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OFFICE OF THE CITY CLERK
OAKLAND

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

2010 JAN 13 PM 7:02

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: January 26, 2010

RE: An Agency Resolution Authorizing The Purchase Of Real Property At 3050 International Boulevard In The Coliseum Redevelopment Project Area And The Derby Avenue Lot Located Adjacent To 3028 International Boulevard, In The Central City East Redevelopment Project Area, From Melrose Real Estate Holdings For \$3,250,000, Less The Cost Of Any Environmental Site Remediation, And Authorizing Up To \$20,000 For Real Estate Closing Costs

SUMMARY

Staff is requesting approval by the Redevelopment Agency to purchase real property consisting of two parcels, one located at 3050 International Boulevard (Assessor's Parcel Number 025-0719-007-01) and the second one at Derby Avenue Lot (Assessor's Parcel Numbers 025-0719-007-01) adjacent to 3028 International Boulevard (together, the "Property"), through a negotiated sales agreement at appraised market value. 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 Melrose Real Estate Holdings, a California Corporation. The parcel located at 3050 International Boulevard is in the Coliseum Redevelopment Project Area, and the parcel located at Derby Avenue is in the Central City East Redevelopment Project Area. Both parcels are located in City Council District 5. The Agency plans to use the Property to create a suitable site for a future development project that would enhance the area. The Agency issued and received Central City East Series 2006A Taxable Bonds and Coliseum Redevelopment Project Area Tax Allocation Bonds, Series 2006 for the acquisition of underutilized and blighted properties in both of the Redevelopment Areas.

Staff recommends that the Agency adopt the attached Resolution authorizing the acquisition of the subject Property. This item is scheduled for Central City East Project Area Committee ("PAC") review in the second week of January 2010.

FISCAL IMPACT

Community and Economic Development Agency staff propose the following Agency funding sources for this acquisition: \$3,250,000 plus an additional \$20,000 for customary real estate closing costs will be allocated from Central City East Tax Allocation Bond Series 2006A-T

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(Taxable) Bonds Fund (9543), Central City East Organization (88699), CCE Land Acquisition Project (S233351) and Coliseum Redevelopment Project Area Tax Allocation Bonds, Series 2006 (Taxable) Fund (9456) Capital Improvement Project, Economic Development Organization (94800) Coliseum Land Acquisition- Taxable Bond Project (T315820).

BACKGROUND

Melrose Ford formerly operated an automotive dealership and sale service facility on the Property and three additional parcels in the area. The dealership closed its operation in March 2006, and vacated the Property in July 2009. The Property has been on the market for sale for the past three years. The acquisition of the subject Property is an opportunity purchase. The Property is comprised of two separate parcels, is located near an important commercial intersection of Fruitvale Avenue and International Boulevard, and covers a land area of approximately 41,510 square feet. The Redevelopment Agency was contacted by the owner for possible acquisition. Through a negotiation process, an option agreement was negotiated to acquire the Property for the price of \$3,250,000 less remediation costs. The topography is level and the frontage is improved with sidewalks, curbs, gutters, and a storm drain.

KEY ISSUES AND IMPACTS

The Property is located in the vibrant commercial area of Fruitvale District, a neighborhood that is improved with a diverse mix use of land uses. International Boulevard is the primary commercial district/corridor in the area, extending several miles from the Oakland Central Business District to San Leandro. The Property is located one block west from the intersection of International Boulevard and Fruitvale Avenue, and about five blocks from the Fruitvale BART station.

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 Fruitvale District. All off-site improvements and public utilities are available at the location. Ownership of this Property is important to redevelopment efforts in the Central City East and Coliseum Redevelopment Project Areas since vacant properties increase the blight factor in any given area. Since this is a consensual purchase, the acquisition of the Property presents a unique opportunity to gain site control for the implementation of the Areas' Redevelopment Plans to reuse underutilized and blighted building sites and revitalize the surrounding community.

The Property was appraised by an independent contract appraiser and a fair market value offer to purchase was made to the property owner. The property owner has agreed to enter into an option agreement to sell the Property to the Agency for a total of \$3,250,000, 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

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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 end of March of 2010. Staff has already completed a Phase I environmental investigation of the Property.

