

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

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2010 JUN 30 AM 10: 58

TO: Office of the Agency Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: July 13, 2010

RE: **Agency Resolution Authorizing the Agency Administrator to Negotiate and Execute an Exclusive Negotiating Agreement with Ralphs/ Food 4 Less Grocery Company for Development of a Proposed Foods Co Supermarket and Fuel Station at the Northeast Corner of 66<sup>th</sup> Avenue and San Leandro Street**

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**SUMMARY**

An Agency resolution has been prepared authorizing the Agency 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 66<sup>th</sup> 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 Agency land for the supermarket and fuel center at the northeast corner of 66<sup>th</sup> Avenue and San Leandro Street along with the use of Agency land of 2.3 acres for 290 parking spaces.

If the Agency and Ralphs enter a Disposition and Development Agreement after the expiration of the ENA, the Agency’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. In addition, the City is reviewing the opportunity to use the American Recovery and Reinvestment Act (ARRA) financing tools for development of the site.

**FISCAL IMPACT**

Staff has estimated that the value of all one time, and annual revenues to the Agency and City, is equivalent to about \$6.76 million.

Anticipated One Time Revenues

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

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- *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

- *Agency Property Tax Increment:* The supermarket and fuel station construction is projected to increase the property tax increment revenue and increase the Agency's bonding capacity for affordable housing, and project area capital improvements. The value of property tax increment revenue over a 25-year period accruing to the Agency is estimated to be \$939,039 and is being verified at this time.
- *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.

## **BACKGROUND**

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

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The Agency is working to demolish the parking lot, structures and foundations at the property at the 66<sup>th</sup> Avenue and San Leandro Street site which has two industrial buildings and two trailers on site. The Agency will leave the water tower on the site and Ralphs plans to incorporate it into the new supermarket and fuel station development.

## **KEY ISSUES AND IMPACTS**

### **Market Assessment**

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.

### **Agency Accommodations**

To facilitate the land transaction the Agency would consider leasing 2.3 acres of parking for 290 spaces to Food 4 Less for parking improvement consideration, on-going maintenance and utility costs. As a result, the Agency will 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.

The Agency is also planning to demolish the vacant buildings on the 915 66<sup>th</sup> Avenue site.

## **PROJECT DESCRIPTION**

The proposed supermarket and fuel center would deliver a full service grocery store with 110-120 employees to an underserved market, furthering new commercial construction in the build out of the Coliseum community. Ralphs proposes that a Foods Co full service supermarket be constructed, with a deli, bakery, produce, meat and dairy sections. The proposed project would further the implementation of the Coliseum Redevelopment Project Area Five-year Implementation Plan and would address an underserved basic need for modern, grocery goods and services in the Coliseum area, as documented in the 2009 Hausrath Economic Group Blight Study.

The proposed project would produce a two phase retail project located on about 4 of the Agency's 6.3 acres along the northeast corner of 66<sup>th</sup> Avenue and San Leandro Street. The proposed area includes former industrial and AC Transit property. The proposed project would

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consist of one 72,000 square foot supermarket building with 290 parking spaces, along with a fuel station.

The Agency property sale could facilitate a larger retail project. Sale of the four acre parcel at cost would provide land for the construction of a supermarket with parking spaces plus a fuel station. The Agency and Ralphs have expressed a mutual interest in exploring a future plan for additional retail and commercial space as additional land and tenants become available.

The Agency and Ralphs will negotiate to determine who will bear the responsibility for the CEQA review process, which generally is underwritten by developers. Ralphs would be responsible for securing necessary entitlements, including any required changes in zoning. The proposed project would also include surface parking for 290 spaces, of which a major portion would be located on the Agency's remaining 2.3 acres of land along 66<sup>th</sup> Avenue.

Historically, the site has been used as a cannery and food processing location. The proposed use provides a warehouse-style supermarket, known as the "big box format" which is in keeping with the history of the site but is commercial in nature. It requires a change of general and redevelopment planning to accommodate the proposed project.

The preliminary estimated funding for the project is summarized in the sources and uses table:

#### **Sources and Uses of Funds**

##### ***Uses***

Land Purchase Cost	\$ 5,000,000
Supermarket Design and Construction Cost	\$11,200,000
Fuel Station Construction Cost	\$1,600,000

##### ***Sources***

Economic Recovery Zone Facility Bonds	\$7,581,000
Private Debt and Equity	\$10,219,000
<hr/> Total Project Cost	<hr/> \$17,800,000

#### **SUSTAINABLE OPPORTUNITIES**

##### ***Economic:***

No economic impact will be realized during the ENA period. If the project is determined to be feasible, and the Agency approves execution of a DDA, then the proposed supermarket could be expected to hire 110-120 workers. The number of positions would increase when the fuel center is constructed. The value of the construction for the proposed fuel station and supermarket is projected to be \$12,800,000.

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***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. Staff would use Recovery Zone Energy Bonds as incentive assistance for energy efficient design 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 which would increase the tax increment available to the Agency for affordable housing and other needed capital improvements. 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.

