



FILED
OFFICE OF THE CITY CLERK
OAKLAND
2012 APR 17 AM 10:43

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: ENA Foods Co Coliseum Area

DATE: March 28, 2012

City Administrator
Approval

Deanna AR

Date

4/16/12

COUNCIL DISTRICT: # 6

RECOMMENDATION

Staff recommends that the City Council adopt the following legislation:

Resolution Authorizing an Exclusive Negotiating Agreement with Ralphs/ Food 4 Less Grocery Company for Development of a Supermarket and Fuel Station at 66th Avenue and San Leandro Street

EXECUTIVE SUMMARY

Staff requests approval of a resolution authorizing the City Administrator to negotiate and execute an Exclusive Negotiating Agreement (“ENA”) with Ralphs / Food 4 Less Grocery Company (“Ralphs”) to assess the feasibility of developing a Foods Co supermarket and fuel station at the northeast corner of 66th Avenue and San Leandro Street. The ENA with Ralphs provides up to twelve (12) months to determine feasibility, complete the environmental review and pursue entitlements for the site. The ENA contemplates the market rate sale of up to four acres of City owned land for the supermarket and fuel center at the northeast corner of 66th Avenue and San Leandro Street along with the use of former City owned land of 2.3 acres for 290 parking spaces.

If the City and Ralphs enter into a Disposition and Development Agreement following the ENA period, the City’s land sale and development of the new supermarket and fuel center will augment general fund revenues, enhance economic development in an underutilized area, and will create new jobs for Oakland residents. The site plan and term sheet are included as *Attachments A and B* to the report.

OUTCOME

Authorizing the City Administrator to negotiate and execute an Exclusive Negotiating Agreement with Ralphs/ Food 4 Less Grocery Company for development of a proposed Foods

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Co Supermarket and fuel station at the Northeast corner of 66th Avenue and San Leandro Street will allow the developer to move forward with the development of this vacant site, returning it to productive economic use and provide the community with a much needed food supermarket.

BACKGROUND/LEGISLATIVE HISTORY

In October 2009, the Community and Economic Development Agency (“CEDA”) solicited proposals via the Notice of Development Opportunity and received one proposal from the Ralphs / Food 4 Less Grocery Company real estate broker to acquire 4 acres of Redevelopment Agency, (“Agency”) land to construct and operate a new supermarket and fuel station. In June 2010, the proposed terms of the purchase proposal were reviewed with the Agency Board in closed session. The Agency Board directed staff to continue negotiations and work with Ralphs to execute an ENA to complete due diligence and feasibility review, design development, and environmental review.

The project proposed by Ralphs is a 72,000 square foot, two phase retail project located on about 6.3 acres along the northeast corner of 66th Avenue and San Leandro Street. The site includes former industrial and AC Transit property. The proposed project would consist of one 72,000 square foot supermarket building with 290 parking spaces along with a fuel station.

The City property sale could facilitate a larger retail project. Ralphs has indicated that if it is successful in acquiring the City property and constructing the supermarket, parking and fuel station, it would be interested in a future plan to develop additional retail and commercial space as additional land and tenants become available.

The former Agency demolished the parking lot, structures and foundations at the property at the 66th Avenue and San Leandro Street site which contained two industrial buildings and two trailers on site. The water tower was retained on the site and Ralphs plans to incorporate it into the new supermarket and fuel station development.

ANALYSIS

Ralphs / Food 4 Less Grocery Company, a California company owned by Kroger’s of Cincinnati, Ohio, is interested in bringing a Foods Co supermarket and fuel station to Oakland, and has preliminarily concluded that the Oakland market has the sales demand for the supermarket and fuel center combination development, and will benefit from the increased sales and fuel service established at the location within the Coliseum market. The ENA period will provide Ralphs an opportunity to further assess market feasibility.

The City would sell to Ralphs/ Food 4 Less the four acres required for the Foods Co store and fuel center property at a market rate of \$29 per square foot. To facilitate the land transaction the

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City would also consider leasing 2.3 acres of City owned land, located immediately adjacent to the four acres, for 290 parking spaces. Ralphs/ Food 4 Less would be responsible for the cost of all improvements, utilities, maintenance, etc.

