



# AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Fred Blackwell

**SUBJECT:** ENA with Strada Investment Group  
for City Center T-5/6

**DATE:** November 20, 2013

City Administrator  
Approval

Date

12/20/13

**COUNCIL DISTRICT:** 3

## RECOMMENDATION

Staff recommends that the City Council approve:

**A Resolution Amending Resolution No. 84514 C.M.S. To Extend The Negotiating Period Under An Exclusive Negotiating Agreement With Strada Investment Group For Development Of The City Center T-5/6 Site Bounded By 11th Street, Clay Street, And 12th Street, To 18 Months With A Six Month Administrative Extension**

## OUTCOME

This reauthorization will allow the City Administrator to negotiate and enter into an eighteen-month Exclusive Negotiating Agreement ("ENA") with Strada Investment Group, LLC ("Strada" or "Developer"), with an option on the part of the City to extend the ENA period by six months, to negotiate development of the City Center T-5/6 site. The start of the negotiating period would be the original approval date, July 16, 2013. During the ENA period, Strada will refine a project proposal to be vetted in community design meetings and for City review and permitting approvals, and complete California Environmental Quality Act ("CEQA") review. The City will appraise the property and negotiate with Strada the terms and conditions of a Disposition and Development Agreement ("DDA").

Entering into this ENA does not constitute a binding commitment on the part of the City to any project or developer for the three City Center T-5/6 parcels.

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## BACKGROUND/LEGISLATIVE HISTORY

On July 16, 2013 the Oakland City Council approved a resolution authorizing a 12 month Exclusive Negotiating Agreement ("ENA") with the option by the City to extend said period by an additional 180 days with the approval of the City Administrator in her sole discretion, Oakland City Council Resolution No. 84514 C.M.S. The ENA has been delayed awaiting approval of the Long Range Property Management Plan ("Plan") and elimination of several issues related to the previous Disposition and Development Agreement ("DDA") that covered all of the City Center Parcels, including T-5/6. The Redevelopment Agency of the City of Oakland ("Agency"), and later the City of Oakland ("City"), has maintained a DDA for a twelve-block area of Downtown Oakland, including the block known as "T-5/6", for over forty years. The original DDA between the Agency and Grubb & Ellis Company was executed on November 4, 1970. The City of Oakland became party to the DDA in 1976. In 1996, the DDA was assigned to Shorenstein Realty Investors Three, LP and related entities ("Shorenstein"). The City and Agency have approved 13 amendments to this DDA through 2011, including six with Shorenstein.

Shorenstein completed planning approvals for the four blocks of City Center known as T-5/6, T-9, T-10 and T-12. T-9 was completed as 555 City Center in 2001. Construction began on T-12 in 2008 but has been on hold since the economic crisis upset the office market. Shorenstein lost control of T-10 and T-5/6 when development did not commence on time. T-10 was eventually completed in 2011 as Domain by Alta, formerly City Walk. T-5/6 is currently available for development with entitlements in place for 580,000 square feet of office, 7,500 square feet of ground floor retail and 150 parking spaces.

The City Center T-5/6 block includes three parcels available for development surrounding a fourth parcel that provides entry to the City Center Garage and the super dock that provides access to six adjacent commercial buildings – 1001 Broadway (Marriott), 1111 Broadway, 1221 Broadway, 500 12<sup>th</sup> Street, 499 14<sup>th</sup> Street and 501 14<sup>th</sup> Street. For a map of the site see *Attachment A - City Center T-5/6 Parcel Map*. The super dock and most of the surrounding buildings that access it were completed between 1988 and 1992. Shorenstein bought four of these buildings when it took over the City Center DDA in 1996 and then sold them to an investment fund controlled by CBRE Inc. in 2010. Recently CBRE Inc. has been selling the sites individually. Also, the City Center Garage is located under two of the T-5/6 parcels.

The three T-5/6 parcels were transferred by the Redevelopment Agency to the City on January 26, 2012, prior to the dissolution of the Agency. These parcels are among the properties that are being "clawed back" to the Oakland Redevelopment Successor Agency ("ORSA") by the State Controller's Office. However, the site has been proposed for future development in the Long-Range Property Management Plan ("LRPMP"), which has been approved by ORSA and the Oversight Board and has been submitted to the Department of Finance for final approval. Once the LRPMP is approved, the T-5/6 site should be available for future development and would be

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transferred back to the City. The implementation of a project on the property will be dependent on the approval of the LRPMP by the California Department of Finance.

