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OAKLAND

2015 APR 29 PM 1:02

CITY OF OAKLAND

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Mark Sawicki

SUBJECT: LDDA Disposition of Property and New Market Tax Credits Allocation for Foothill and Seminary Project

DATE: April 20, 2015

City Administrator Approval		Date	4/28/15

COUNCIL DISTRICT: 6

RECOMMENDATION

Staff recommends that the City Council adopt the following legislation:

1. **An Ordinance Amending Ordinance No. 13114 C.M.S., Authorizing The Disposition Of Property At Foothill Boulevard And Seminary Avenue To Sunfield Development, LLC, For Development As A Retail Center, To Change The Disposition From A Sale To A Long-Term Ground Lease With An Option To Purchase, And To Rescind The Allocation Of $150,000 For A Developer Remediation Allowance And Allocate $75,000 To City Remediation Costs**

2. **A Resolution Amending Resolution No. 84521 C.M.S. Approving an Allocation of $6 Million in New Market Tax Credits By Oakland Renaissance NMTC, Inc., To Sunfield Development, LLC, Or Its Affiliates For The Development Of a Retail Project at Foothill Boulevard And Seminary Avenue, to Allocate an Additional $8 Million in New Market Tax Credits For A Total Allocation of $14 Million**

OUTCOME

Authorizing the City Administrator to enter into a lease of the property under a Lease Disposition and Development Agreement ("LDDA"), as opposed to a fee sale of the property, will allow Sunfield Development, LLC (the "Developer") to move forward with the development of this vacant site and return the property to a productive economic use. Increasing the allocation of New Market Tax Credits ("NMTC") by $8 million to a total allocation of $14 million for the project will increase the financial investment in the project and make the project economically feasible.

The LDDA will provide long-term benefits to the City from shared revenue starting in year eight to year sixty-six with a total expected return to the City of $5,400,000. The project developer, schedule of rent payments under the ground lease would be as follows:

Ground Lease			
Years	**Per Month**	**Yearly**	**Years**
Year 8 to 20	$ 1,000	$ 12,000	$ 156,000
Year 21 to 30	$ 5,000	$ 60,000	$ 600,000
Year 31 to 40	$ 7,500	$ 90,000	$ 900,000
Year 41 to 50	$ 10,000	$ 120,000	$ 1,200,000
Year 51 to 60	$ 12,500	$ 150,000	$ 1,500,000
Year 61 to 66	$ 14,500	$ 174,000	$ 1,044,000
Total Lease payments to City			**$ 5,400,000**

The Developer will have the option to purchase the property under two scenarios: Option #1: Purchase on or before year 21, with restrictions that apply in perpetuity and specify certain retail and commercial uses only, for a purchase price equal to the current appraised value of $2,400,000; or Option #2: Purchase at any time without restrictions for a price equal to the base value of $2,400,000 with an escalator for every year of two percent compounded. For example with a base of $2.4 million the amount is approximately $3.6 million in year 21.

In addition, the development will generate financial benefits for the City from property taxes, business license taxes, sales taxes, and utility taxes (See ***Attachment A***).

The City previously authorized an allocation of $150,000 to the Developer for demolition and remediation of the site. Since then, the City has used approximately $75,000 towards the cost of demolition of 5844 Bancroft Avenue and plans to use the remaining $75,000 towards addressing the remediation of the site. The City will make a reasonable effort to properly remediate subject property soil conditions per recommendations as set forth in an existing Phase II report on file prior to execution of the ground lease.

BACKGROUND/LEGISLATIVE HISTORY

The City of Oakland owns the project site, a 1.69 acre site formerly consisting of 11 contiguous vacant parcels of land on the southwest corner of Foothill Boulevard and Seminary Avenue (see ***Attachment B***). On May 15, 2012, Ordinance No. 13114 authorized City staff to enter into a DDA with the Developer to sell the property for the development of Seminary Point, a neighborhood commercial retail shopping center. This Ordinance also allocated a $150,000 environmental remediation allowance to the Developer.