PROJECT DESCRIPTION

3050 International Boulevard

This portion of the Property is a concrete automotive building comprised of a front section improved as a showroom and a rear section improved as a service area. The overall building contains approximately 25,300 square feet, consisting of 23,300 square feet on the ground level plus approximately 1,800 square feet of finished mezzanine. In addition, the building contains approximately 2,700 square feet of unfinished mezzanine. The building is adaptable for general commercial use and has a yard area with 19 parking spaces. The property lies between two zoning designations. The front and majority of the site, including the entire International Boulevard frontage, falls in the C-28 "Community Shopping District" zone, which allows a myriad of commercial uses. The rear portion fronting on Derby Avenue lies in an R-60 "Medium High Residential" zone. The Property has three General Plan land use designations, consisting of "Community Commercial" for the majority of the site except for "Neighborhood Mixed Center" along the 31st Street frontage, and "Mixed Housing Type Residential" for a sliver along the north boundary.

Derby Avenue Site

This portion of the Property is located on Derby Avenue, close to International Boulevard. It consists of a paved rectangle vacant lot with the land area of 9,000 square feet. The Property was utilized as a parking lot for Melrose Ford's customers and employees. The site is in an R-60 "Medium High Residential" zone. Zoning allows a basic density of one unit per 800 square feet of site area. R-60 also allows non-residential uses such as administrative, healthcare, utility and vehicular uses. General Plan land use designation appears to be "Community Commercial" at the southern part of the site and "Mixed Housing Type Residential" at the north end.

According to the MAI contract appraisal report, the appraiser's analysis indicates that the highest and best use for both parcels combined would be a mixed-use project, with commercial activity on the ground level and residential living above. 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 and commercial uses, will improve neighborhood conditions, address the needs of the residents, and increase tax increments. Such projects 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 infill development. It may be possible to reuse the existing building for an alternative use in its present condition while planning for a new future development.

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.

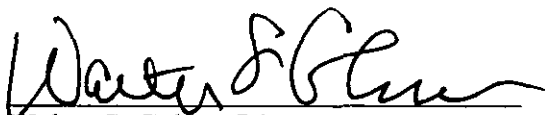
RECOMMENDATION AND RATIONALE

Staff recommends that the Agency adopt the Resolution authorizing the purchase of real property at 3050 International Boulevard, and the Derby Avenue lot located adjacent to 3028 International Boulevard in the Coliseum and Central City East Redevelopment Project Areas, from Melrose Real Estate Holdings, for \$3,250,000, less the cost of any environmental site remediation, and authorizing up to \$20,000 for real estate closing costs. Approving the Agency Resolution will further the objectives of the Central City East and Coliseum Redevelopment Plans to improve the Project Areas with positive economic stimulus, thereby creating better communities for residents.

ACTION REQUESTED OF THE AGENCY

The Agency is requested to adopt the Resolution authorizing the purchase of real property at 3050 International Boulevard, and the Derby Avenue lot located adjacent to 3028 International Boulevard in the Coliseum and Central City East Redevelopment Project Areas, from Melrose Real Estate Holdings, for \$3,250,000, less the cost of any environmental site remediation, and authorizing up to \$20,000 for real estate closing costs.

Respectfully submitted,



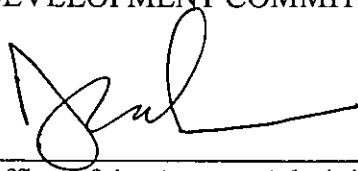
Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by Al Auletta, Acting Deputy Director
Economic Development and Redevelopment

Reviewed by: Frank Fanelli, Manager
Real Estate Services Division

Prepared by: Hamid Ghaemmghami
Real Estate Agent
Real Estate Services Division

FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:



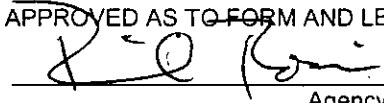
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APPROVED AS TO FORM AND LEGALITY:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

