



# AGENDA REPORT

**TO:** Jestin D. Johnson  
City Administrator


**FROM:** Ashleigh Kanat  
Director, Economic &  
Workforce Development  
Department

**SUBJECT:** 2100 Telegraph Ave. Fourth DDA  
Amendment

**DATE:** June 26, 2024

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City Administrator Approval

  
Jestin Johnson (Jul 2, 2024 10:56 PDT)

Date:

Jul 2, 2024

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## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt:**

**An Ordinance Authorizing The City Administrator To Execute A Fourth Amendment Of The Disposition And Development Agreement Between The City Of Oakland And W/L Telegraph Owner, L.L.C., For Development Of 2100 Telegraph Avenue, To Add Two Alternatives To The Project Description, And Modify And Add Potential Term Extensions With Payments Of \$700,000 In 2024, \$500,000 In 2028, \$600,000 In 2030, And \$700,000 In 2032; And Adopting California Environmental Quality Act Findings**

## **EXECUTIVE SUMMARY**

The proposed Ordinance would authorize a fourth amendment to an existing Disposition and Development Agreement (“DDA”) between the City of Oakland (“City”) and W/L Telegraph Owner, L.L.C. (“Developer”). Developer is a joint venture partnership comprised of Walton Street Capital, Lane Partners, and Strategic Urban Development Alliance formed to develop the City-owned property at 2100 Telegraph Avenue, which currently contains the Telegraph Plaza Garage (“Property”), as shown in **Attachment A**. The Property is part of a larger project being pursued by the Developer, commonly known as the Eastline Project. The DDA currently allows two development schemes, including a high-rise residential option (“Scheme A”) and a commercial high-rise option (“Scheme B”). The Developer originally planned to build Scheme B as a new headquarters for Kaiser Permanente on the site.

However, due to the unexpected passing of Kaiser’s CEO and the pandemic, Kaiser Permanente cancelled its plans for the new headquarters on the site. As a result of the loss of the Kaiser

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headquarters project and the uncertainty of the real estate market, the Developer has proposed amending the DDA to revise the project description and extend the term of the DDA.

The proposed amendment would add two alternative schemes, a mid-rise residential and a mid-rise commercial option, to the project description in the DDA. The amendment would also modify the term of the DDA to allow for four (4) more extensions, beyond the two that have already been implemented and would require payments to the City for the extensions as follows: \$700,000 in 2024, \$500,000 in 2028, \$600,000 in 2030, and \$700,000 in 2032. An amendment to the DDA will provide the Developer more time to complete this significant project in Downtown Oakland, allowing them time to seek entitlements for options that may be more feasible given current market conditions. The additional time will also allow the developer time to complete construction documents, obtain building permits as well as to secure financing and meet all the preconditions for the transfer of the property.

### **BACKGROUND / LEGISLATIVE HISTORY**

On July 16, 2019, City Council adopted [Ordinance No. 13558 C.M.S.](#) authorizing a DDA with the Developer for the development of a City-owned property at 2100 Telegraph Avenue. The DDA included two alternatives: **Scheme A**, an office/residential/ retail development including approximately 989,550 gross square feet of office, a residential tower of approximately 395 residential units (373,750 gross square feet), approximately 85,000 square feet of ground floor retail, approximately 18,500 gross square feet of community or assembly space, and parking; or **Scheme B**, an office/retail development including approximately 1,600,000 gross square feet of office, approximately 68,300 gross square feet of ground floor retail, approximately 20,735 gross square feet of community space, and parking. The Developer also purchased the private parcels surrounding the City's property and now controls the entire block, as shown on **Attachment A**.

In 2019 the Developer planned to construct Scheme B as a large commercial office building, known as the Eastline project, with ancillary parking and retail, containing a new headquarters for Kaiser Permanente. However, Kaiser pulled out of the anticipated project due to the pandemic and the unexpected passing away of its Chief Executive Office, and the project did not move forward. The loss of Kaiser Permanente and uncertainty of the real estate market have delayed the project. The office market in Oakland and throughout the Bay Area has now significantly weakened and even residential projects are not financially feasible at this time.

Since that time, the DDA has been amended three times, including time extensions provided under the original DDA to allow the Developer to continue work on the project. The amended DDA currently requires the Developer to meet a number of task deadlines in May, June, and July 2024, with a closing on the purchase of the Property by July 16, 2024. The DDA also allows for two more one-year extensions of these task due dates, but these extensions do not provide the Developer enough time to update the planning entitlements for the new proposed alternatives. The proposed extensions will allow the Developer to complete the entitlement process, construction documents, obtain building permits, secure financing and complete other conditions required before the transfer of the Property.