PUBLIC OUTREACH/INTEREST

The property is located in the Coliseum Redevelopment Project Area in the City of Oakland. The Coliseum Area Redevelopment Plan was adopted in 1995 after extensive community input. The plan identified the area around the Coliseum BART station as a future target area for housing development. The property under discussion is within that target area, is adjacent to the Coliseum BART station and is next to the very successful Lions Creek Crossing residential development. In addition, the property is adjacent to the boundaries of the Coliseum Area Specific Plan that will focus on integrating residential, sports, entertainment and commercial and retail uses around the Oakland- Alameda Coliseum Complex.

COORDINATION

Staff from the Office of Neighborhood Investment (former CEDA Redevelopment Division) has consulted with the Real Estate Division in evaluating property values and has coordinated with the City Attorney's Office and the Budget Office in reviewing this report.

COST SUMMARY/IMPLICATIONS

PRELIMINARY COST OF PROJECT

Land Purchase Cost	\$5,000,000
Supermarket Design and Construction	\$11,200,000
Fuel Station Construction	\$1,600,000
Total Project Costs	\$17,800,000

COST ELEMENTS OF AGREEMENT/CONTRACT

To be part of ENA with Ralphs/ Food 4 Less Grocery Company

SOURCE OF FUNDING:

Private Debt and Equity from Ralphs	\$17,800,000
Total Sources	\$17,800,000

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FISCAL IMPACT:

Anticipated One Time Revenues:

City Land Sales Proceeds: The anticipated total land sales revenue to the City would equal \$5,000,000 less closing costs. The sales price is based on the former Agency's recent purchase of the former AC Transit parcel in December 2009.

City Real Estate Transfer Tax: Real estate transfer tax revenue of \$75,000 is figured on a tax rate of 1.5 percent applied to the proposed sales price of \$5,000,000.

City Building Permit Fees: City Building permit fees are estimated by Building Services based on total construction costs of \$12,800,000. The building permit fees are expected to be about \$272,770 for the 72,000 square foot project and fuel center according to the fees estimated by the Building Division.

Anticipated Annual Revenues:

City Sales Tax: The annual City Sales Tax revenue for the supermarket and for fuel station is estimated to be \$49,000 based on the estimates of other comparable store operators in the Oakland market. Over a ten year period the value of the sales tax amounts to \$490,000.

SUSTAINABLE OPPORTUNITIES

Economic:

No economic impact will be realized during the ENA period. If the project is determined to be feasible, and the City approves execution of a DDA, then the proposed supermarket will create short-term construction jobs and about 110-120 permanent positions to operate and maintain the market. The number of positions would increase when the fuel center is constructed. The value of the proposed fuel station and supermarket is projected to be \$12,800,000.

Environmental:

The City Sustainability team would work with project architects to design a store to meet the City of Oakland Sustainability and Green Building standards, using the City's Green Building principles in the project design during design development and construction. The project would be required to comply with the Clean Water Act, hazardous waste disposal regulations, and required to submit a plan, and demonstrate a good faith effort, to divert 50% of solid waste from landfills.

Social Equity:

The supermarket and fuel station construction would increase revenue to the City in the form of higher property tax derived from added improvement values. In addition the project would generate new sales taxes amounting to almost \$500,000 over the next ten years. It is expected that the Ralphs / Food 4 Less Grocery Company would hire Oakland residents. The hiring of local residents would ensure that the project provides both financial and social benefits to the City of Oakland. The proposed supermarket would address the needs of an underserved community in East Oakland which has a shortage of grocery stores.

CEQA

The developer will be required to prepare an Environmental Impact Report under the ENA.

For questions regarding this report, please contact Jeffrey Chew, Urban Economic Coordinator at (510) 238- 3629.