**DISABILITY AND SENIOR CITIZEN ACCESS**

All construction on site will comply with ADA and Title 24 Accessibility Guidelines.

**RECOMMENDATIONS AND RATIONALE**

Staff recommends that the Agency approve the ENA with Ralphs to explore the feasibility of purchasing Agency property constructing a supermarket and fuel station with supporting parking, at 66<sup>th</sup> Avenue and San Leandro Street. The proposed project would be consistent with the goals and objectives of the Coliseum Area Redevelopment Plan. The proposed Foods Co supermarket and fuel center project is also consistent with the objectives of the Five-Year Implementation Plan to attract new business to the area and to develop and improve underutilized parcels throughout the Coliseum Redevelopment Project Area.

The sale of four acres of Agency land to Ralphs at fair market value would enable the Agency to receive land sale proceeds of nearly \$5 million. This payment would increase the Agency resources, enabling it to contribute to other Coliseum Area Redevelopment projects in support of the nearby Coliseum BART Station Transit Village Infrastructure project and the companion Coliseum BART Station Plaza refurbishment project. Additionally, Ralphs' proposed project would bring to Oakland a viable business that would create new jobs for Oakland residents and assist in developing a vacant, underused parcel in the Coliseum Redevelopment Project Area.

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**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council approve the resolution authorizing the Agency Administrator to negotiate and enter into an Exclusive Negotiating Agreement (ENA) for the sale of the Agency land parcel to the Ralphs / Food 4 Less Grocery Company for construction of a new Foods Co supermarket and fuel station.

Respectfully submitted,



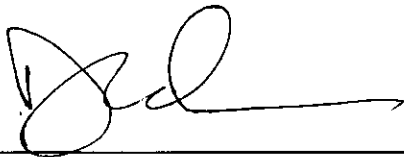
Walter S. Cohen, Director  
Community and Economic Development Agency

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

Larry Gallegos,  
Redevelopment Area Manager

Prepared by:  
Alfred J. Musante, Jr.,  
UEA IV  
CEDA Redevelopment Division

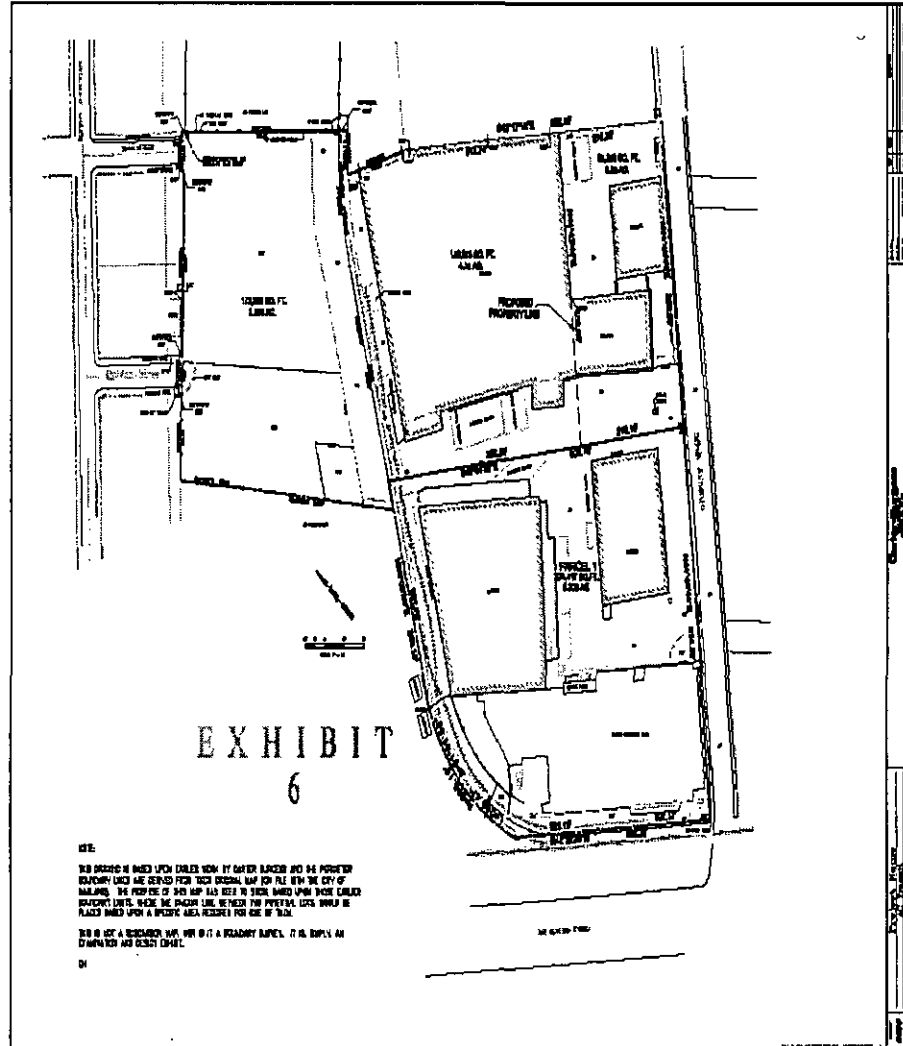
APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