### **ANALYSIS AND POLICY ALTERNATIVES**

The proposed amendment to the DDA will include the following elements.

#### *1. Change to the Minimum Project*

The existing project includes two approved, high rise development alternatives known as Scheme A or Scheme B as described above (the Original Project). Given the state of the current office and housing

markets, the Developer is now considering two additional alternatives that would be more financially feasible, which will be incorporated into the minimum project defined in the DDA. The two additional alternatives are:

- **Scheme C**, a mid-rise residential project with at least 300 units with ancillary retail and parking; and
- **Scheme D**, a mid-rise commercial project with at least 250,000 square feet of office, hospitality, retail, and/or other commercial uses.

Consistent with the approved DDA, the Developer will also provide community space at below-market-rate rent for tenants such as art organizations, gallery/exhibit uses and nonprofits, and/or similar organizations. Schemes C and D will include approximately 8,000 square feet of community space.

The revised project will continue to provide up to 350 public parking spaces to replace existing parking from the garage, which will serve the Paramount Theater and other downtown uses.

The Developer will keep the existing entitlements for Scheme A and Scheme B in place and will seek entitlements for the new proposed Scheme C and Scheme D alternatives. The DDA covers only the City's Property, which would now be part of Scheme C and Scheme D, which Developer proposes as the first phase of the development of the entire block. A smaller second phase on Developer's private property would accommodate another 200 residential units and related ground floor retail and parking.

The Original Project had anticipated a high-rise office and/or residential project. Recent market conditions, lower rents, and higher interest rates in particular, support adding the new alternatives to the Original Project to permit a mid-rise development. These additional alternatives and changes to the minimum project will allow the Developer to be nimble and responsive to changing market demands.

## *2. Extension of DDA Term and Additional Extension Fees*

The Developer has paid for the first two extensions under the DDA, so that the projected closing date is now July 16, 2024. Given the proposed changes to the project, the Developer will need additional time to revise the entitlements before starting on the design development documents, construction documents, financing and other tasks required by the DDA. Additional extensions will also allow time for the market to recover and allow a project to become feasible and buildable.

The proposed amendment to the DDA will therefore modify the term of the DDA to allow for four (4) more extensions instead of the existing two extensions.

In addition, the DDA will be amended to require new and increased payments for the four extensions (the two existing extensions and the two new ones) as follows: \$700,000 in 2024, \$500,000 in 2028, \$600,000 in 2030, and \$700,000 in 2032. If the Developer exercises all four extensions and makes the required cumulative payments of \$2,500,000, the Developer will have until July 16, 2034 to complete all the pretransfer tasks and purchase the site.

Approval of this item will further the Citywide priority of addressing housing, economic and cultural security by ensuring that the City's property at 2100 Telegraph is put into active use, generating significant economic benefits, tax revenue, housing units, as well as providing space for community use.

## **FISCAL IMPACT**

The extension payments of \$700,000, \$500,000, \$600,000, and \$700,000 will be accepted and appropriated into the Central District TA Bond Fund 2009T (Fund 5613), Central District Redevelopment Organization (85245), 2100 Telegraph Project (1006501), Downtown Redevelopment Program (SC13).

In addition, the City Council authorizes fifty percent of the net sale proceeds (estimated to be approximately \$11,200,000), to be accepted and appropriated for affordable housing citywide and the other fifty percent will be used for redevelopment activities in the Central District as well as staffing.

In addition, the project will generate substantial tax revenue for the General Fund, including Transfer Tax, Property Tax, Sales Tax, Business Tax and Parking Tax, as well as impact fees. While the exact amount of taxes is not easy to estimate until the specific scheme is selected, under the most likely scheme, Scheme C, the project would generate approximately \$1,012,436 in City taxes annually, including property tax, business tax, parking tax and sales tax. The project will also generate approximately \$715,500 in Transfer Tax when the Property is transferred to the Developer. The City will also receive approximately \$8,897,319 in affordable housing impact fees and \$809,400 in other impact fees.

The mid-rise Scheme C would result in less revenue to the City than the higher density project that was originally contemplated, likely about half the tax revenue generated by the high-rise scheme. However, given the current real estate market, and the lack of demand for new office space in Oakland and the broader Bay Area, the likelihood of the high rise schemes being built over the next decade or two is low.

