



AGENDA REPORT

TO: Jestin D. Johnson,
City Administrator


FROM: Ashleigh Kanat
Director, Economic &
Workforce Development
Department

SUBJECT: Transfer of 21st Street Bridge and
Tunnel Franchise to PG&E

DATE: January 15, 2025

City Administrator Approval

Date: **Jan. 24, 2025**


Jestin Johnson (Jan 24, 2025 17:53 PST)

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance To Consent To The Transfer Of The Franchise From BA2 300 Lakeside LLC To Pacific Gas & Electric Company (PG&E) To Construct, Maintain And Operate A Bridge And Tunnel At 21st Street, Pursuant To Ordinance No. 8005 C.M.S., As Amended By Ordinance NOs. 12733 C.M.S. And 13659 C.M.S.; And Making Appropriate California Environmental Act Findings

EXECUTIVE SUMMARY

The recommended action would provide the City of Oakland (City) consent to the transfer of a franchise that allows for the maintenance and operation of a tunnel under and bridge over 21st Street between Valdez Street and Harrison Street between the office buildings at 300 Lakeside Drive (a/k/a the Kaiser Center) and 1 Kaiser Plaza (a/k/a Ordway Building). The action would transfer the franchise from BA2 300 Lakeside LLC (BA2) as current owner of the Kaiser Center to Pacific Gas & Electric (PG&E), which is finalizing its planned purchase of the Kaiser Center from BA2 for use as its headquarters. The City originally granted the franchise in 1969 and must consent to any transfer. Consenting to the proposed transfer would support PG&E's new headquarters in Oakland and the utility's deep investment in Oakland.

BACKGROUND/LEGISLATIVE HISTORY

In 1969, Kaiser Center Properties and Kaiser Center Properties, Inc. owned two blocks of real property in the City consisting of Assessor Parcel Number 008-653-019-03 (Ordway Building) and Assessor Parcel Number 008-652-001-05 (Kaiser Center) separated by 21st Street.

The City granted to each party a franchise to construct, install, operate, maintain, repair, and renew an enclosed pedestrian bridge and tunnel for the purpose of transporting people and material between the Ordway Building and the Kaiser Center across and under 21st Street between Valdez Street and Harrison Street (the Franchise Property), for an annual franchise consideration of \$270 per year (without escalations) pursuant to Ordinance No. 8005 C.M.S. (Original Ordinance) dated July 24, 1969.

The term of the franchise under the Original Ordinance is for seventy years commencing July 24, 1969 and ending July 23, 2039. The remaining term is approximately fifteen years.

The Franchise Property is defined under the Original Ordinance to "...mean all property and facilities constructed, installed, operated or maintained in public way or public place pursuant to any right or privilege granted by this franchise" and, therefore, presently applies to the existing pedestrian bridge lying across and above 21st Street and the existing tunnel presently used as storage space lying below and across 21st Street.

The Original Ordinance provides that the franchise holders shall not sell, transfer, or assign the franchise without the prior written consent of the City by ordinance.

In 2006, the City consented to a transfer of the franchise, increased insurance requirements and increased the franchise consideration to \$1,500 per year with adjustments every five years based on increases in the Consumer Price Index (CPI) pursuant to [Ordinance No. 12733 C.M.S.](#) (Second Ordinance).

In 2021, the City consented to another transfer of the franchise, increased insurance requirements, and further increased the franchise consideration to \$2,500 per year pursuant to [Ordinance No. 13659 C.M.S.](#) (Third Ordinance).

BA2 is currently under contract to sell the Kaiser Center to PG&E, with closing to occur on or before June 3, 2025. PG&E announced its plans to relocate its headquarters from San Francisco to the Kaiser Center back in 2020. PG&E has been renting space in the Kaiser Center and is now completing a planned purchase of the building. Therefore, BA2 is requesting to concurrently transfer the franchise to PG&E.