### ANALYSIS

The Oakland Redevelopment Successor Agency is waiting for approval of the Long Range Property Management Plan ("Plan") by the California Department of Finance. Strada has begun some activities, but has also hesitated in spending funds for third party reports required under the ENA until the plan is approved. Strada was also unwilling to sign the ENA knowing that the schedule could not be met. Strada did review the various legal issues related to the previous Disposition and Development Agreement ("DDA") that covered all of the City Center Parcels, including T-5/6. Strada reviewed the DDA, 13 amendments and numerous deed restrictions, easements, amendments and maintenance agreements that relate to Parcel T-5/6. Strada then worked with staff to prepare a document to eliminate the prior DDA.

On February 2, 2012, Strada initially proposed a project that was consistent with the City Center preliminary Planned Unit Development permit ("PUD99-215") that already was approved for the site. Strada initially proposed to reconfigure the entitled project for large floor plate office space to attract technology tenants. On March 29, 2013 Strada amended its initial proposal to address site issues related to the garage and super dock access by dividing the site into two smaller developments sites. This revised proposal included an approximately 225 key hotel and an approximately 330,000 square foot office building. Strada has submitted a number of documents, including several potential schemes that vary the location of the office and hotel. One of the designs even proposes residential over the hotel. On November 19, 2013 Strada submitted a revised proposal, see **Attachment B** - Strada Letter.

Now that the title issues are being cleaned up, Strada has requested that the ENA schedule be revised to allow for an additional six months to cover the time for these delays. Strada proposes to complete a market analysis, hire an architect and prepare schematic designs, hire consultants, complete CEQA review, obtain planning entitlements, and negotiate a DDA for the purchase of the site, during the ENA period. For the full schedule of tasks to be performed during the ENA period by Strada and the City see **Attachment C** - Schedule of Performance. Once Strada completes ENA activities and staff negotiates the terms of a sale and development of the property, staff will then return to the City Council with a recommendation to enter into a DDA between the City and Strada.

### PUBLIC OUTREACH/INTEREST

Although there are entitlements for the site, Strada will at least need to complete a final Planned Unit Development permit which includes design review. This will require a full community review process with at least one community meeting and a public hearing before the Planning

Commission. These activities are required by the ENA, see items 12 and 30 on the Schedule of Performance.

### COORDINATION

The Office of Neighborhood Investment coordinated this report with the City Attorney's Office, the Budget Office and Strada. During the ENA period, it will also be vital to coordinate the environmental review tasks for the Property with the City's Department of Planning and Building and possibly the Public Works Agency. The execution of the ENA and negotiations for the DDA will involve extensive cooperation with the City Attorney's Office

### COST SUMMARY/IMPLICATIONS

The proposed legislation does not commit the City to the expenditure of any funds. Strada will bear sole responsibility for all costs associated with developing the project for approval, including consultant fees, permitting fees, legal fees, financing expenses, etc. The ENA shall require payment of a \$25,000 Project Expense Payment by Strada for purposes of reimbursing City for its third party expenses.

The sale of the property under an eventual DDA could generate as much as \$3.3 million.

### POLICY ALIGNMENT

Strada's proposed use of the property is consistent with the intent of the General Plan, Redevelopment Plan and City Center Planned Unit Development permit, all of which have included extensive community engagement processes. Any changes to the City Center Planned Unit Development permit will require additional community engagement and public process.

### SUSTAINABLE OPPORTUNITIES

*Economic:* The sale to Strada would generate land sale proceeds of up to \$3.3 million, which will be divided among the taxing entities including the City per the LRPMP. The development would put vacant underutilized land into productive use and facilitate development of office space, a hotel and a modest amount of retail. There would be significant employment opportunities after the project is built as well as jobs during construction. Staff assessment of project employment benefits includes approximately 473 man years of construction jobs, 1,000 FTE office jobs, 100 FTE hotel jobs and five FTE retail/commercial jobs. The project is anticipated to generate significant tax benefits to the City, including \$1.6 million in transient occupancy tax, \$505,000 in annual property taxes, \$151,000 in annual business license tax and \$22,000 in annual sales tax.

