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REDEVELOPMENT AGENCY

OF THE CITY OF OAKLAND

AGENDA REPORT

To: Office of the Agency Administrator
Attn: Deborah Edgerly
From: Community and Economic Development Agency
Date: July 10, 2007

Re: Resolution Authorizing an Exclusive Negotiating Agreement With Hills Elmhurst Plaza LLC and Strategic Urban Development Alliance, LLC, For Hills-Elmhurst Plaza, a Mixed-Use Project on International Boulevard Between 94th and 96th Avenues

SUMMARY

Staff requests approval of a resolution authorizing an Exclusive Negotiating Agreement ("ENA") between the Redevelopment Agency and Hills Elmhurst Plaza LLC ("HEP") and Strategic Urban Development Alliance, LLC, ("SUDA") to pursue the planning and development of a mixed-use project (the "Project") consisting of residential and retail uses on property fronting International Boulevard between 94th and 96th Avenues (the "Property"). The ENA is for a period of 12 months with an option on the part of the Agency Administrator to extend this period for up to 90 additional days.

During the ENA period, HEP and SUDA will analyze the financial feasibility of developing the mixed-use Project, investigate the physical and environmental condition of the Property, and complete all necessary environmental documentation required under the California Environmental Quality Act ("CEQA") for the proposed Project.

After staff evaluates information collected during the ENA period and all parties agree on terms and financial feasibility, HEP/SUDA and the Agency would enter into an Owner Participation Agreement ("OPA") for the Project, subject to Agency approval.

FISCAL IMPACT

Authorization of the ENA does not commit the Agency to the expenditure of any funds. However, the future approval of an OPA based on the ENA would commit the Agency to providing a development loan for an amount as yet to be determined. The loan plus interest would be reimbursed from the Project's cash flow.

BACKGROUND

In 2001, Northern Real Estate (“NRE”) produced the Elmhurst Neighborhood Retail Corridor Analysis for the Community and Economic Development Agency. NRE evaluated retail demand and supply along a segment of International Boulevard in East Oakland and determined that residents within a one-mile radius possessed sufficient buying power to sustain a much greater retail presence. Consequently, CEDA selected four catalyst sites on International Boulevard. One of the sites is the Hills-Elmhurst Plaza project area, which is located in the Coliseum Redevelopment Project Area. The site consists of approximately 3.3 acres fronting International Boulevard between 94th and 96th Avenues.

HEP, a partnership of three property owners, controls 14 of the 18 parcels comprising the project site. The owners, Charles Hill, Barbara Wiggins, and Acts Full Community Development Corporation (“AFCDC”) led by Bishop Bob Jackson, have long standing ties to the community. Charles Hill has invested in and managed property in the Elmhurst neighborhood for over 25 years. Barbara Wiggins is a longtime resident and commercial property owner in East Oakland, while AFCDC, an adjunct of Acts Full Gospel Church has provided East Oakland with community services since 2001. In addition, AFCDC purchases and rehabilitates drug-infested properties as part of its efforts to serve East Oakland’s neighborhoods.

In March 2006, HEP retained Strategic Urban Development Alliance (“SUDA”), a real estate management firm which specializes in land development, to develop the project site. Shortly thereafter in August 2006, SUDA submitted a proposal to develop the site in four phases with 228 market-rate residential units, 64 units of affordable senior housing, 34,000 square feet of retail space, and associated parking and public improvements. SUDA has been working since then to obtain two of the four parcels in the project area not controlled by HEP. In January 2007, SUDA entered into escrow on 9428 East International Boulevard and is in negotiations for 9434 International Boulevard. The remaining two parcels, 9509 and 9525 International Boulevard, are not critical to the first three phases of the Project. SUDA intends to begin negotiations for these parcels after it has entered into an ENA with the Agency.

KEY ISSUES AND IMPACTS

The proposed ENA between the Agency and HEP/SUDA prohibits the Agency from negotiating with any other party for development of the subject property unless the ENA is terminated. During the ENA period, the Agency and HEP/SUDA will apply their best good faith efforts to refining the scope of HEP and SUDA’s development obligations, including the housing, retail, open space, parking and public amenities components of the Project; to agreeing on the schedule for HEP and SUDA’s performance of its development obligations, any public finance responsibilities, the terms and conditions under which Agency may participate in the development, the process for securing the Agency’s approvals, and the other elements to be included in the OPA; and to drafting and seeking agreement upon an OPA which Agency staff can recommend to the Agency and City Council.

Agency financing would depend on HEP and SUDA's capacity to deliver on the Project and on the feasibility of a mixed-use development on International Boulevard between 94th and 96th Avenues. Some of the key concurrent tasks that will be included in the agreement are:

- HEP and SUDA will submit a project description suitable for the environmental review process that includes site plans, elevations, proposed project scaling and circulation for the project area. The project description will be reviewed by the Agency, and will be presented to the community for review and comment prior to being finalized.
- HEP and SUDA will develop a project pro forma to evaluate the financial feasibility of the project that will include a schedule of private funding sources as well as an analysis of the need for financial assistance from the Agency.
- The ENA will be for a period of 12 months terminating in August 2008. The ENA will include a 90-day extension option, subject to the Agency Administrator's discretion or her designee's, which will cover the period until the environmental review is completed.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities that apply to the proposed action to execute an ENA. However, if the project proceeds, this redevelopment infill project will take an underutilized and unattractive site and transform it into an economically productive use that will also enhance the appearance of the Elmhurst neighborhood, increase the neighborhood's housing stock, stimulate commercial development, and increase tax revenue to the City.

