



FILED
OFFICE OF THE CITY CLERK
OAKLAND
2013 JUN 27 PM 5:29

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: ENA with Strada Investment Group
for City Center T-5/6

DATE: June 17, 2013

City Administrator
Approval

Date

COUNCIL DISTRICT: 3

RECOMMENDATION

Staff recommends that the City Council approve:

A Resolution Authorizing an Exclusive Negotiating Agreement with Strada Investment Group for Development of the City Center T-5/6 Site bounded by 11th Street, Clay Street, and 12th Street

OUTCOME

This authorization will allow the City Administrator to negotiate and enter into a one-year Exclusive Negotiating Agreement ("ENA") with Strada Investment Group, LLC ("Strada" or "Developer"), with an option on the part of the City to extend the ENA period by six months, to negotiate development of the City Center T-5/6 site. During the ENA period, Strada will refine a project proposal to be vetted in community design meetings and for City review and permitting approvals, and complete California Environmental Quality Act ("CEQA") review. The City will appraise the property and negotiate with Strada the terms and conditions of a Disposition and Development Agreement ("DDA").

Entering into this ENA does not constitute a binding commitment on the part of the City to any project or developer for the three City Center T-5/6 parcels.

BACKGROUND/LEGISLATIVE HISTORY

The Redevelopment Agency of the City of Oakland ("Agency"), and later the City of Oakland ("City"), has maintained a DDA for a twelve-block area of Downtown Oakland, including the block known as "T-5/6", for over forty years. The original DDA between the Agency and Grubb

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& Ellis Company was executed on November 4, 1970. The City of Oakland became party to the DDA in 1976. In 1996, the DDA was assigned to Shorenstein Realty Investors Three, LP and related entities ("Shorenstein"). The City and Agency have approved 13 amendments to this DDA through 2011, including six with Shorenstein.

Shorenstein completed planning approvals for the four blocks of City Center known as T-9, T-12, T-10 and T-5/6. T-9 was completed as 555 City Center in 2001. Construction began on T-12 in 2008 but has been on hold since the economic crisis upset the office market. Shorenstein lost control of T-10 and T-5/6 when development did not commence on time. T-10 was eventually completed in 2011 as Domain by Alta, formerly City Walk. T-5/6 is currently available for development with entitlements in place for 580,000 square feet of office, 7,500 square feet of ground floor retail and 150 parking spaces.

The City Center T-5/6 block includes three parcels available for development surrounding a fourth parcel that provides entry to the City Center Garage and the super dock that provides access to six adjacent commercial buildings – 1001 Broadway (Marriott), 1111 Broadway, 1221 Broadway, 500 12th Street, 499 14th Street and 501 14th Street. For a map of the site see *Attachment A* - City Center T-5/6 Parcel Map. The super dock and most of the surrounding buildings that access it were completed between 1988 and 1992. Shorenstein bought four of these buildings when it took over the City Center DDA in 1996 and then sold them to an investment fund controlled by CBRE Inc. in 2010. Also, the City Center Garage is located under two of the T-5/6 parcels.

The three T-5/6 parcels were transferred by the Redevelopment Agency to the City on January 26, 2012, prior to the dissolution of the Agency. These parcels are among the properties that are being "clawed back" to the Oakland Redevelopment Successor Agency ("ORSA") by the State Controller's Office. However, the site has been proposed for future development in the Long-Range Property Management Plan ("LRPMP") that is pending ORSA approval, and, if approved as a future development property, would be transferred back to the City. The implementation of a project on the property will be dependent on the approval of the LRPMP by ORSA, the Oakland Oversight Board and the California Department of Finance.

ANALYSIS

The City has tried to identify developers that would be able to implement the planned projects for former Redevelopment Agency property, including City Center T-5/6. Finding a qualified developer with a strong development concept who will not sit on the property is a key to the strategy. Development of the three T-5/6 parcels is complicated by a fourth parcel that runs through the site to provide access to the City Center Garage and the super dock for six adjacent properties. Staff contacted property owners with rights over the entry to see which if any were interested. They consisted of CBRE Inc. (who had bought most of City Center from Shorenstein), and the CIM Group (the owner of the Marriott and Courtyard by Marriott).