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**Environmental:** The project will need to meet the California Green Building Code and Oakland Green Building Ordinance, which will require use of low energy and low water building systems, recycling of building materials and waste, and other green techniques. The project also is adjacent to major public transportation nodes and will likely encourage workers, hotel guests and retail customers to use BART and AC Transit.

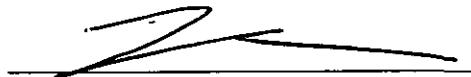
**Social Equity:** The ENA only establishes a planning process for the project. The final design has not been determined, but it may include elements like publicly accessible open space.

**CEQA**

The ENA only establishes a planning process, including CEQA review. CEQA review will be completed prior to approval of the DDA.

For questions regarding this report, please contact Patrick Lane, Redevelopment Manager, at 510-238-7362.

Respectfully submitted,



Fred Blackwell, Assistant City Administrator

Reviewed by:  
Gregory Hunter  
Office of Neighborhood Investment

Prepared by:  
Patrick Lane, Redevelopment Manager

- ATTACHMENTS  
Attachment A - City Center T-5/6 Parcel Map  
Attachment B - Strada Letter  
Attachment C - Schedule of Performance

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ASSESSOR'S MAP 2

ATTACHMENT A

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SCALE: 1" = 80'

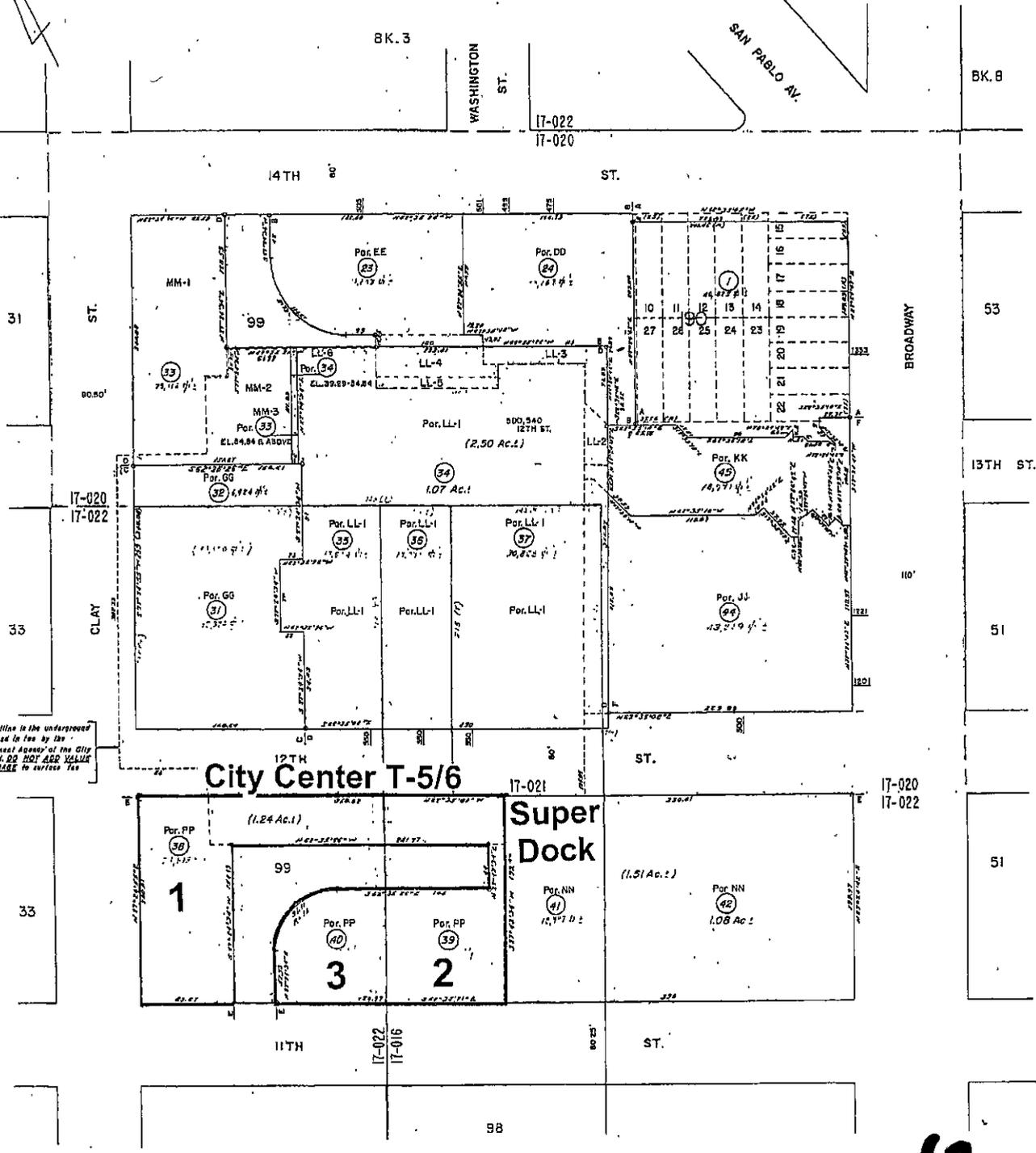
- (A) OAKLAND (KELLERSBERGER'S) (BK. 7 PG. 3)
- (B) P.M. 4976 (69/8 (ELEV. 34.20 & ABOVE)
- (C) P.M. 5372 (76/84 (ELEV. 39.29 & ABOVE)
- (D) P.M. 5410 (78/82 (ELEV. 34.20 & ABOVE)
- (E) P.M. 5533 (80/74 (ELEV. 39.29 & ABOVE)
- (F) P.M. 5456 (82/71 (ELEV. 34.20 & ABOVE)

