

REDEVELOPMENT AGENCY

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OFFICE OF THE CITY CLERK
OAKLAND

OF THE CITY OF OAKLAND

AGENDA REPORT

2011 JAN 27 PM 12:09

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: February 8, 2011

RE: Agency Resolution Authorizing A Second Amendment To The Disposition And Development Agreement With Jack London Gateway Associates, LLC, for the Jack London Gateway Shopping Center to Modify Provisions Requiring a Full-Service Grocery Store

SUMMARY

This item is a request for Agency approval of a resolution to amend the Disposition and Development Agreement (DDA) with Jack London Gateway Associates, LLC (JLGA) to modify certain provisions requiring a full-service grocery store in the Jack London Gateway Shopping Center in the Acorn redevelopment project area. The proposed amendment will still require a grocery component, but gives JLGA more flexibility to offer a mix of groceries and other retail items than is currently required under the terms of the existing DDA.

FISCAL IMPACT

There is no fiscal impact as a result of the amendment to the DDA. However, the proposed modifications to the DDA will increase JLGA's options to attract a retail tenant and fill a long-term vacancy, creating tax revenues and job opportunities. Currently, the tax revenues and job opportunities are not known.

BACKGROUND

The Jack London Gateway Shopping Center was constructed in 1983 by a non-profit entity, the Greater Acorn Community Improvement Association, and financed by a federal Economic Development Administration grant and an Agency loan. The Center was established with a grocery store serving as the anchor tenant. The Center and grocery store struggled financially during the first few years of operation, necessitating Agency subsidies totaling nearly \$6 million throughout the mid-1980s. In 1986, the Agency assumed ownership of the property through a quit-claim deed.

In 1989, the Agency sold the center to Alex Hahn, a private investor, for \$1.91 million. Of those proceeds, \$600,000 was returned to the federal funding source. Mr. Hahn closed the grocery store due to low sales. In response to community concerns regarding deterioration of the Center and the lack of grocery services, the Agency re-acquired the property for \$2.97 million in

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December 1996. In addition, the Agency approved up to \$230,000 for emergency repairs, operation and maintenance costs, bringing the total Agency investment in the Center to \$8.7 million as of December 1998.

The Agency entered into an Operating and Management Agreement with Community Plaza Developers LLD (CPD) in October 1998, and then in July 1999 the Agency and City authorized the sale of the Center to CPD. In October 2003, the Agency and City modified that sale authorization to replace CPD with a new entity, Jack London Gateway Associates, LLC (JLGA) as purchaser and developer of the property. The Agency entered into a new Interim Operating and Management Agreement with JLGA to cover the operation of the Center until the transfer of the property was consummated.

In July 2004, the Agency entered into a Disposition and Development Agreement with JLGA for the sale and rehabilitation of the Center. That DDA was first amended in January 2008 to release a portion of the property from the covenants and restrictions of the DDA to allow for the development of senior housing on the released land. The Center was sold to JLGA under the terms of the DDA in 2004.

KEY ISSUES AND IMPACTS

The key goal of the Jack London Gateway development has been to provide a full-service grocery store and other neighborhood-serving retail and service businesses to the West Oakland community. The terms of the DDA with JLGA specify that use of the Property will include a full-service grocery store. Over the years of its operation and management, JLGA has been unable to retain or attract a viable grocery tenant to the Property. The 27,500 square foot grocery store was vacated on February 25, 2007. Despite JLGA's best efforts to find a grocery store, the space remained vacant until October of last year (2009) when the Agency agreed to allow JLGA to lease 11,780 square feet to Citi Trends, leaving 15,720 square feet for a grocery store. This space has now been vacant for 40 months.

Other retail outlets have expressed interest in locating at the site, but they do not conform to the strict definition of "full-service grocery store" set out under the terms of the DDA. As a result, the property's major anchor tenant space remains vacant. The proposed DDA amendment would remove the reference to a full-service grocery store, and instead require JLGA to provide a minimum of 6,000 square feet of retail space for a general line of food intended for home preparation and consumption, as well as nonfood grocery products normally found in a grocery store. The Center would have to offer for sale on a continuous basis at least three varieties of staple foods such as breads/cereal, dairy products, fruits/vegetables, and meat/fish/poultry. At least two of these categories must include perishable foods.

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SUSTAINABLE OPPORTUNITIES

The proposed modification to the DDA will allow JLGA more flexibility in leasing the important anchor space at the Property, which in spite of their best efforts, has remained vacant for 40 months.