In May 2013, the Oakland Redevelopment Successor Agency ("ORSA") received a Finding of Completion from the California Department of Finance ("DOF") and in July 2013, ORSA submitted a Long Range Property Management Plan ("LRMMP") to DOF for review and approval. The LRPMP was used to determine the disposition of all the former agency properties. In May 2014, ORSA finally received approval of the LRPMP from DOF. Per the LRPMP, ORSA then transferred the property to the City.

On July 16, 2013, Council approved Resolution No. 84521 C.M.S. approving the allocation of up to $6 million of New Market Tax Credits ("NMTC") by Oakland Renaissance NMTC, Inc., an affiliate of the City, to a sub-community development entity affiliated with Oakland Renaissance NMTC, Inc. The purpose of allocating the tax credits to Sunfield was for the development of Seminary Point, a retail project at the corner of Foothill Boulevard and Seminary Avenue. The Council also approved a resolution authorizing the allocation of up to $8 million of NMTC to Bridge Housing Inc. for the MacArthur Transit Village Sites A and C commercial spaces, Resolution No. 84520 C.M.S, But Bridge has decided not to include the office component and has declined the NMTC allocation

The City did not execute the DDA with Sunfield because the City had to wait for a final approval of the LRPMP from DOF which governs how the property could be transferred. As of this year, Sunfield determined that the project required additional financing due to increased construction costs and lower tenant lease payments. Therefore, staff is requesting the reallocation of the $8 million of New Market Tax Credits ("NMTC") for the project, increasing the total NMTC allocation for the project from $6 million to $14 million, as well as changing the method of disposition of the property from a proposed sale to a lease.

The City seeks to amend the previous actions to change the method of conveyance from a sale of the property under a DDA to a long-term ground lease of the property for 66 years under an LDDA, with an option to purchase. The proposed LDDA will allow the developer to enter into lease agreements with tenants and pursue the development of the property in a timely manner. The anchor tenant will provide much needed entry level jobs and local goods and services in the

Foothill Seminary area. It is also anticipated that the retail project will provide approximately 116 jobs with 52 construction jobs and 54 permanent jobs.

The Property

The property is located approximately six blocks south of Mills College with primary frontage on Foothill Boulevard, Seminary Avenue, and Bancroft Avenue. The effort to purchase the 11 parcels was done over a two and a half year period and resulted in the assembly of 1.69 acres (apx. 73,500 square feet) of land, which is zoned Neighborhood Center Three (NC-3). The size and configuration of the property will allow approximately 26,950 square feet of new neighborhood-serving retail uses with 73 off-street parking stalls. This area has also received major streetscape improvements along Foothill Boulevard and Seminary Avenue as well as façade and tenant improvements, all of which help to revitalize this very important neighborhood retail node.

In September 2009, a Notice of Development Opportunities ("NODO") was issued to solicit development proposals for the property. The former redevelopment agency received three proposals and formed a selection committee for the purpose of reviewing the proposals and to conduct in-depth interviews with all three respondents. The committee evaluated the overall feasibility for each proposed project, which was based on multiple categories and ranked them accordingly.

Sunfield ranked first in the initial round of evaluations and its submittal of additional information further solidified the former agency's selection of its project. The former agency entered into an Exclusive Negotiating Agreement ("ENA"), which allowed the Developer to demonstrate financial capacity and financial feasibility, finalize project design, solidify cost estimates, solicit statements of interest from retail operators, and conduct applicable market feasibility studies for the retail components. In addition to performing these tasks, Sunfield utilized the ENA period to complete the California Environmental Quality Act ("CEQA") review, which was approved by the Planning Commission on October 19, 2011.

The property was conveyed by the Redevelopment Agency to the City in January of 2012, prior to the dissolution of the Agency. The property was transferred to ORSA by the City pursuant to the State Controller's "clawback" order in 2013, and then transferred back to the City in 2014 as a "future development" property as authorized under the LRPMP.

The New Markets Tax Credit Program

The New Markets Tax Credit program was established by Congress in 2000 to encourage investments into operating businesses and real estate projects in low-income communities. The NMTC program is administered by the Community Development Financial Institutions ("CDFI") Fund. The NMTC program attracts private financing by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities ("CDEs"). In turn, the CDEs invest these funds into qualified businesses that are located in low-income communities.

