

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2010 FEB 25 PM 7:57

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: March 9, 2010

RE: **An Agency Resolution Authorizing The Purchase Of Real Property At 2330 Webster and 2315 Valdez Street in the Central District Redevelopment Project Area, From Oakland PPD Return, LLC, For \$4,050,000, Less the Cost of Any Environmental Site Remediation, And Authorizing Up To \$25,000 for Real Estate Closing Costs**

SUMMARY

Staff is requesting approval by the Redevelopment Agency to purchase real property consisting of two adjacent parcels, one located at 2330 Webster Street (Assessor's Parcel Number 008-0668-009) and the second one at 2315 Valdez Street (Assessor's Parcel Numbers 008-0668-004) (together, the "Property"), through a negotiated sales agreement. The purchase will facilitate the improvement and future development of this location.

The subject Property identified in *Exhibit A* to the proposed resolution is owned by PPD Returns, LLC, a California Corporation which is a subsidiary of Midwest Bank. Both parcels are located in the Central District Redevelopment Project Area. The Agency plans to use the Property to create a suitable site for a future development project that would enhance the area and advance the City's Upper Broadway Retail Strategy. The Agency issued and received Central District Tax Allocation Bond Series 2005 (tax Exempt) for the acquisition of underutilized and blighted properties in the Central District Redevelopment Area. Staff recommends that the Agency adopt the attached Resolution authorizing the acquisition of the subject Property.

FISCAL IMPACT

The funding of \$4,050,000 plus an additional \$25,000 for customary real estate closing costs to be allocated for the acquisition of the Property is available in equal parts of \$2,037,500 from the Central District Tax Allocation Bond Series 2005 (tax-exempt) (Fund 9533), Capital Improvement Project - Economic Development Organization (94800), Uptown Garage (21st & Telegraph) Project (P128670), and Central District Tax Allocation Bond Series 2009 (taxable) Fund (9536). Capital Improvement Project - Economic Development Organization (94800), Central District Site Acquisition Project (T314430). The Agency will receive projected annual gross parking revenues of \$240,000 from the site until future development.

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BACKGROUND

The subject site consists of two adjacent parcels containing a total area of +1.42 acres, or approximately 61,988 square feet. In 2005, the City of Oakland Planning Commission approved a development project encompassing the subject site including two additional parcels for a 22-story commercial building (241 feet tall). The Plan called for the construction of a 281-unit condominium project with 21,216 square feet of ground retail and commercial space. Due to the softening demand for condominium space in the downtown area and the downturn of general economy, the approved project was never implemented. Property prices in the area reached an all time high of \$120 per square foot in 2008. Since the later part of 2008, there has been a sizeable downward adjustment for land prices in the area of Broadway and Valdez. At the agreed price, the Agency will purchase the property at \$65.32 per square foot.

The most recent transfer of ownership of property occurred on September 18, 2009 via a trustee deed upon Sale by which Bank Midwest took possession of the property after foreclosing on the 1st deed of trust. In order to market the Property, the owner entered into a listing agreement with Cornish and Carey Commercial (C&C) Real Estate. The Redevelopment Agency was contacted by C&C for possible acquisition. Through a negotiation process, an option agreement was negotiated to acquire the Property for the price of \$4,050,000 less remediation costs. The topography is level and the frontage is improved with sidewalks, curbs, gutters, and a storm drain.

The acquisition of the subject Property is consistent with the implementation of the Central District Area's Redevelopment Plan and the Broadway/Valdez Retail Enhancement Strategy to reuse underutilized properties to develop retail activities in the subject area and revitalize the surrounding community. The size and the location of this Property create potential opportunities for development and support future retail development in the area.

KEY ISSUES AND IMPACTS

Property:

The Property is located in the highly desirable Broadway/Valdez commercial area of the Central District, a neighborhood that is improved with a diverse mix use of land uses that is directly close to the Central Downtown Business District. Broadway is the primary commercial corridor extending through the downtown area from Jack London Square to Macarthur Boulevard. The Property is located one block east from the intersection of Grand Avenue and Broadway and about five blocks from the 19th Street BART station. In the past five years, subsequent to the Signature Properties' mix-used development, the intersection of Grand and Broadway has attracted upscale restaurants and shops and has become a destination choice for many people in the East Bay.

The immediate objective of the acquisition is to gain site control of this vacant and underutilized property that is located at a strategic commercial location in the Central District. All off-site improvements and public utilities are available at the location. Since this is a consensual purchase, the acquisition of the Property of this size and location presents a unique opportunity

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to gain site control for the implementation of the Central District Area's Redevelopment Plan and the Broadway/Valdez Retail Enhancement Strategy, to reuse underutilized and blighted building sites and revitalize the surrounding community. Since the property is being used as a surface parking lot, it offers a revenue stream to the Agency until a new project is approved and developed at this location. The Property was appraised by an independent contract appraiser, and the fee simple value of the property was determined to be at \$4,250,000.