Environmental: There are no sustainable environmental opportunities that apply to this particular action. Sustainable issues would be addressed as part of any OPA resulting from negotiations during the ENA period. Environmental benefits would include more sustainable urban land use patterns. As an infill development, the Project would reduce urban sprawl. The Project is also located on a major public transit corridor along which AC Transit plans to operate a Bus Rapid Transit line. The Project's housing density would support increased transit ridership.

Social Equity: There are no social equity opportunities that apply to this particular action. Social equity issues would be addressed as part of any OPA resulting from negotiations during the ENA period. If HEP and SUDA receive Agency assistance, the two companies will be required to comply with the Local Employment Program and the Local/Small Local Business Enterprise Program (L/SLBE). HEP and SUDA would also be subject to Prevailing Wages and the Living Wage Ordinance.

DISABILITY AND SENIOR CITIZEN ACCESS

This report does not include the approval of any specific projects or programs. Disability and senior access issues will be addressed when specific development plans are submitted to the City by the developer for review and approval. Any future developments on the site will be required

to comply with state and federal accessibility requirements, including Federal ADA Accessibility Guidelines, the Fair Housing Act and the State of California's Title 24 Accessibility Regulations

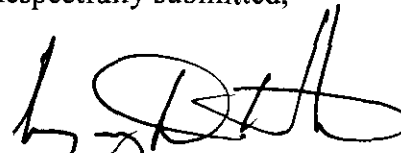
RECOMMENDATION AND RATIONALE

Staff is recommending authorization for the Agency Administrator to negotiate and enter into an ENA with HEP and SUDA to pursue the planning and development of mixed-use Project because the proposed Project meets several goals established in the 5-year plan for the Coliseum Redevelopment Project Area. The proposed Project will enhance the residential environment with new construction, stimulate neighborhood commercial revitalization by improving underutilized property, and add new public facilities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Agency adopt a resolution authorizing the Agency Administrator to negotiate and enter into an Exclusive Negotiating Agreement between the Oakland Redevelopment Agency and HEP/SUDA for a period of 12 months.

Respectfully submitted,



Gregory D. Hunter
Interim Director of Redevelopment,
Economic Development, Housing and
Community Development

Prepared by:
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Redevelopment Division

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

RESOLUTION AUTHORIZING AN EXCLUSIVE NEGOTIATING AGREEMENT WITH HILLS ELMHURST PLAZA LLC AND STRATEGIC URBAN DEVELOPMENT ALLIANCE, LLC, FOR HILLS-ELMHURST PLAZA, A MIXED-USE PROJECT ON INTERNATIONAL BOULEVARD BETWEEN 94TH AND 96TH AVENUES

WHEREAS, the Redevelopment Agency is working to redevelop International Boulevard with a healthy mix of multifamily housing and neighborhood-serving commercial uses; and

WHEREAS, the Agency selected four sites within the Coliseum Redevelopment Project Area which, if developed, could catalyze redevelopment of International Boulevard; and

WHEREAS, the Hills-Elmhurst Plaza site, approximately 3.3 acres located on International Boulevard between 94th and 96th Avenues, is one of the catalyst sites; and

WHEREAS, Hills Elmhurst Plaza LLC (“HEP”) is the majority property owner of the project site; and

WHEREAS, HEP retained Strategic Urban Development Alliance, LLC (“SUDA”) to develop the project site; and

WHEREAS, SUDA submitted a proposal to develop the site in four phases with 228 market-rate residential units, 64 units of affordable senior housing, 34,000 square feet of retail space, and associated parking and public improvements; and

WHEREAS, the Agency and HEP/SUDA wish to enter into a period of preliminary study and negotiations over the project proposal, and agree that this does not constitute a binding commitment on the part of the Agency to any developer or to participate in any project; now, therefore, be it

RESOLVED: That the Agency Administrator is authorized to negotiate and enter into an Exclusive Negotiating Agreement with HEP and SUDA for the purposes of studying and evaluating the feasibility of, and negotiating terms and conditions for the potential development of the Hills-Elmhurst Plaza project on International Boulevard between 94th and 96th Avenues; and be it

FURTHER RESOLVED: That the exclusive negotiating period will be for 12 months from the date of this Resolution, with the option to extend said period for up to 90 additional days with the approval of the Agency Administrator or her designee; 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 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 the California Environmental Quality Act ("CEQA") because it 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 her designee shall cause to be filed with the County of Alameda a Notice of Exemption for this action; and be it

FURTHER RESOLVED: That the Agency Administrator or her designee is further authorized to take whatever action is necessary with respect to the Exclusive Negotiating Agreement and the project consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2007

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND
CHAIRPERSON DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST:

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