Oakland Renaissance NMTC, Inc. ("ORNMTC"), an affiliate of the City, received CDE certification from the CDFI Fund in 2005. In September 2012, ORNMTC applied for tax credit authority under the NMTC program in an amount of $100 million, primarily to provide real estate financing necessary to support retail business attraction and retention in Oakland. In April 2013, ORNMTC was notified by the CDFI Fund that it received an allocation of tax credit authority in an amount of $20 million. Currently, ORNMTC intends to leverage approximately $14 million of the $20 million allocation on the Seminary Point project. Otherwise, the project would not be economically feasible.

The United States Department of the Treasury's CDFI Fund administers the NMTC program, which targets debt and equity capital to businesses or organizations situated in low-income, economically distressed communities. Intended to address the lack of available capital for business and economic development ventures in such places, the program provides Federal tax credits to those who would invest in CDEs that, in turn, invest in qualified businesses. Each business or economic development initiative or project supported by the NMTC program, involves at least three key parties:

- A CDE, such as ORNMTC, that has been competitively awarded an allocation of tax credits by the CDFI Fund and sells them to investors;
- Individuals or corporate investor entities (that may or may not be affiliated with a CDE) that use the tax credits in return for making Qualifying Equity Investments (QEIs) in a CDE, which the CDE subsequently uses for making loans or equity investments in projects; and
- The recipient of the qualified low-income community investments (QLICI) termed a Qualified Active Low Income Business (QALICB).

The investor will be eligible to claim a tax credit equal to five percent of its equity investment in the CDE for each of the first three years and a six percent credit for each of the next four years (for a total of 39 percent) over a seven year compliance period. The investment in the CDE cannot be redeemed before the end of the seven year period. The NMTC program is designed to rely on the CDE's local knowledge and expertise when deciding what business to invest in or lend to with the funds it raises.

In essence, the NMTC program allows NMTC investors to forego the usual direct return of all or a substantial portion of their investment, because they will receive tax credits that more than offset the amount of return on investment given up. ORNMTC has three years to use its NMTC allocation after entering into an allocation agreement with the Treasury.

Oakland Renaissance NMTC, Inc.

ORNMTC is a California nonprofit public benefit corporation and an affiliate of the City of Oakland, with a board consisting of City staff. ORNMTC's mission is to serve low-income communities and low-income persons in Oakland. In 2005 ORNMTC received CDE certification from the CDFI Fund.

ANALYSIS

A new summary report is now required under Government Code Section 52201 before property received by a city under its LRPMP is sold or leased for economic development purposes. Economic and Planning Systems, Inc. ("EPS") was retained to update two previous reports undertaken by EPS and Keyser Marston and Associates for the original proposed sale and now lease of the property (see ***Attachment D***). The summary report addresses the requirements of Government Code Section 52201 and provides information and analysis on the cost of acquisition and assembly of the site, the appraised value, a residual land value analysis, verification of the assumptions provided in the Developer's pro forma, and other requirements that meet the requirements as stated in Section 52201.

Sunfield Development, LLC

Sunfield Development, LLC is a relatively new company. The company grew out of a team of real estate professionals, including the president, Sid Afshar, who has over 30 years of experience in real estate development and architectural design in California. The Developer has assembled a strong team with substantial experience and an excellent reputation for developing parking and retail projects, including International Parking Design (IPD), Steven Earl Beane, the architect, and Woodland Construction, the contracting firm approved by Walgreens.

The Project

The City's vacant property will be developed into a new neighborhood commercial retail center. The proposal includes two new buildings fronting on Foothill Boulevard with a surface parking lot in the rear along with one additional building pad in the middle of the parking lot and one fronting on Bancroft Avenue. The four buildings will include a total of 26,950 square feet of new commercial space and 73 off-street parking stalls. The anchor tenant's (Walgreens') building will face Foothill Boulevard and will feature a pharmacy/drug store and will offer a mix of retail, food, and a drive-thru pharmacy window (see ***Attachment C***).