AN AGENCY RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY AT 3050 INTERNATIONAL BOULEVARD IN THE COLISEUM REDEVELOPMENT PROJECT AREA AND THE DERBY AVENUE LOT LOCATED ADJACENT TO 3028 INTERNATIONAL BOULEVARD, IN THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA, FROM MELROSE REAL ESTATE HOLDINGS FOR \$3,250,000, LESS THE COST OF ANY ENVIRONMENTAL SITE REMEDIATION, AND AUTHORIZING UP TO \$20,000 FOR REAL ESTATE CLOSING COSTS

WHEREAS, the Coliseum Area Redevelopment Plan adopted by the City Council on July 25, 1995 and later amended on July 29, 1997, includes alleviation of general blight and unsafe conditions as a goal for the Coliseum Project Area; and

WHEREAS, the Central City East Redevelopment Plan adopted by the City Council on July 29, 2003, includes alleviation of general blight and unsafe conditions as a goal for the Central City East Project Area; and

WHEREAS, the Redevelopment Agency is implementing projects in the Central City East and Coliseum Redevelopment Project Areas as part of their respective Redevelopment Plans to improve the Redevelopment Areas; 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 located at 3050 International Boulevard (Assessor's Parcel Number 025-0719-007-01) is in the Coliseum Redevelopment Project Area, and real property located at the Derby Avenue Lot (Assessor's Parcel Numbers 025-0719-007-01) adjacent to 3028 International Boulevard is in the Central City East 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 a vacant commercial building encompassing a total of approximately 25,300 square feet, and a vacant lot with a land area of 9,000 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, Melrose Real Estate Holdings, the owner, offered to sell the Property to the Agency at market value of \$3,250,000 minus the cost of site remediation, to assist the Agency in its redevelopment efforts in the Central City East and Coliseum Redevelopment Project Areas; and

WHEREAS, the sale by the owner was not induced, the sale price is at market value as 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 executed an option contract to enter into a purchase and sale agreement with the owner of the Property to acquire the Property for \$3,250,000, less any site remediation costs; and

WHEREAS, the cost of real estate closing is estimated to be \$20,000; and

WHEREAS, the Agency issued and received Series 2006A-T bonds for the Central City East Redevelopment Project Area and Series 2006 for the Coliseum Redevelopment Project Area to be used for, among other things, the acquisition of vacant, blighted, obsolete and/or underutilized properties; and

WHEREAS, funding for the acquisition of the Property is available from Central City East Tax Allocation Bond Series 2006A-T (Taxable) Bonds Fund (9543), Central City East Organization (88699), CCE Land Acquisition Project (S233351) and Coliseum Redevelopment Project Area Tax Allocation Bonds, Series 2006 (Taxable) Fund (9456) Capital Improvement Project, Economic Development Organization (94800) Coliseum Land Acquisition- Taxable Bond Project (T315820); and

WHEREAS, the Central City East Redevelopment Project Area Committee has recommended that the Agency acquire the Property; 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 \$3,250,000 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 City East and Coliseum Redevelopment Project Areas by creating future development opportunities to better serve area residents and businesses and improve physical conditions in both Redevelopment Project Areas;

2. That the use of tax increment funds from the Central City East and Coliseum Redevelopment Project Areas for the purchase is consistent with the implementation plan adopted for the Central City East and Coliseum Project Areas and will assist in the elimination of blight in the Project Areas by redeveloping underutilized parcels; and be it

FURTHER RESOLVED: That up to \$20,000 shall be used for real estate closing costs; and be it

FURTHER RESOLVED: That funds in the amount of \$ 2,877,600 will be allocated from Central City East Tax Allocation Bond Series 2006A-T (Taxable) Bonds Fund (9543), Central City East Organization (88699), CCE Land Acquisition Project (S233351), and funds in the amount of \$ 392,400 will be allocated from Coliseum Redevelopment Project Area Tax Allocation Bonds, Series 2006 (Taxable) Fund (9456) Capital Improvement Project, Economic Development Organization (94800) Coliseum Land Acquisition- Taxable Bond Project (T315820) 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-