Respectfully submitted,



Fred Blackwell
Assistant City Administrator

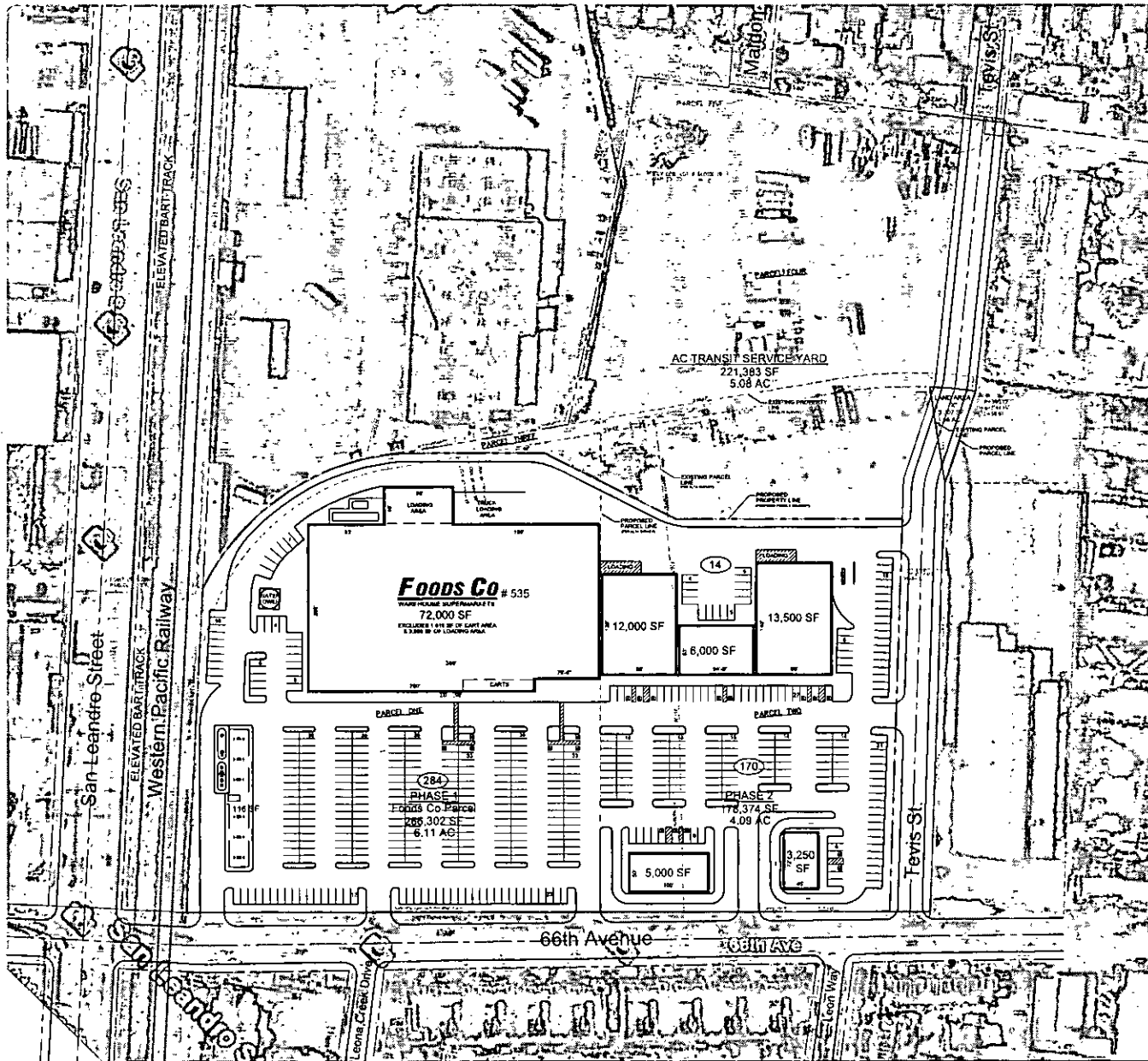
Reviewed by:
Gregory Hunter, Neighborhood Investment Officer

Larry Gallegos, Redevelopment Manager

Prepared by:
Jeffrey Chew Urban Economic Coordinator
Office of Neighborhood Investment

