency ("ORSA") has a Disposition and Development Agreement (the "DDA") with W/L Broadway Telegraph Owner VII, LLC ("BTO"); and

**WHEREAS**, ORSA has listed the DDA, including a contingent payment of \$1.55 million from ORSA to BTO, as an enforceable obligation on its Recognized Obligation Payment Schedule ("ROPS"), and is obligated to pay Telegraph Owner, BTO's successor in interest under the DDA, \$1.55 million if the developer does not develop the Property, whether the developer is in default or not; and

**WHEREAS**, BTO wishes to assign its rights under the DDA and is requesting that ORSA consent to the assignment of its interest in the DDA to a wholly owned subsidiary, 2016 Telegraph Owner LLC ("Telegraph Owner"), or an affiliate, which will be owned by NASH – Holland 2016 Telegraph Investors, LLC, or an affiliated entity, a joint venture between affiliates of the Holland Partner Group ("HPG") and North America Sekisui House, LLC ("NASH"); and

**WHEREAS**, Telegraph Owner plans to develop an 18-story mixed-use residential tower, including 230 apartments, 4,600 square feet of retail, and 78 parking spaces (the "Project") on the Property; and

**WHEREAS**, Telegraph Owner and its members and affiliates represent a qualified residential development company that has the financial capacity and experience to develop the Project in accordance with the terms of the DDA; and

**WHEREAS**, ORSA desires to approve the transfer of the ownership interest in the DDA from BTO to Telegraph Owner, and the subsequent transfer of the ownership of Telegraph Owner to NASH – Holland 2016 Telegraph Investors, LLC, or an affiliated entity or related party; and

**WHEREAS**, the City, as the Lead Agency for this Project for purposes of environmental review under the California Environmental Quality Act of 1970 (Public Resources Code section 21000 et seq.; “CEQA”) and the CEQA Guidelines (Cal. Code Regs., title 14, section 15000 et seq.; “CEQA Guidelines”), conducted a detailed evaluation entitled “2016 Telegraph Avenue Project CEQA Analysis”, dated June 2017 (“2016 CEQA Analysis”) of the proposed Project, which concludes that the Project qualifies for an addendum, as well as an exemption from additional environmental review, in accordance with Public Resources Code Sections 21083.3, 21094.5, 21090 and 21166; and CEQA Guidelines Sections 15162 -15164, 15168, 15180, 15183, and 15183.3; and

**WHEREAS**, ORSA is a Responsible Agency for the Project for purposes of environmental review under CEQA; and

**WHEREAS**, ORSA has independently reviewed and considered the environmental effects of the Project as shown in the 2016 CEQA Analysis and other information in the record; now therefore be it

**RESOLVED:** That ORSA hereby finds and determines, after independent review and consideration of (1) the 2016 CEQA Analysis dated June 2017 to the previously certified 2004 Uptown EIR, (2) the previously certified 1998 General Plan Land Use and Transportation Element EIR, (3) the Oakland Housing Element Update EIR and Addendum, and (4) the previously certified 2011 Redevelopment Plan Amendments EIR, as supported by substantial evidence in the record and for the reasons set forth in the CEQA findings, and, each as a separate and independent basis, that the proposed Project is exempt from any additional CEQA Analysis under the “Community Plan Exemption” of Public Resources Code section 21083.3 (CEQA Guidelines §15183) and/or the “Qualified Infill Exemption” under Public Resources section 21094.5 (CEQA Guidelines §15183.3) and/or the “Redevelopment Projects” under Public Resources Code section 21090 (CEQA Guidelines §15180), and that the 2016 CEQA Analysis also constitutes an Addendum to the 2004 Uptown EIR pursuant to Public Resources Code section 21166 (CEQA Guidelines §15162 and §15164), and that such Addendum determines that none of the circumstances necessitating preparation of additional CEQA review as specified in CEQA and the CEQA Guidelines, including without limitation Public Resources Code Section 21166 and CEQA Guidelines Section 15162, are present in that (1) there are no substantial changes proposed in the Project or the circumstances under which the Project is undertaken that would require major revisions of the EIR due to the involvement of new environmental effects or a substantial increase



in the severity of previously identified significant effects; and (2) there is no "new information of substantial importance" as described in CEQA Guidelines Section 15162(a)(3) and that these findings and determinations reflect the independent judgment and analysis of ORSA; and be it further

**RESOLVED:** That the Successor Agency Administrator or her/his designee is hereby authorized to consent to (A) the assignment by BTO of its interest in the DDA for development of the Property to 2016 Telegraph Owner LLC, or a related entity, and (B) the transfer of all of the ownership interest in 2016 Telegraph Owner LLC, or a related entity, to NASH – Holland 2016 Telegraph Investors, LLC, or a related entity; and be it further

**RESOLVED:** That the consent to the assignment of the DDA and all documents necessary to carry out this Resolution as authorized hereunder shall be approved as to form and legality by ORSA Counsel and filed with the ORSA Secretary.

IN SUCCESSOR AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2018

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON McELHANEY, GUILLEN, KALB, KAPLAN, and CHAIRPERSON REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
Secretary, Oakland Redevelopment Successor Agency