Within ten calendar days after the effective date of this Ordinance or the effective transfer of ownership of the Kaiser Center from BA2 to PG&E, whichever is later, PG&E shall file with the City Clerk and the City Real Estate Division a written instrument in a form acceptable to the City Attorney confirming the unconditional and irrevocable acceptance of the terms and conditions of this Ordinance, the Third Ordinance, the Second Ordinance, and the Original Ordinance.

ANALYSIS AND POLICY ALTERNATIVES

The recommended action would support the ongoing use of the Kaiser Center and the Ordway Building as an interconnected complex of class A office space. It would facilitate PG&E's efforts to deeply invest in Oakland as its headquarters location. City staff are not aware of any issues that would warrant the City's objection to the transfer of the franchise to PG&E. Indeed, PG&E is now one of Oakland's largest employers and facilitating the sale of the Kaiser Center to PG&E is in the best interests of the City, as it will deepen PG&E's ties in Oakland. The sale itself will generate transfer tax for the City.

In addition, PG&E would pay to the City a \$5,677 one-time franchise processing fee pursuant to the Master Fee Schedule (MFS) and an annual franchise consideration payment of \$2,500 to be adjusted every five years based on CPI increases.

Alternatively, the City could not consent to the franchise transfer. This would devalue the Kaiser Center and the Ordway Building and could disrupt PG&E's purchase of the Kaiser Center and its use of the Kaiser Center as its headquarters.

FISCAL IMPACT

As mentioned above, PG&E would pay to the City a \$5,677 one-time processing fee pursuant to the MFS and an annual franchise consideration payment of \$2,500 to be adjusted every five years based on CPI increases. The annual payments would be deposited in General Purpose Fund (1010), Real Estate Organization (85231), DP850 Administrative Project (1000019), Real Estate Program (PS32), with the annual franchise consideration deposited in Franchise: Miscellaneous Revenue Account (41619) and the one-time processing fee deposited in Other Revenue: Administrative Fees Account (48726).

PUBLIC OUTREACH / INTEREST

The recommended ordinance will be considered at public meetings of the Community & Economic Development Committee and the full City Council and will be publicly noticed consistent with standard City Council public noticing provisions.

COORDINATION

This recommended action was developed by the Economic & Workforce Development Department's Real Estate Division in consultation the Office of the City Attorney and the Budget Bureau.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The actions authorized by this Ordinance are exempt from CEQA pursuant to CEQA Guidelines section 15301 (Existing Facilities) because no improvements will be made to the franchise property and the use of the franchise property will not change.

SUSTAINABLE OPPORTUNITIES

Economic: The recommended action will allow the properties to continue to function as an interconnected, class A office complex that drives economic activity in the City. PG&E is currently relocating its headquarters to the Kaiser Center and will be one of the City's largest employers. The City will also continue to collect the annual franchise fee.

Environmental: There are no environmental impacts associated with this action because the tunnel and bridge traversing 21st Street are already in place and are not expected to be removed for the remaining term of the franchise.

Race & Equity: There are no direct race and equity impacts to the City. The tunnel and bridge traversing 21st Street are already in place, which does have the benefit of improving traffic circulation in the area. This neighborhood is identified as a Highest Priority Neighborhood in the OakDOT Geographic Equity Toolbox, with 80% of residents identified as People of Color and 65% of residents earning less than 50% of the Area Median Income.

ACTION REQUESTED OF CITY COUNCIL

Staff Recommends That The City Council Adopt An Ordinance To Consent To The Transfer Of The Franchise From BA2 300 Lakeside LLC To Pacific Gas & Electric Company (PG&E) To Construct, Maintain And Operate A Bridge And Tunnel At 21St Street, Pursuant To Ordinance No. 8005 C.M.S., As Amended By Ordinance NOs. 12733 C.M.S. And 13659 C.M.S.; And Making Appropriate California Environmental Act Findings.

For questions regarding this report, please contact Frank Schober, Real Estate Agent, at (510) 238-6360 or fschober@oaklandca.gov.

Respectfully submitted,


Ashleigh Kanat (Jan 22, 2025 11:09 PST)

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