City Center T-5/6 Parcel Map

REVISIONS: 3-12-84 PB, 12-6-88 PB, 7-11-90 PB  
 10-9-05 PB, 3-20-09 PB  
 6-8-07 PB, 6-22-09 SV  
 4-07-08 CS, 9-12-09 JCR  
 10-15-08 JT, 1-05-10 PB  
 10-25-08 RC, 4-25-10 PT

DRAWN: 5-3-83 PB.  
 31 ST.  
 00.50'

FORMERLY: BLKS. 39, 41, 43 & 45  
 33 ST.  
 11TH ST.



Dashed outline is the underground garage owned in fee by the Redevelopment Agency of the City of Oakland. DO NOT ABE VALUE of the GARAGE to surface fee owners!

City Center T-5/6

Super Dock

6

A.C.M.

REF: CASE 1-7-11 R.S. 475 (A.B. BK. 8 PG. 92), R.S. 556 (A.B. BK. 10 PG. 14) RM. 3957 (12/7/43)

COMMUNITY & ECONOMIC DEVELOPMENT CMTE.

DEC 17 2013

November 19, 2013

Patrick Lane  
Redevelopment Manager, City Of Oakland  
Office of Neighborhood Investment  
250 Frank H. Ogawa Plaza, Suite 5313  
Oakland CA 94612

**RE: City Center: T-5/6**

Dear Patrick,

As we have discussed, Strada Investment Group ("Strada" or "we") recommends exploring a two-pronged approach to the future development of Block T5/6 (the "Site"). We will analyze the construction of a:

1. **Large floor-plate creative office development**  
Large floor-plate (40,000 sf of rentable space per floor) office building designed to accommodate technology-industry tenants that desire collaborative and open work environments. We would target a building size of roughly 350,000 gross square feet (assumes 8 story building) with a retail component on the ground floor.

This development program may be challenging from a constructability perspective for two reasons:

- a. Building above the City Center Garage and Superdock ramps will require cooperation from various private parties. Our preliminary review of the associated documentation gives us comfort this can be accomplished.
- b. Situating building structure above the City Center Garage will likely be extraordinarily expensive and potentially disruptive to the garage.

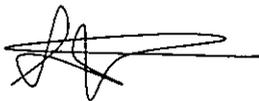
Strada will study these issues during the ENA period.