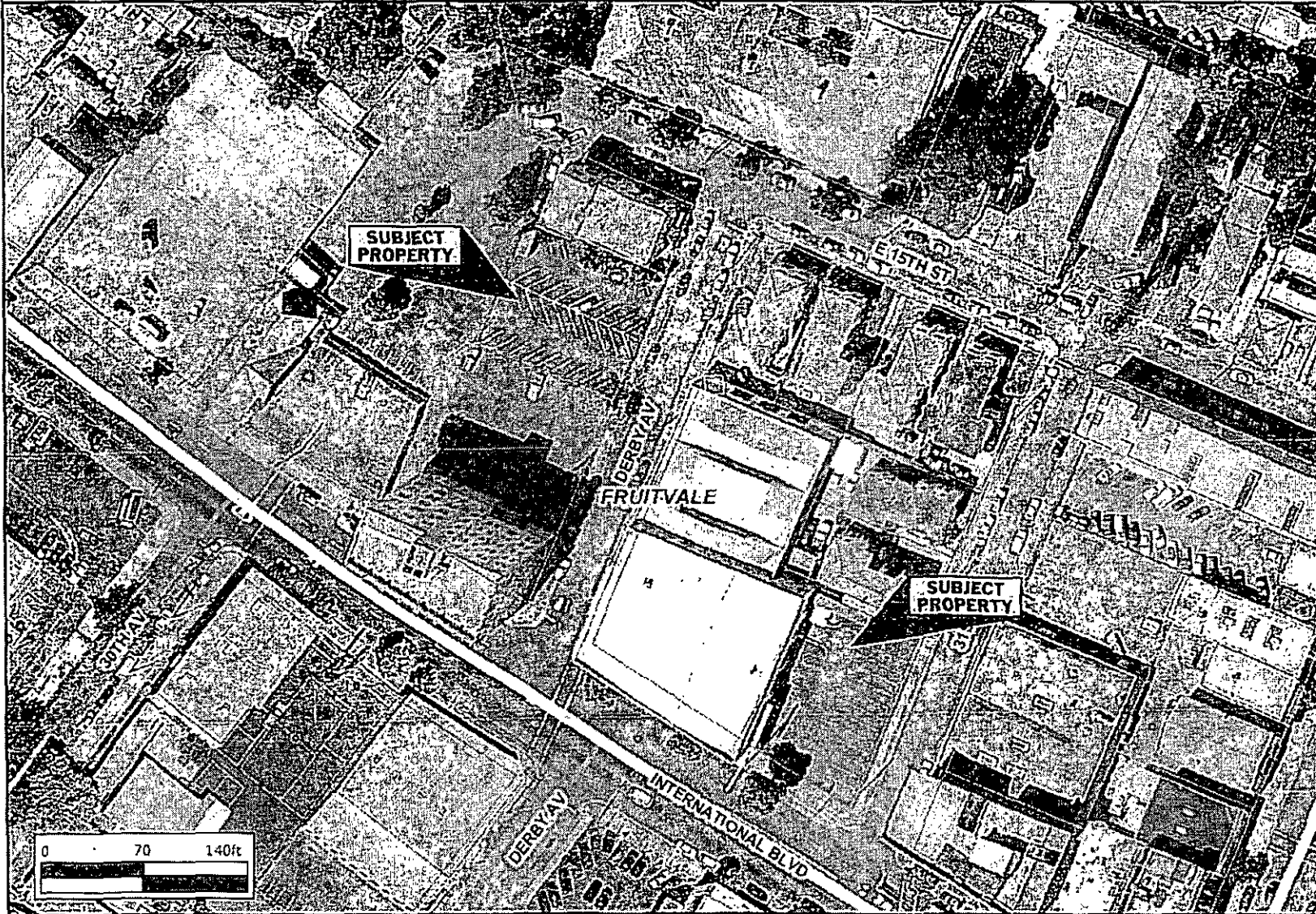
ABSTENTION-

ATTEST:

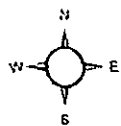
LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

3050 International Blvd and Derby Ave. lot

Exhibit "A"



Legend



It is imperative that you obtain BOTH the Zoning and General Plan designations for the property(s) you are searching for.

Questions? Contact a planner at (510)238-3911.