Appraised Value

The appraised fair market value of the property with entitlements is $3,050,000. The appraised value of the property vacant and without entitlements is $2,400,000. City staff used the appraised value of $2,400,000 as the base value for setting the purchase of the property under

Sunfield's option to purchase, because the added value to the property with the entitlements was created and paid for by the developer.

Site Costs

The total cost to the former Redevelopment Agency for the 11 parcels was $4.5 million. The Redevelopment Agency used bond funds to purchase the sites and the lease revenue will be considered restricted funds. The revenue will be restricted to redevelopment purposes in the Central City East Redevelopment Area. The $4.5 million includes land acquisition costs at fair market value, the cost of title reports, Phase I and Phase II environmental reports, hazardous materials abatement, where applicable, and demolition of the buildings. The property will be provided vacant to the Developer. The properties were purchased because they were blighted, underutilized, and a source of crime in the area.

Residual Land Value

Residual land value is the net value of the land after development cost and revenue are considered. Given the development costs, operating costs, and lease and other income from the project, the residual land value is negative $1,216,809 (see ***Attachment D*** EPS report page 5). For this reason, City staff recommends the additional New Market Tax Credit allocation of $8 million, for a total allocation of $14 million, which now makes the project feasible and allows the project to have a reasonable return of 8.5 percent. In the long-term, the project is expected to have future improvements in retail rental rates that will generate more income for the project and the City.

Environmental Remediation

The City has agreed to provide the site clear of hazardous material. The cost to dispose of soil on the site that has hazardous material will be paid for with the $75,000 remaining from the previous allocation of $150,000. Therefore, the subsidy to the project for demolition costs and site remediation aside from the other City costs is approximately $150,000.

Living Wage and Prevailing Wages

The City's living wage requirements are triggered when any "City Financial Assistance Recipient" ("CFAR") receives a subsidy in amount of $100,000 or more in a 12 month period and employs at least 20 employees for each working day in each of 20 or more calendar weeks in the 12 months after occupying or using such property. Sunfield's acceptance of the land subsidy and New Market Tax Credits triggers the living wage requirement for themselves and covered tenants of the subsequent development. The living wage requirements are in effect for five years after start of construction. The anchor tenant of the project, Walgreens, has agreed to pay the required living wages to its employees at this site. Contract Administration and Compliance staff will establish monitoring procedures for the term of the living wage requirement. Sunfield's building contractor will also pay prevailing wages throughout the entire construction phase pursuant to state law.

Community Benefits

It is important to note that the Foothill Seminary retail corridor has not seen any major outside investment for over 20+ years and this node was also identified in the City of Oakland's Retail Strategy. The Retail Strategy identified the need for "another convenience anchor store such as a drug store to create a stronger customer draw for local residents." This section of East Oakland lacks the basic goods and services needed by residents. This neighborhood commercial retail shopping center will provide a much needed pharmacy, wellness services center, and other neighborhood retail services.

Anticipated Annual Revenues & Benefits to the Community/City

The benefits to the community include the reuse of a vacant underutilized property to long-term economic use. The following list some of the financial benefits to the community and City:

1. Ground Lease- Starting in year eight the Developer will pay the City a monthly rent of $1,000 with increases every 10 years to year 66 for a total of $5,400,000.

2. City Sales Tax- Sales tax is imposed upon every retailer for the privilege of selling tangible personal property at retail. The City receives .0095 of each taxable dollar generated by retailers. The estimated annual sales tax is $57,753.

3. Jobs Generated- An estimated 112 total jobs with approximately 58 construction jobs and 54 permanent jobs.

4. Permit Fees- The cost of permitting the project is a single one-time payment of approximately $308,539.

5. Business License Tax- The annual business license tax is estimated to be $9,180.

6. Utility Tax- The annual utility tax is estimated at $3,854.

7. Property Tax- The property tax estimated to be received annually is $82,165 to the City. The property tax will be based on the improvements to the property and the appraised value of the property.

The total estimated revenue to the City in the first year is $439,007. The net present value over a 20 year period accruing to the City is estimated at $1,978,622 (see ***Attachment A***).