2. **Mixed-use, multi-phased development scheme including both hotel and office uses**  
We believe the Site best accommodates two distinct structures: i) a 225-250 key boutique hotel (and potentially residential) located on Clay Street, between 11<sup>th</sup> and 12<sup>th</sup> Streets and ii) a roughly 330,000 gross square foot office tower located mid-block along 11<sup>th</sup> street (see attached diagram).
  - a. A 250 key hotel would contain roughly 165,000 gross square feet, assuming a 15 story structure is built upon the approximately 14,000 square foot parcel. Given that residential and hotel projects have similar optimal floorplate dimensions, Strada will analyze both. Benefits of this approach include:

- i. Hotel can be built without disturbing the 11<sup>th</sup> Street City Center Garage/Superdock ramp (in line with the plan outlined in the Ninth Amendment to the DDA for the Oakland City Center Project);
  - ii. Hotel can be built without situating any structure above the City Center Garage;
  - iii. Clay Street frontage is ideal for hotel sense of arrival and related retail amenities;
  - iv. Adjacency to the Convention Center will leverage existing hospitality investment by the City of Oakland;
  - v. Financing programs such as EB5 are being actively used to construct hotels across the United States. We have experience in arranging this financing and are confident it could be achieved on the Site.
- b. The office building would contain roughly 330,000 gross square feet, assuming an 18 story structure with 16,560 net rentable square foot floor-plates is built upon the roughly 23,000 square foot parcel on 11<sup>th</sup> Street. Benefits of this approach include:
- i. The smaller floorplates allow the office building to be built without disturbing the 11<sup>th</sup> Street City Center Garage/Superdock ramp (in line with the plan outlined in the Ninth Amendment to the DDA for the Oakland City Center Project). An aesthetic "deck" could likely be constructed over the lower portion of the City Center Garage/Superdock ramp.
  - ii. The office building can be built without situating any structure above the City Center Garage;
- c. The area above the City Center Garage on 12<sup>th</sup> Street can be landscaped and potentially tied into the office building in an aesthetically attractive manner. Other potential uses of this space include a public art park or a street activating retail experience through create projects such as container parks.

We are excited about this opportunity and look forward to exploring both development schemes in cooperation with City of Oakland staff.

Thank you,



Scott Stafford

cc: Jesse Blout; Michael Cohen; Josh Mogabgab

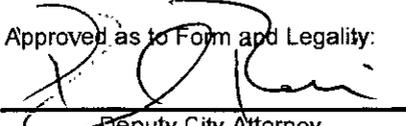
**ATTACHMENT C  
SCHEDULE OF PERFORMANCE**

Property T 5-6  
 Developer Strada Investment Group  
 Initial City Council Approval: July 16, 2013  
 Negotiation Period: 18 months w 180 day extension option  
 Approximate Execution of ENA: January 7, 2014  
 Project Expense Payment: \$25,000