Broadway/Valdez District Specific Plan:

Given the area's transitioning land uses and relatively high amount of underutilized land, City staff in 2006 identified Broadway Auto Row—the area along and adjacent to Broadway between Grand Avenue and Interstate 580—as a prospective site for a major shopping place. Subsequently the concept was deemed feasible in the Upper Broadway Strategy, a component of the Oakland Retail Enhancement Strategy, completed in September 2007. Requirements for feasibility included retail plus additional higher land value paying uses such as housing and/or office, publically sponsored parking and improvements and much coordination on the part of the City to make the plan come to fruition. The strategy assumed the Redevelopment Agency would use available funds in the Central District Redevelopment Area to do some land acquisitions.

Since the strategy was completed, the City has commissioned a specific plan to lay out and codify the vision of the City's goals in the area. Analysis by a team led by Wallace Roberts Todd / Solomon ETC suggests that the Valdez Triangle, the area roughly bounded by Broadway, 27th Street, Harrison Street and 23rd Street offers the best opportunity for establishing a lifestyle¹ retail district. The area has the size (20+ acres) to accommodate major anchor stores and the complement of mid-size and minor anchors and smaller retailers necessary to support them. It provides a multi-block area with a system of streets that can support walkable, street-oriented retail. The area is easily accessible by transit and regional freeways and is adjacent to the Downtown and established neighborhoods. Characteristics of a successful retail destination include public sector participation to assist in implementation of a project of such complexity and public value. As of this writing, the team is in the process of refining draft land use alternatives (DLUA), for the Valdez Triangle and for an area on Broadway north of 27th Street.

Concepts identified for the 2330 Webster/2315 Valdez block in the DLUA call for a combination of retail, residential and parking uses. Up to 5,460 parking spaces are called for in the Valdez Triangle in the DLUA, with up to 800 spaces in the 2330 Webster/2315 Valdez block, fifteen percent of the whole.

Existing Parking Lease:

For the past 10 years, the Property has been managed by Douglas Parking Company as a surface parking lot on a month to month agreement. The Douglas parking occupancy is technically a sub-tenancy, since a "parking lease" benefiting the ownership of the Ordway Building (two blocks South) has been in force since 1983. This document is unrecorded, though it is referred to in various recordings dating from December, 1988. The existing parking agreement calls for

¹ "Lifestyle retail" has a variety of definitions, but typically occurs in an open air or street-oriented environment, includes a mix of food and entertainment uses with retail, and emphasizes the social aspects of shopping.

allocation of 200 parking spaces for the ownership of the Ordway Building. The parking lease has a potential impact on the value and future development of the subject property. If the parking lease stays in force, then new proposed projects would be required to satisfy the requirement of the parking lease, which specifies that up to 200 parking spaces must be available to tenants in the Ordway Building, for which the property owner may charge market rent for their occupancy. However, the terms of the parking agreement have not been utilized in the last 10 years, and in conversation with the Planning Department, there is consideration that the parking requirement could be terminated. CIM Group, the owner of the Ordway building, has expressed interest in working with the City on the future development of parking in the area. Furthermore, the Broadway/Valdez Retail Enhancement Strategy study noted that there is an urgent need for additional parking in this area to support future retail developments. If the subject site is developed to incorporate additional parking capacity to support the planned retail activities in the Broadway/Valdez area, then the impact of the existing parking lease is minimal on the value of the site, since the parking requirement is mitigated by development of the site with parking.

The subject property is a critical site for the implementation of the parking plan for the Valdez Retail district. The Retail Strategy presents three development alternatives for the Valdez Area. All of the alternatives identify the subject property as a key site for a mixed-use project (retail/housing with increased density depending on the development alternative) that must include substantial publicly funded (and owned) parking with 600 - 800 spaces.

The property owner has agreed to enter into an option agreement to sell the Property to the Agency for a total of \$4,050,000, less the cost of any environmental remediation required. The negotiated sales price does not include an additional non-refundable option fee of \$5,000, which will be applied toward the purchase price if the Agency completes the purchase. The option agreement allows the Agency to control the site until the Agency can make a determination on the purchase of the Property. If the Agency approves the Resolution, after the completion of all due diligence, the acquisition is expected to commence immediately and should be completed by the middle of April of 2010. Staff has already completed a Phase I environmental investigation of the Property and is in the process of completing a Phase II environmental investigation for the site.

The timing of the development of the property is connected to the implementation of the Broadway/Valdez Retail Enhancement strategy. Staff currently expect the Specific Area Plan to be completed and submitted for Council approval by January, 2012. Next, staff would work with developers for one to two years. In total, staff expect that development of the site would take place roughly four to seven years after the purchase; the Agency would hold the property during that period.