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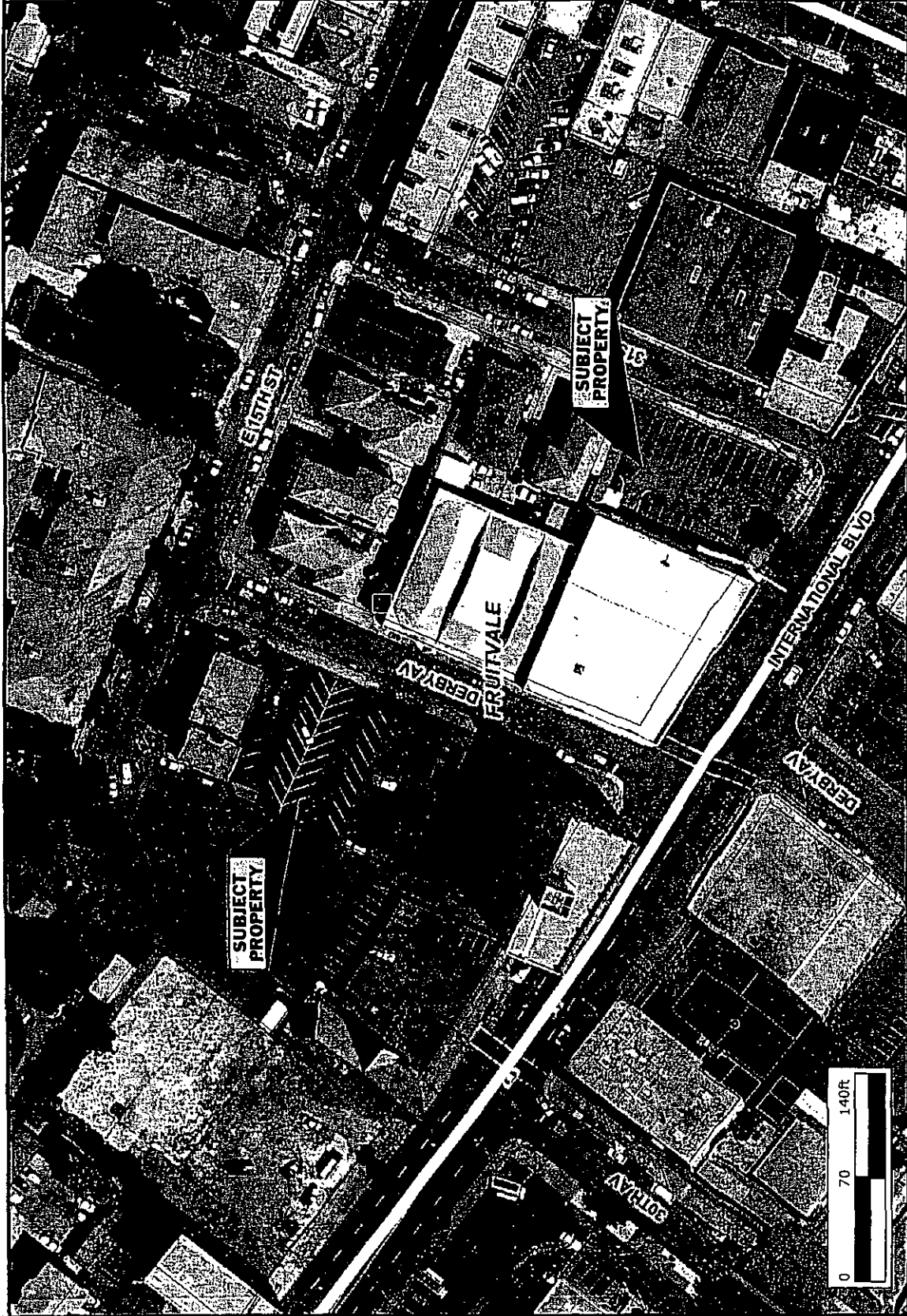
EXHIBIT A

PROPERTY DESCRIPTION

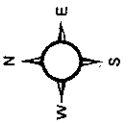
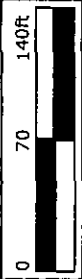
(attached)

3050 International Blvd and Derby Ave. lot

Exhibit "A"



Legend



It is imperative that you obtain BOTH the Zoning and General Plan designations for the property(s) you are searching for.

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