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Neither was actively seeking new development opportunities like the one available on City Center T-5/6, but the CIM Group recommended Strada.

Strada is a real estate investment and development company focused on the San Francisco Bay Area. Strada has closed on over 1.3 million square feet of institutional office product in the past 30 months and is developing over four million square feet of office, residential, retail and hotel product in San Francisco. Strada's team is comprised of real estate professionals from both the public and private sectors, with deep experience in the City of Oakland, including Scott Stafford.

Prior to founding Strada, Scott Stafford ran the northern California office for the CIM Group, a multi-billion real estate investment firm. During his five year tenure at CIM, Scott acquired five class "A" office buildings in Oakland, containing 1.7 million square feet of space: One Kaiser Plaza (Ordway Building), 2101 Webster, 2100 Franklin, 1901 Harrison, and 1333 Broadway. Mr. Stafford also led the acquisition of four hotels containing over 1,700 hotel rooms located across the western United States, including the downtown Oakland Marriott Hotel and the downtown Courtyard by Marriott Hotel. Mr. Stafford's team led the substantial renovation of the hotel and the renovation of the convention center in coordination with the City of Oakland. This deep experience in the Oakland hotel market will be instrumental in securing equity and debt financing for the project. Mr. Stafford also served as Vice President of the Downtown Oakland and Lake Merritt-Uptown Community Benefit Districts and currently sits on the Board of the YMCA of the East Bay where he serves as Treasurer.

On February 2, 2012, Strada initially proposed a project that was consistent with the City Center preliminary Planned Unit Development permit ("PUD99-215") that already was approved for the site. Strada initially proposed to reconfigure the entitled project for large floor plate office space to attract technology tenants. Per a March 29, 2013, letter Strada amended its initial proposal to account for the garage and super dock access by dividing the site into two smaller developments sites: an approximately 225 key hotel and an approximately 330,000 square foot office building. For the details of the proposal see Attachment B - Strada Investment Group letter.

Strada proposes to complete a market analysis, hire an architect and prepare schematic designs, hire consultants, complete CEQA review, obtain planning entitlements, and negotiate a DDA for the purchase of the site, during the ENA period. For the full schedule of tasks to be performed during the ENA period by Strada and the City see *Attachment C* - Schedule of Performance. Once Strada completes ENA activities and staff negotiates the terms of a sale and development of the property, staff will then return to the City Council with a recommendation to enter into a DDA between the City and Strada.

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PUBLIC OUTREACH/INTEREST

Although there are entitlements for the site, Strada will still need to complete a final Planned Unit Development permit which includes design review. This will require a full community review process with at least one community meeting and a public hearing before the Planning Commission. These activities are required by the ENA, see items 12 and 30 on the Schedule of Performance.

COORDINATION

The Office of Neighborhood Investment coordinated this report with the City Attorney's Office, the Budget Office and Strada. During the ENA period, it will also be vital to coordinate the environmental review tasks for the Property with the City's Department of Planning and Building and possibly the Public Works Agency. The execution of the ENA and negotiations for the DDA will involve extensive cooperation with the City Attorney's Office

COST SUMMARY/IMPLICATIONS

The proposed legislation does not commit the City to the expenditure of any funds. Strada will bear sole responsibility for all costs associated with developing the project for approval, including consultant fees, permitting fees, legal fees, financing expenses, etc. The ENA shall require payment of a \$25,000 Project Expense Payment by Strada for purposes of reimbursing City for its third party expenses.

The sale of the property under an eventual DDA could generate as much as \$3.3 million.

POLICY ALIGNMENT

Strada's proposed use of the property is consistent with the intent of the General Plan, Redevelopment Plan and City Center Planned Unit Development permit, all of which have included extensive community engagement processes. Any changes to the City Center Planned Unit Development permit will require additional community engagement and public process.