		ENA SCHEDULE OF PERFORMANCE	Calendar days to complete	Due date
1	CEQA & PERMITS	City provides all existing environmental, geological, engineering and other reports about Property's condition	90	14-Oct-13
2	DESIGN	Developer retains design team to prepare concept plans	90	14-Oct-13
3	PROJECT TEAM	Description of financial and legal structure of the Development Team	150	13-Dec-13
4	PROJECT TEAM	Balance sheets and income/loss statements for last 2 years(2011, 2012) for Development Team, including Developer's expanded team	150	13-Dec-13
5	PROJECT TEAM	Developer's LLC status	150	13-Dec-13
6	PROJECT TEAM	Development team's experience including architect, structural engineers, general contractors, marketing & real estate firm	150	13-Dec-13
7	PROJECT TEAM	Development team's litigation status	150	13-Dec-13
8	MARKET STUDY	Complete market feasibility study	210	11-Feb-14
9	FINANCING	Proformas budget, sources & uses of funds, 10-yr cash flow, operating budget	270	12-Apr-14
10	FINANCING	Project development schedule	270	12-Apr-14
11	FINANCING	Developer and City agree on basic transaction structure and terms.	270	12-Apr-14
12	CEQA & PERMITS	Developer retains environmental consultants to prepare documents for CEQA review of Project Developer's CEQA consultant shall compare proposed development project with the development program assumed for the Lake Mernt Station Area Plan	270	12-Apr-14
13	FINANCING	List of lenders and investors approached	270	12-Apr-14
14	DESIGN	First public meeting on proposed development plan	300	12-May-14
15	CEQA & PERMITS	Submit Project Description for environmental review purposes to City	300	12-May-14
16	CEQA & PERMITS	Submit applicable zoning and land use permit pre-applications and a schedule of approvals.	300	12-May-14
17	DESIGN	Second public meeting on proposed development plan	330	11-Jun-14
18	CEQA & PERMITS	Based on the specific CEQA approach for the project, Developer's CEQA consultant shall prepare a draft scope of work, based upon the City's "Guidelines for Environmental Consultant Contracts Concerning Private Development Projects" (dated 1/5/12), for City review and approval, that analyzes the specific environmental topics and type of CEQA document that is required to complete CEQA clearance – Initial Study, Addendum and/or Supplemental EIR	330	11-Jun-14
19	DESIGN	Schematic Design Plans, plan for public art, and list of public improvements	390	10-Aug-14
20	CEQA & PERMITS	Submit applicable zoning and land use permit applications and a schedule of approvals.	390	10-Aug-14
21	CEQA & PERMITS	If supplemental/subsequent EIR is required, Developer's CEQA consultant shall cause the issuance of a NOP subject to City review and approval	390	10-Aug-14
22	FINANCING	UPDATED & REFINED Project development schedule	390	10-Aug-14
23	CEQA & PERMITS	If Addendum and/or other non-EIR CEQA document is required, submit an administrative draft of the CEQA document	420	09-Sep-14
24	MARKET STUDY	Complete marketing strategy	420	09-Sep-14
25	FINANCING	UPDATED & REFINED: Proformas: budget, sources & uses of funds, 10-yr cash flow, operating budget	420	09-Sep-14
26	FINANCING	LOI from lenders and equity partners to finance project	450	09-Oct-14
27	DDA	City submits final appraisal report	450	09-Oct-14
28	DDA	Complete DDA Negotiations	480	08-Nov-14
29	CEQA & PERMITS	Complete CEQA review. Developer Complete environmental assessment, ID site mitigations City complete enviro review, file Notice of Determination	480	08-Nov-14
30	CEQA & PERMITS	Obtain all necessary planning approvals The approval process will include public hearings with the Planning Commission, Design Review Committee, and the Parks and Recreation Advisory Committee (PRAC)	510	08-Dec-14

2013 DEC -5 PM 1:39

Approved as to Form and Legality:

  
Deputy City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**RESOLUTION AMENDING RESOLUTION NO. 84514 C.M.S. TO EXTEND THE NEGOTIATING PERIOD UNDER AN EXCLUSIVE NEGOTIATING AGREEMENT WITH STRADA INVESTMENT GROUP FOR DEVELOPMENT OF THE CITY CENTER T-5/6 SITE BOUNDED BY 11TH STREET, CLAY STREET, AND 12<sup>TH</sup> STREET, TO 18 MONTHS WITH A SIX MONTH ADMINISTRATIVE EXTENSION**

**WHEREAS**, the City owns approximately 1.25 acres of property bounded by 12<sup>th</sup> Street on the north, 11<sup>th</sup> Street on the South, Clay Street on the west and the 1111 Broadway Building on the east (the "Property"), commonly known as the City Center T-5/6 Site; and

**WHEREAS**, on July 16, 2013, the Oakland City Council approved Resolution No. 84514 C.M.S authorizing a 12-month Exclusive Negotiating Agreement ("ENA") with Strada Investment Group ("Strada") for possible development of the Property, with the option by the City Administrator to extend said period by an additional 180 days; and

**WHEREAS**, the ENA has been delayed awaiting approval of the Long Range Property Management Plan by the California Department of Finance and resolution of several issues related to the previous Disposition and Development Agreement that covered the City Center parcels, including the Property; and

**WHEREAS**, the City and Strada wish to extend the term of the ENA; now, therefore, be it

**RESOLVED:** That Resolution No. 84514 C.M.S is hereby amended to extend the initial exclusive negotiating period to 18 months from the date of passage of Resolution No. 84514 C.M.S, i.e., until January 16, 2015, with the option by the City Administrator to extend said period by an additional period of up to six months in her sole discretion; and be it

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COMMUNITY & ECONOMIC  
DEVELOPMENT CMTE.

**FURTHER RESOLVED:** That the City Administrator is authorized to negotiate and enter into agreements and take whatever action is necessary with respect to the ENA, the project, and the Property, including granting the administrative extension of the ENA term per the delegation in this Resolution, consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON McELHANEY, KALB, KAPLAN, REID, SCHAAF, and  
PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

6

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