PROJECT DESCRIPTION

2330 Webster Street

The 1.42 acre site comprises the majority of the block bounded by 23rd Street on the south, 24th Street on the north, Webster Street on the west and Valdez Street on the east. The site is currently

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a surface parking lot containing striping for 196 parking stalls. The subject fronts on 23rd Street for 100 feet, on Valdez Street for 319 feet and on Webster Street for 319 feet.

The property is zoned C-40/S-5 Community Thoroughfare Commercial Zone/Broadway Retail Frontage Interim Combing Zone Regulations. The General Plan Designation is Community Commercial. The C-40 zone permits a wide range of local serving business occupancies as well as multi-unit residential uses up densities as permitted under R-70 zoning. The site is located near the Lake Merritt area of downtown Oakland in an area known as the Broadway/Valdez District, which contains a diverse mixture of urban land uses, including the YMCA, newly opened restaurants and shops on the corner of Broadway and Grand Avenue, residential uses, office uses and auto repair business.

According to the MAI contract appraisal report, the appraiser's analysis indicates that the highest and best use for both parcels combined is continued occupancy and use as paved vehicle parking, until such time as the property is developed to its highest and best use. Upon completion of the acquisition of the Property, staff would begin the planning and marketing of the site for future redevelopment opportunities.

SUSTAINABLE OPPORTUNITIES

Economic: In its present condition the subject Property makes limited economic contribution to the area. Future projects at this location, such as a retail center, parking structure and commercial uses, will improve neighborhood conditions, address the needs of the residents, and increase tax increments. Such projects are consistent with the Central District Redevelopment Plan and they will make the area more attractive to current and prospective residents, as well as businesses that can provide employment in the City of Oakland.

Environmental: The acquisition of the subject Property and future development at this location are expected to create an attractive addition to the community, stimulating further neighborhood retail and mix-use developments.

Social Equity: The proposed acquisition and potential development will provide further positive stimulus to the local neighborhoods. This future development will be a welcome contribution to the continued safety, growth, and stability of the neighborhood.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no impact on access for senior citizens or the disabled from this proposed action.

RECOMMENDATION AND RATIONALE

Staff recommends that the Agency adopt the Resolution authorizing the purchase of real property of two adjacent parcels, one located at 2330 Webster Street and the second one at 2315 Valdez Street in the Central Redevelopment Project Area, from Oakland PPD Return, LLC for \$4,050,000, less the cost of any environmental site remediation, and authorizing up to \$25,000

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for real estate closing costs. Approving the Agency Resolution will further the objectives of the Central District Development Plans to improve the Project Areas with positive economic stimulus, thereby creating better communities for residents.

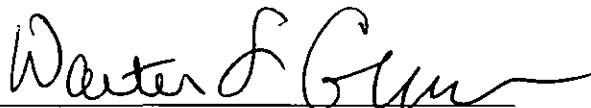
ALTERNATIVE RECOMMENDATION

The Agency Board could choose to not exercise its option to purchase the subject property. Staff does not recommend this option. The purchase of the 2330 Webster Street and 2315 Valdez Street parcels would represent an important symbolic and material commitment by the Agency toward the goal of creating a major destination retail site in the Upper Broadway area. By contrast, a failure to exercise the purchase option could allow the site to be purchased by an outside entity, whose goals for the site may not be compatible with or supportive of the City's vision for destination retail in this location.

ACTION REQUESTED OF THE AGENCY

The Agency is requested to adopt the Resolution authorizing the purchase of real property at 2330 Webster Street and 2315 Valdez Street in the Central District Redevelopment Project Area, from Oakland PPD Return, LLC, for \$4,050,000, less the cost of any environmental site remediation, and authorizing up to \$25,000 for real estate closing costs.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by Gregory Hunter Deputy Director
Economic Development and Redevelopment

Reviewed by: Frank Fanelli, Manager
Real Estate Services Division

Prepared by: Hamid Ghaemmaghami
Real Estate Agent

FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:

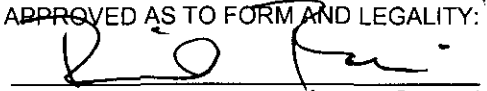


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APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

AN AGENCY RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY AT 2330 WEBSTER AND 2315 VALDEZ STREET IN THE CENTRAL DISTRICT REDEVELOPMENT PROJECT AREA FROM OAKLAND PPD RETURN, LLC, FOR \$4,050,000, LESS THE COST OF ANY ENVIRONMENTAL SITE REMEDIATION, AND AUTHORIZING UP TO \$25,000 FOR REAL ESTATE CLOSING COSTS