SUSTAINABLE OPPORTUNITIES

Economic: The sale to Strada would generate land sale proceeds of up to \$3.3 million. The development would put vacant underutilized land into productive use and facilitate development of office space, a hotel and a modest amount of retail. There would be significant employment opportunities after the project is built as well as jobs during construction. Staff assessment of project employment benefits includes approximately 473 man years of construction jobs, 1,000 PTE office jobs, 100 PTE hotel jobs and five PTE retail/commercial jobs. The project is anticipated to generate significant tax benefits to the City, including \$1.6 million in transient

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occupancy tax, \$505,000 in annual property taxes, \$151,000 in annual business license tax and \$22,000 in annual sales tax.

Environmental: The project will need to meet the California Green Building Code and Oakland Green Building Ordinance, which will require use of low energy and low water building systems, recycling of building materials and waste, and other green techniques. The project also is adjacent to major public transportation nodes and will likely encourage workers, hotel guests and retail customers to use BART and AC Transit.


Social Equity: The ENA only establishes a planning process for the project. The final design has not been determined, but it may include elements like publicly accessible open space.

CEQA


The ENA only establishes a planning process, including CEQA review. CEQA review will be completed prior to approval of the DDA.

For questions regarding this report, please contact Patrick Lane, Redevelopment Manager, at 510-238-7362.

Respectfully submitted,



Fred Blackwell, Assistant City Administrator

Reviewed by: 
Gregory Hunter
Office of Neighborhood Investment

Prepared by:
Patrick Lane, Redevelopment Manager

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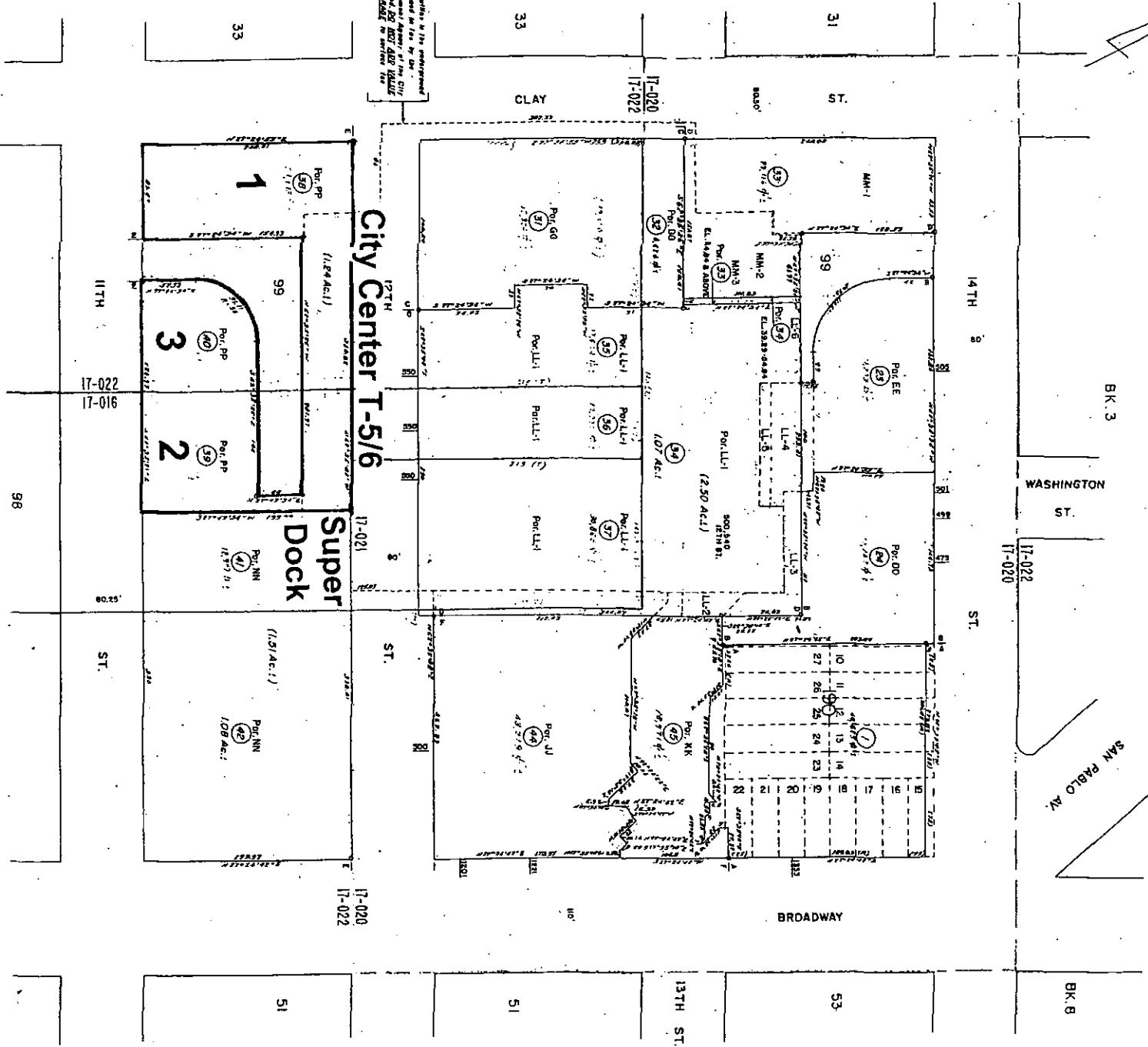
City Center T-5/6 Parcel Map