Attachment A: Site Plan
Attachment B Term Sheet

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Existing Parcel line Summary
Per Alta Survey

Parcel 1 -	316,342 SF	7.26AC
Parcel 2 -	204,078 SF	4.68AC
Parcel 3 -	18,992 SF	.436AC
Parcel 4 -	1716,262 SF	3.94AC
Land Area X -	3,307 SF	.08AC
TOTAL -	714,345 SF	16.40 AC

Proposed Parcel line Summary

1. Dedication for public right of way	±49,439 SF	1.13 AC
2. Phase 1 - Shopping Center Foods Co Store Parcel-	±264,927 sf	6.10 AC
3. Phase 2 - Shopping Center	±178,160 SF	4.09 AC
4. AC Transit Service yard expansion area	±221,384 SF	5.08 AC

Shopping Center Summary
Phase 1 & 2

SITE AREA	±443,876 SF (±10.19 AC)
BUILDING AREA	• 111,866 SF
LAND/BLDG. RATIO	• 2.8/1 25%
PARKING PROVIDED	• 468 STALLS
PARKING RATIO	• 4.2 / 1,000

Perkowitz + Ruth
ARCHITECTS

Long Beach, CA 562828.8000 www.prrarchitects.com

Client

Foods Co
WAREHOUSE SUPERMARKETS
1100 WEST ARTERIA BOULEVARD
COMPTON, CALIFORNIA 90222

Project

Foods Co #535 - NEC of San Leandro St. & 66th Ave
Oakland, California

Preliminary Site Plan

09.28.10

Scheme A

09.29.11

ATTACHMENT B

Proposed Term Sheet for 915-939 66th Avenue Supermarket and Fuel Station Proposal

The following terms are contemplated for incorporation into an Exclusive Negotiation Agreement (“ENA”) between the Redevelopment Agency of the City of Oakland (the “Agency”) and Ralphs / Food 4 Less Grocery Company (the “Developer”) for development of a 72,000 square foot supermarket and fuel station on up to 4 acres of Agency land at the northeast corner of San Leandro Street and 66th Avenue (also known as 915-939 66th Avenue). The development will also include parking on Agency property contiguous to the property acquired by Ralphs.

Final terms will be incorporated into an ENA following approval by the Agency Board. During the up to twelve (12) month ENA period, the development team would perform the following tasks:

- Identify relevant zoning, design review, environmental review and code requirements, and establish a schedule with deadlines for obtaining relevant zoning, design review and environmental approvals
- Define the project scope and schedule, and develop a Project description suitable for environmental review under the California Environmental Quality Act (“CEQA”)
- Retain an environmental consultant to prepare the necessary environmental review documentation under CEQA, including the expected traffic study for the Project
- Provide documentation to demonstrate Developer’s financial capacity
- Verify Legal status of Developer
- Provide documentation of project financial capacity
- Develop a project design that meets the needs of the Agency and the City and is acceptable to the parties
- Provide cost estimates for the development of the Agency parking area, verified by a parking development consultant
- Negotiate the terms of a Disposition and Development Agreement (“DDA”)
- The Agency would be responsible to:
 - Assemble existing Environmental Studies of the site
 - Undertake any necessary pre-demolition studies of any hazardous materials on the site
 - Perform necessary environmental site remediation required by an agency with jurisdiction
 - Demolish the two buildings on the site and
 - Remove the two trailers and the large foundation from the site
 - Leave the water tower and well on the site.

In addition to the general ENA terms, the Developer and Agency would agree to the following:

I. In consideration for the Agency entering into an ENA, the Developer must make a non-refundable \$25,000, good faith deposal with the Agency. The deposit would be credited toward the final purchase price of the land.

2. The Developer and Agency would work cooperatively to identify and attract other retail uses that complement the proposed supermarket use.

The ENA would provide that the Agency Administrator could extend the ENA for up to three additional months, if the Agency Administrator is satisfied the Developer had made acceptable progress in completing the ENA requirements and had provided evidence that the Project is feasible. The additional time would be used by the Developer to secure necessary land use entitlements, refine project budgets and schedules, and complete CEQA review and other required tasks. If the ENA terms are successfully met, then a DDA and other agreements would be brought to the Agency for final approval.