WHEREAS, the Central District Redevelopment Plan adopted by the City Council on June 12, 1969, includes alleviation of general blight and unsafe conditions as a goal for the Central District Project Area; and

WHEREAS, the Redevelopment Agency is implementing projects in the Central District Redevelopment Project Area as part of the Redevelopment Plan to improve the Redevelopment Area; and

WHEREAS, Section 33391 of the California Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) authorizes a redevelopment agency to purchase real property in a project area for purposes of redevelopment; and

WHEREAS, real property consisting of two adjacent parcels, one located at 2330 Webster Street (Assessor's Parcel Number 008-0668-009) and the second one at 2315 Valdez Street (Assessor's Parcel Numbers 008-0668-004) are both located in the Central District Redevelopment Project Area (together, these two parcels are referred to as the "Property" and are further identified in Exhibit "A" to this Resolution); and

WHEREAS, the Property, consisting of two surface parking lots encompassing a total of approximately 62,000 square feet, is currently blighted and underutilized; and

WHEREAS, the Agency desires to acquire and hold the Property for future development, to rid the Property of blight, and to redevelop the Property in the future; and

WHEREAS, PPD Return, LLC, the owner, offered to sell the Property to the Agency at its fair market value of \$4,050,000 minus the cost of site remediation, to assist the Agency in its redevelopment efforts in the Central District Redevelopment Project Area; and

WHEREAS, the sale by the owner was not induced, the sale price is established by an appraisal, and no federal funds will be used for acquisition of the Property; and

WHEREAS, the Property has been appraised, a Phase I environmental investigation has been completed, and the Agency has an option to enter into a purchase and sale agreement with the owner of the Property to acquire the Property for \$4,050,000, less any site remediation costs; and

WHEREAS, the cost of real estate closing is estimated to be \$25,000; and

WHEREAS, the Agency issued Central District Tax Allocation Bond Series 2005 (tax-exempt) and Central District Tax Allocation Bond Series 2009 (taxable) to be used for, among other things, the acquisition of vacant, blighted, obsolete and/or underutilized properties in the Project Area; and

WHEREAS, funding for the acquisition of the Property is available from Central District Tax Allocation Bond Series 2005 (tax-exempt) (Fund 9533), Capital Improvement Project - Economic Development Organization (94800), Uptown Garage (21st & Telegraph) Project (P128670) and Central District Tax Allocation Bond Series 2009 (taxable) Fund (9536). Capital Improvement Project - Economic Development Organization (94800), Central District Site Acquisition Project (T314430); and

WHEREAS, the requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the Agency hereby authorizes the Agency Administrator to negotiate and execute an agreement for the purchase of the Property for a purchase price of \$4,050,000 minus the cost of site remediation; and be it

FURTHER RESOLVED: That the Agency hereby finds and determines as follows:

1. That the funding of the acquisition of the Property from redevelopment funds will benefit the Central District Redevelopment Project Area by creating future development opportunities to better serve area residents and businesses and improve physical conditions in the Redevelopment Project Area;
2. That the use of tax increment funds from the Central District Redevelopment Project Area for the purchase is consistent with the implementation plan adopted for the Central District Project Area and will assist in the elimination of blight in the Project Area by redeveloping underutilized parcels; and be it

FURTHER RESOLVED: That up to \$25,000 shall be used for real estate closing costs; and be it

FURTHER RESOLVED: That funds in the amount of \$2,037,500 on a will be allocated from Central District Tax Allocation Bond Series 2005 (tax-exempt) (Fund 9533), Capital Improvement Project - Economic Development Organization (94800), Uptown Garage (21st & Telegraph) Project (P128670) and funds in the amount of \$2,037,500 will be allocated from Central District Tax Allocation Bond Series 2009 (taxable) Fund (9536). Capital Improvement Project - Economic Development Organization (94800), Central District Site Acquisition Project (T314430); for this purpose; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA under Section

15061(b)(3) (activity covered by the general rule, no significant effect on the environment) and Section 15183 (projects consistent with the General Plan) of the CEQA Guidelines, and directs the Agency Administrator to file a Notice of Exemption and an Environmental Declaration (under California Fish and Game Code section 711.4) with the County of Alameda; and be it

FURTHER RESOLVED: That the Agency Administrator or his designee is hereby authorized to negotiate and execute all agreements 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 agreements and other documents related to this acquisition as to form and legality, and a copy shall be placed on file in the Office of the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2010

PASSED BY THE FOLLOWING VOTE:

AYES- KERNIGHAN, NADEL, QUAN, DE LA FUENTE, BROOKS, REID, KAPLAN, AND
CHAIRPERSON BRUNNER

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

Exhibit "A"

2330 Webster & 2315 Valdez Street



Exhibit "A"

2330 Webster & 2315 Valdez Street