- (A) OAKLAND (KELLERBERGERS) (BK 7 PG 3)
- (B) P.M. 4976 (ELEV. 34.20 & ABOVE)
- (C) P.M. 5372 (ELEV. 39.29 & ABOVE)
- (D) P.M. 5410 (ELEV. 34.20 & ABOVE)
- (E) P.M. 5533 (ELEV. 39.29 & ABOVE)
- (F) P.M. 5456 (ELEV. 34.20 & ABOVE)

REVISED: 3-12-84 PB 12-6-88 PB 7-11-90 PB
 9-9-85 PB 3-20-89 PB
 8-9-87 PB 6-22-89 PB
 4-1-88 CSJ 5-1-88 JCR
 4-07-88 CSJ 1-15-89 PB
 10-26-88 RG 1-25-90 PB

DRAWN: 5-3-93 PB.

FORMERLY: BLKS. 39, 41, 43 & 45



Other notes in the neighborhood
 please read in the neighborhood
 map and in the City of Alameda
 at the Assessor's Office in order to
 be advised of other uses

A.C.M.

REF: CASE 1-7-11 R.S. 473 (A.S. OK, A POSS), R.S. 008 (M.A. W.K. OK), R.S. 3957 (R.7/43)

H.P.N. 45

IND. PG

ATTACHMENT B

March 29, 2013

Patrick Lane
Redevelopment Manager, City Of Oakland
Office of Neighborhood Investment
250 Frank H. Ogawa Plaza, Suite 5313
Oakland CA 94612

RE: City Center: T-5/6

Dear Patrick,

As we briefly discussed yesterday morning, Strada Investment Group ("Strada" or "we") is interested in exploring a two-pronged approach to the future development of Block T5/6 (the "Site"). We will explore the construction of a:

1. Large floor-plate creative office development
Large floor-plate (40,000 sf of rentable space per floor) office building designed to accommodate technology-industry tenants that desire collaborative and open work environments. We would target a building size of roughly 350,000 gross square feet (assumes 8 story building) with a retail component on the ground floor.

This development program may be challenging from a constructability perspective for two reasons:

- a. Building above the City Center Garage and Superdock ramps will require cooperation from various private parties. Our preliminary review of the associated documentation gives us comfort this can be accomplished.
- b. Situating building structure above the City Center Garage will likely be extraordinarily expensive and potentially disruptive to the garage.

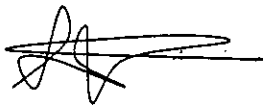
Strada will study these issues during the ENA period.