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# ATTACHMENT A: Site Map



## EXHIBIT 6

NOTE:

THE DIMENSIONS SHOWN ON THIS MAP WERE OBTAINED BY MEASURING THE EXISTING BUILDING FOOTPRINTS AND ARE SUBJECT TO THE ACCURACY OF THE MEASUREMENTS. THE PROPERTY IS NOT BEING OFFERED FOR SALE AND THE CITY OF CHICAGO HAS NO LIABILITY FOR THE INFORMATION CONTAINED HEREIN. THE PROPERTY IS NOT BEING OFFERED FOR SALE AND THE CITY OF CHICAGO HAS NO LIABILITY FOR THE INFORMATION CONTAINED HEREIN. THE PROPERTY IS NOT BEING OFFERED FOR SALE AND THE CITY OF CHICAGO HAS NO LIABILITY FOR THE INFORMATION CONTAINED HEREIN.

THIS IS NOT A LEGAL DOCUMENT. FOR A LEGAL DOCUMENT, IT IS NECESSARY TO CONSULT AN ATTORNEY.

BY:

## ATTACHMENT B

### Proposed Term Sheet for 915-939 66<sup>th</sup> 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 66<sup>th</sup> Avenue (also known as 915-939 66<sup>th</sup> 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:

1. In consideration for the Agency entering into an ENA, the Developer must make a non-refundable \$25,000, good faith deposit 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.

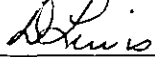


The ENA would provide that the Agency Administrator could extend the ENA for up to three additional months, if the Agency Administrator is satisfied the Developer has made acceptable progress in completing the ENA requirements and has provided evidence that the Project is feasible. The additional time 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

  
ORA Agency Counsel

## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. \_\_\_\_\_ C.M.S.

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### AGENCY RESOLUTION AUTHORIZING THE AGENCY ADMINISTRATOR TO NEGOTIATE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT WITH RALPHS/ FOOD 4 LESS GROCERY COMPANY FOR DEVELOPMENT OF A PROPOSED FOODS CO SUPERMARKET AND FUEL STATION AT THE NORTHEAST CORNER OF 66<sup>TH</sup> AVENUE AND SAN LEANDRO STREET

**WHEREAS**, in 2009, the Redevelopment Agency of the City of Oakland (the "Agency") approved a five year plan for the Coliseum Redevelopment Project Area which supports the elimination of blight and the creation of jobs and tax revenue through the acquisition and development of underutilized sites in the project area with commercial facilities for the underserved in the project area; and

**WHEREAS**, the Agency has provided significant funding and is supporting the Oakland Housing Authority's development of the Lions Creek Crossing affordable housing project in the Coliseum area, across 66<sup>th</sup> Avenue from the subject site; and

**WHEREAS**, the Agency is actively working to redevelop the Coliseum Area Redevelopment Project with new commercial facilities to serve residents in the area of the Coliseum BART Station; and

**WHEREAS**, in December 2009, the Agency purchased 6.3 acres from the Alameda Contra Costa Transit District ("AC Transit"), to hold for future development; and

**WHEREAS**, in late 2009, the Agency circulated a Notice of Development Opportunity to solicit development proposals for several sites, and a broker for the supermarket company 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 at the 66<sup>th</sup> Avenue site; and

**WHEREAS**, the Agency 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 at 915 66<sup>th</sup> Avenue: and

**WHEREAS**, the Agency 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 Agency Administrator approval; and

**WHEREAS**, the Agency and Ralphs agree that this authorization to enter an ENA does not constitute a binding commitment on the part of the Agency 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; now therefore be it

**RESOLVED**: That the Agency Administrator is authorized to negotiate and enter into an Exclusive Negotiating Agreement with Ralphs 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 at the 915 66<sup>th</sup> Avenue property including, but not limited to, 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 an Agency 2.3 acre surface parking lot;
- Ralphs and the Agency will mutually determine whether the required environmental review will be undertaken by Ralphs, the developer, as is the Agency's general practice, or whether Ralphs and the Agency 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;
- Ralphs will make a \$25,000 good faith deposit in order secure the exclusive right to negotiate to develop the 915 66<sup>th</sup> Avenue property; and be it

**FURTHER RESOLVED**: That the exclusive negotiating period will be for up to twelve months, and the Agency Administrator shall be authorized to extend the period for an additional three months if the Environmental Impact Report for the project has not been certified; 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 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 Agency Administrator or his 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 Agency Counsel prior to execution, and a copy shall be filed with the Agency secretary; and be it

**FURTHER RESOLVED:** That the Agency hereby authorizes the Agency Administrator or his designee, to take all other actions necessary with respect to the Exclusive Negotiating Agreement and the project consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_

**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