The DDA modifications will increase the pool of eligible tenants for this long-vacant grocery space, and expand economic opportunities through job creation. Attracting a strong anchor tenant to the property will enhance the appearance of the Center and benefit the existing tenants by increasing the number of shoppers visiting the Center.

Social sustainability is promoted through increased opportunities for West Oakland residents to shop in their neighborhood for groceries and other basic necessities.

DISABILITY AND SENIOR CITIZEN ACCESS

The West Oakland neighborhood is grossly underserved by retailers of all categories, including grocery stores. This creates a particular hardship on elderly and disabled residents. The proposed modifications to the DDA will improve JLGA's chances to attract an anchor tenant to the Property, while still providing grocery items within walking distance for residents of the Jack London Gateway senior housing complex.


RECOMMENDATIONS AND RATIONALE

Staff recommends that the Agency approve the proposed resolution modifying the DDA with JLGA to expand the opportunity to attract a quality anchor tenant to the Property. Such modifications will allow JLGA to widen the pool of eligible tenants, while retaining a grocery and fresh food component among the tenant mix.

ACTION REQUESTED OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

Staff recommends that the Redevelopment Agency adopt the attached resolution authorizing a second amendment to the DDA with JLG Associates, LLC to modify provisions requiring a full-service grocery store at the Jack London Gateway Shopping Center.

Respectfully Submitted,

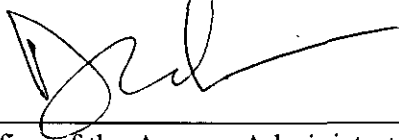


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by: Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by: Janice Lang
West Oakland Redevelopment Project Area

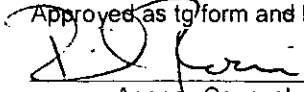
**APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:**



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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 A SECOND AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT WITH JACK LONDON GATEWAY ASSOCIATES, LLC, FOR THE JACK LONDON GATEWAY SHOPPING CENTER TO MODIFY PROVISIONS REQUIRING A FULL-SERVICE GROCERY STORE

WHEREAS, the Jack London Gateway Shopping Center was constructed in 1983 and was established with a grocery store serving as the anchor tenant; and

WHEREAS, the Center and grocery store struggled financially during the first few years of operation, necessitating Agency subsidies totaling nearly \$6 million throughout the mid-1980s; and

WHEREAS, in 1986, the Agency assumed ownership of the property; and

WHEREAS, in 1989, the Agency sold the Center to a private investor but the owner closed the grocery store due to low sales; and

WHEREAS, the Agency re-acquired the property in 1996; and

WHEREAS, In July 2004, the Agency entered into a Disposition and Development Agreement (DDA) with Jack London Gateway Associates, LLC (JLGA) for the sale and rehabilitation of the Center; and

WHEREAS, the DDA specifies that use of the Property will include a full-service grocery store; and

WHEREAS, over the years of its operation and management, JLGA has been unable to retain or attract a viable full-service grocery tenant to the Center; and

WHEREAS, the key goal of the Jack London Gateway development has been to provide a grocery store and other neighborhood-serving retail and service businesses to the West Oakland community; and

WHEREAS, retail outlets have expressed interest in locating at the Center, but these uses do not conform to the strict definition of "full-service grocery store" set out under the terms of the DDA, and, as a result, the Center's major anchor tenant space remains vacant; and

WHEREAS, modifying the terms of the DDA related to the full-service grocery store restriction would allow for more flexibility in attracting an anchor tenant, while at the same time continuing to provide a grocery supplier to neighborhood residents; and

WHEREAS, modifying to the DDA will allow JLGA more flexibility in leasing the important anchor space at the Center; now, therefore, be it

RESOLVED, That the Redevelopment Agency hereby authorizes the Agency Administrator to negotiate and execute a second amendment to the DDA with JLGA to (1) remove the reference to a full-service grocery store, (2) require JLGA to provide a minimum of 6,000 square feet of retail space for a general line of food intended for home preparation and consumption, as well as nonfood grocery products normally found in a grocery store, and (3) require that this use offer for sale on a continuous basis at least three varieties of staple foods such as breads/cereal, dairy products, fruits/vegetables, and meat/fish/poultry, with least two of these categories to include perishable foods; and be it

FURTHER RESOLVED, That the Agency Administrator or his designee is hereby authorized to take action with respect to the amendment authorized herein consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

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

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California