2. Mixed-use, multi-phased development scheme including both hotel and office uses
We believe the Site best accommodates two distinct structures: i) a 225-250 key boutique hotel located on Clay Street, between 11th and 12th Streets and ii) a roughly 330,000 gross square foot office tower located mid-block along 11th street (see attached diagram).
 - a. A 250 key hotel would contain roughly 165,000 gross square feet, assuming a 15 story structure is built upon the approximately 14,000 square foot parcel. Benefits of this approach include:
 - i. Hotel can be built without disturbing the 11th Street City Center Garage/Superdock ramp (in line with the plan outlined in the Ninth Amendment to the DDA for the Oakland City Center Project);

- ii. Hotel can be built without situating any structure above the City Center Garage;
 - iii. Clay Street frontage is ideal for hotel sense of arrival and related retail amenities;
 - iv. Adjacency to the Convention Center will leverage existing hospitality investment by the City of Oakland;
 - v. Financing programs such as EB5 are being actively used to construct hotels across the United States. We have experience in arranging this financing and are confident it could be achieved on the Site.
- b. The office building would contain roughly 330,000 gross square feet, assuming an 18 story structure with 16,560 net rentable square foot floor-plates is built upon the roughly 23,000 square foot parcel on 11th Street. Benefits of this approach include:
- i. The smaller floorplates allow the office building to be built without disturbing the 11th Street City Center Garage/Superdock ramp (in line with the plan outlined in the Ninth Amendment to the DDA for the Oakland City Center Project). An aesthetic "deck" could likely be constructed over the lower portion of the City Center Garage/Superdock ramp.
 - ii. The office building can be built without situating any structure above the City Center Garage;
- c. The area above the City Center Garage on 12th Street can be landscaped and potentially tied into the office building in an aesthetically attractive manner. Other potential uses of this space include a public art park.

We are excited about this opportunity and look forward to exploring both development schemes in cooperation with City of Oakland staff.

Thank you,



Scott Stafford

cc: Jesse Blout; Michael Cohen; David Noyola

**ATTACHMENT C
SCHEDULE OF PERFORMANCE**

Property: T 5-6
 Developer: Strada Investment Group
 Approximate CED approval: July 9, 2013
 Approximate City Council Approval: July 16, 2013
 Negotiation Period: 12 months with City
 option to extend 6 month
 Approximate Execution of ENA: August 1, 2013
 Project Expense Payment: \$25,000

			Within Number of Calendar days of the Commencement of the Negotiation Period	Approx due date assuming July 16 approval and start date
		ENA SCHEDULE OF PERFORMANCE		
1	CEQA & PERMITS	City provides all existing environmental, geological, engineering and other reports about Property's condition	30	15-Aug-13
2	DESIGN	Developer retains design team to prepare concept plans	30	15-Aug-13
3	MARKET STUDY	Complete market feasibility study	90	14-Oct-13
4	PROJECT TEAM	Description of financial and legal structure of the Development Team	90	14-Oct-13
5	PROJECT TEAM	Balance sheets and income/loss statements for last 2 years (2011, 2012) for Development Team; including Developer's expanded team	90	14-Oct-13
6	PROJECT TEAM	Developer's LLC status	90	14-Oct-13
7	PROJECT TEAM	Development team's experience including: architect, structural engineers, general contractors, marketing & real estate firm	90	14-Oct-13
8	PROJECT TEAM	Development team's litigation status	90	14-Oct-13
3	FINANCING	Proformas: budget, sources & uses of funds, 10-yr cash flow, operating budget	120	13-Nov-13
10	FINANCING	Project development schedule	120	13-Nov-13
11	FINANCING	Developer and City agree on basic transaction structure and terms.	120	13-Nov-13
12	CEQA & PERMITS	Developer retains environmental consultants to prepare documents for CEQA review of Project. Developer's CEQA consultant shall compare proposed development project with the development program in the Planned Unit Development (PUD99-215).	120	13-Nov-13
13	DESIGN	First public meeting on proposed development plan	150	13-Dec-13
14	CEQA & PERMITS	Submit Project Description for environmental review purposes to City	150	13-Dec-13
15	CEQA & PERMITS	Submit applicable zoning and land use permit pre-applications and a schedule of approvals.	150	13-Dec-13
16	FINANCING	List of lenders and investors approached	120	13-Nov-13
17	DESIGN	Second public meeting on proposed development plan	180	12-Jan-14
18	CEQA & PERMITS	Based on the specific CEQA approach for the project, Developer's CEQA consultant shall prepare a draft scope of work, based upon the City's "Guidelines for Environmental Consultant Contracts Concerning Private Development Projects" (dated 1/5/12), for City review and approval, that analyzes the specific environmental topics and type of CEQA document that is required to complete CEQA clearance – Initial Study, Addendum and/or Supplemental EIR.	180	12-Jan-14
13	DESIGN	Schematic Design Plans, plan for public art, and list of public improvements	240	13-Mar-14
20	CEQA & PERMITS	Submit applicable zoning and land use permit applications and a schedule of approvals.	240	13-Mar-14
21	CEQA & PERMITS	If supplemental/subsequent EIR is required, Developer's CEQA consultant shall cause the issuance of a NOP subject to City review and approval	240	13-Mar-14
22	FINANCING	UPDATED & REFINED: Project development schedule	240	13-Mar-14
23	CEQA & PERMITS	If Addendum and/or other non-EIR CEQA document is required, submit an administrative draft of the CEQA document	270	12-Apr-14
24	MARKET STUDY	Complete marketing strategy	270	12-Apr-14
25	FINANCING	UPDATED & REFINED: Proformas: budget, sources & uses of funds, 10-yr cash flow, operating budget	270	12-Apr-14
26	FINANCING	LOI from lenders and equity partners to finance project	300	12-May-14
27	DDA	City submits final appraisal report	300	12-May-14
28	DDA	Complete DDA Negotiations	330	11-Jun-14
29	CEQA & PERMITS	Complete CEQA review. Developer: Complete environmental assessment, ID site mitigations. City: complete enviro review, file Notice of Determination.	330	11-Jun-14
30	CEQA & PERMITS	Obtain all necessary planning approvals. The approval process will include public hearings with the Planning Commission and Design Review Committee.	360	11-Jul-14