### **PUBLIC OUTREACH / INTEREST**

The Developer team held four well-attended community meetings in November 2015, November 2016, February 2018, and April 2019 to present the project, obtain community input and provide updates on the plans in response to that input. Fifteen to twenty smaller focus group community engagement sessions were held in addition to the large community gatherings.

The City Planning Commission conducted a public scoping session for the Draft Environmental Impact Report ("EIR") of the proposed project on December 21, 2016. The final EIR and a final Development Plan were subsequently certified by the Planning Commission on July 18, 2018. The entitlements for the new Schemes C and D will require additional public meetings at the Planning Commission.

### **COORDINATION**

The following City departments were consulted during the preparation of this report: the Office of the City Attorney; Department of Workplace and Employment Standards; Department of Transportation, Off-Street Parking Division; Planning and Building Department; and the Budget Bureau.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** The proposed project will result in a mixed-use development that will add to the City's tax base and provide stimulus to the local economy. The project's mix of residences, office and ground floor retail, and proximity to public transit will significantly increase the downtown population who will patronize restaurants, shops, and services. The project will generate between 300 and 1,100 construction jobs and between 90 and 4,000 permanent jobs depending on which project alternative will

be developed.

**Environmental:** The proposed project site is located on or near BART stations, bus lines and bicycle corridors, allowing office commuters a variety of transportation alternatives to cars. In addition, the Developer will ensure project compliance with the City's Green Building Ordinance and endeavor to receive Leadership in Energy and Environmental Design ("LEED") certification. The DDA also includes terms related to use of renewable energy, and protection of indoor air quality.

**Race & Equity:** Compliance with the City Local Hire and Small/Local Business Enterprises Programs on a project of this size will offer significant opportunities to Oakland residents for employment and training, as well as contracting opportunities for local business. The Developer will make a \$2 million contribution to support workforce training for Oakland residents. The location of the project adjacent to a regional transit station and multiple transit nodes will allow for a wide range of access to employment, and accommodate diverse commuters, including those for whom extended auto commuting is unaffordable.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**


The City Council hereby finds that this action is exempt under California Environmental Quality Act ("CEQA") Guidelines section 15063(b)(3) (common sense exemption) since the action under consideration is limited to the Fourth Amendment, an extension of an existing real estate contract, which has no reasonable possibility of an effect on the environment. On a separate and independent basis, the City Council finds that the anticipated environmental effects of the Original Project have been adequately evaluated by the 2100 Telegraph Avenue Project Environmental Impact Report. Therefore, in accordance with California Public Resources Code Section 21166 and CEQA Guidelines Sections 15162, 15163, and 15164, the EIR will comprise the full and complete CEQA evaluation necessary and no further CEQA evaluation will be required for this action.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt An Ordinance Authorizing The City Administrator To Negotiate And Execute The Fourth Amendment To The Disposition And Development Agreement And Related Documents Between The City Of Oakland And W/L Telegraph Owner, LLC In A Form And Content Substantially In Conformance With The Terms Described In The Agenda Packet.

For questions regarding this report, please contact Patrick Lane, Annuitant, Public Private Development, at 510-238-3317.

Respectfully submitted,

  
Ashleigh Kanat (Jul 1, 2024 14:09 PDT)

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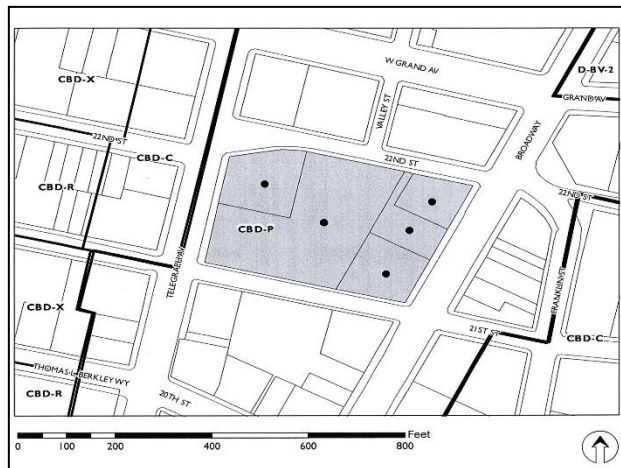
Attachments (1)

**Attachment A:** Site Map & Aerial View

# Attachment A



2100 Telegraph Aerial View



Larger Project Site