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APPROVED AS TO FORM AND LEGALITY


DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

**RESOLUTION AUTHORIZING AN EXCLUSIVE NEGOTIATING AGREEMENT
WITH RALPHS/ FOOD 4 LESS GROCERY COMPANY FOR DEVELOPMENT
OF A SUPERMARKET AND FUEL STATION AT 66TH AVENUE AND SAN
LEANDRO STREET**

WHEREAS, the City of Oakland is actively working to develop East Oakland in the vicinity of the Coliseum BART Station with new commercial facilities to serve residents; and

WHEREAS, in January, 2012, the City purchased 6.3 acres at the northeast corner of 66th Avenue and San Leandro Street (the "Property") from the Redevelopment Agency of the City of Oakland to hold for future development; and

WHEREAS, Ralphs/Food 4 Less Grocery Company ("Ralphs") submitted a proposal to develop a 72,000 square foot supermarket with 290 parking spaces and a fuel station on at least four acres of the Property; and

WHEREAS, the City and Ralphs have been in discussions, and now want to enter an Exclusive Negotiating Agreement ("ENA") for the purposes of studying and evaluating the feasibility of and negotiating terms and conditions for the possible development of a supermarket and fuel station on the Property; and

WHEREAS, the City and Ralphs desire to enter an ENA for an up to twelve month period, with the ability to extend the ENA period for an additional three months with City Administrator approval; and

WHEREAS, the City and the Ralphs agree that this authorization to enter an ENA does not constitute a binding commitment on the part of the City to any developer or to participate in any project; 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 met as to this action; now therefore be it

RESOLVED: That the City Administrator is authorized to negotiate and enter into an Exclusive Negotiating Agreement with Ralphs, or an affiliated entity approved by the City Administrator, for the purposes of studying and evaluating the feasibility of, and negotiating terms and conditions for, the possible sale of the Property and development of a supermarket and fuel station on the Property; and be it

FURTHER RESOLVED: That the ENA shall include the following provisions:

- Ralphs will submit a project description suitable for environmental review purposes that includes site plans, elevations, proposed project scaling and circulation, and periodic Coliseum Complex event parking strategies on a City-owned 2.3 acre surface parking lot;
- Ralphs and the City will mutually determine whether the required environmental review will be undertaken by Ralphs, the developer, as is the City's general practice, or whether Ralphs and the City will undertake the environmental review jointly;
- Ralphs will secure all required land use entitlements;
- Ralphs will develop a project pro forma to evaluate the financial feasibility of the market rate project; and
- Ralphs will make a \$25,000 good faith deposit in order to secure the exclusive right to negotiate to develop the 915 66th Avenue property; and be it

FURTHER RESOLVED: That the exclusive negotiating period shall be for 12 months from the date of this Resolution, with an option to extend this period for an additional three months at the discretion of the City Administrator or her designee; and be it

FURTHER RESOLVED: That the ENA shall provide for automatic termination if the Property is involuntarily transferred pursuant to Health and Safety Code Section 34167.5; and be it

FURTHER RESOLVED: That the City has independently reviewed and considered this environmental determination, and the City finds and determines that this action complies with CEQA because this action on the part of the City is exempt from CEQA pursuant to Section 15262 (feasibility and planning studies), Section 15306 (information collection) and Section 15061(b) (3) (general rule) of the CEQA Guidelines; and be it

FURTHER RESOLVED: That the City Administrator or her designee shall cause to be filed with the County of Alameda a Notice of Exemption and an Environmental Declaration (California Fish and Game Code Section 711.4) for this action; and be it

FURTHER RESOLVED: That the Exclusive Negotiating Agreement shall be reviewed and approved as to form and legality by City Attorney prior to execution, and a copy shall be filed with the City secretary; and be it

FURTHER RESOLVED: That the City hereby authorizes the City Administrator or her designee to negotiate and execute documents and take all other actions necessary with respect to

the Exclusive Negotiating Agreement and the project consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and
PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California