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OAKLAND

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Approved as to Form and Legality:


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AUTHORIZING AN EXCLUSIVE NEGOTIATING AGREEMENT WITH STRADA INVESTMENT GROUP FOR DEVELOPMENT OF THE CITY CENTER T-5/6 SITE BOUNDED BY 11TH STREET, CLAY STREET, AND 12TH STREET

WHEREAS, the City owns approximately 1.25 acres of property bounded by 12th Street on the north, 11th Street on the South, Clay Street on the west and the 1111 Broadway Building on the east (the "Property"), commonly known as the City Center T-5/6 Site; and

WHEREAS, the Property is composed of three parcels surrounding a fourth privately owned parcel that provides access to City Center Garage and a super dock for six adjacent buildings; and

WHEREAS, on February 2, 2012; Strada Investment Group ("Strada") submitted a letter of interest for developing the Property, which was further defined by letters submitted on November 16, 2012, and March 29, 2013; and

WHEREAS, the current Strada proposal is to purchase the Property and develop either a 580,000 square foot office building or a 300,000 square foot office building and a 225 key hotel (the "Project") on the site; and

WHEREAS, the City and Strada wish to enter into a period of preliminary study and exclusive negotiations over the proposed Project, understanding that this does not constitute a binding commitment on the part of the City to any project or developer for the Property; now, therefore, be it

RESOLVED: That the City hereby authorizes the City Administrator to negotiate and enter into an Exclusive Negotiating Agreement ("ENA") with Strada for the purposes of developing a project proposal for City review and approval, and California Environmental Quality Act ("CEQA") approval, and negotiating the terms and conditions of a Disposition and Development Agreement ("DDA"); and be it

FURTHER RESOLVED: That the initial exclusive negotiating period will be for 12 months

from the date of this Resolution, with an option by the City to extend said period by an additional 180 days with the approval of the City Administrator in her sole discretion; and be it

FURTHER RESOLVED: That the City shall require payment of a \$25,000 Project Expense Payment by Strada for purposes of reimbursing City for its third party expenses; and be it

FURTHER RESOLVED: That the ENA shall be reviewed and approved as to form and legality by the City Attorney's Office prior to execution; and be it

FURTHER RESOLVED: That the City finds and determines, after independent review and consideration, that this action complies with the California Environmental Quality Act 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 City 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 City Administrator is further authorized to negotiate and enter into agreements and take whatever action is necessary with respect to the ENA, the project, and the Property, consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON McELHANEY, KALB, KAPLAN, REID, SCHAAF, and
PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California