Seminary Point will bring in much needed neighborhood retail, and help establish a strong sense of place for the community. The project will also strengthen additional retail demand, and generate both short- and long-term job opportunities for Oakland residents. The property lies at the heart of one of the retail nodes identified in the City-Wide Retail Strategy. This area has also undergone major streetscape improvements along Foothill Boulevard and Seminary Avenue as well as façade and tenant improvements, all of which have helped to revitalize this very important neighborhood retail node. Finally, the development puts an underutilized property to productive economic use and acts as an economic catalyst for this commercial district.

PUBLIC OUTREACH/INTEREST

The property is located in the former Central City East Redevelopment Project Area. The former project area was established in 2003 after neighborhood groups, including merchants, requested that the City Council include the area in a redevelopment district. Residents were frustrated with deteriorating conditions along the commercial corridors in the central and eastern portions of the City and the impact on the adjacent residential areas. Residents cited deteriorated and vacant buildings, prostitution and drug trafficking as specific problems impacting the Foothill Seminary area. Residents in this area have expressed strong interest in supporting neighborhood commercial uses and the project has previously received letters of support from many of the outside taxing agencies.

The proposed development was presented and approved for entitlements by the Planning Commission on October 19, 2011 and the entitlements have been successfully extended through the end of 2015.

COORDINATION

Staff from Workforce and Economic Development and the Bureau of Planning and Building worked with Sunfield on the proposed new commercial center. Public Works staff has coordinated the environmental testing on the site and have also coordinated the off-site streetscape improvements with the proposed project. Finally, Real Estate staff was directly responsible for the acquisition of the 11 parcels.

COST SUMMARY/IMPLICATIONS

1. SOURCE OF FUNDING:

For Lease and Disposition and Development Agreement (LDDA)

As part of the negotiation and lease of the property to the Developer, staff has proposed to deliver the property clear of hazardous materials. A Phase II report for one parcel (2521-2541 Seminary Avenue) estimated the soil disposal costs during development based on specific assumptions. The estimate considers the removal of hazardous waste and soil of unpaved and paved portions of the site. Staff is proposing to use the remaining $75,000 for the cost of removing the contaminated soil from the property. The $75,000 will come from the former agency's bond proceeds transferred to the City from ORSA from the Central City East project area.

Funds totaling $75,000 are available from bond proceeds issued by the Central City East project area within the Central City East Taxable Bond Fund (5643), Central City East Capital Org. (94899), Services: Professional Account (54930), Land Acquisition Project (C412710), and Central City East Program (SC18).

For New Market Tax Credits $14 million dollar allocation

The $14 million of New Market Tax Credits allocation will come from the Oakland Renaissance NMTC, Inc. allocation of New Market Tax Credits. . The proposed legislation will allow the Oakland Renaissance New Market Tax Credit (ORNMTC) to execute an allocation agreement with the CDFI Fund to bring investment into the East Oakland community with the purpose of providing primarily real estate financing necessary to support retail business attraction and retention to this distressed neighborhood. The City's demand for retail goods far exceeds the sales captured by its stores. This imbalance results in an estimated $1 billion in leakage or lost revenue sales every year.

ORNMTC Fees and Expenses. ORNMTC shall be entitled to payment of fees and expenses outlined below:

A. Up-front Sub-allocation fee of 2% of the Qualified Equity Investment ("QEI") amount paid in full to the CDE at closing which is a $280,000 one-time payment;

B. Up front Original Fee of 1% of the QEI paid in full at closing by the Qualified Active Low-Income Community Business (QALICB) which is a $140,000 one-time payment;

C. Ongoing annual CDE Asset Management Fee of 0.5% of ORNMTC's QEI ($30,000 per year based on a $6 million QEI which is a $70,000 annual fee; and

D. Reimbursement of annual costs for audits, tax returns, filing fees, reporting, etc. of the CDE and all related entities required for the Project.

All third party legal, due diligence, and accounting costs of closing, including the cost of formation of the subsidiary CDE are the responsibility of the Sponsor. All reasonable expenses of the CDE incurred in connection with the transaction contemplated herein including attorneys' fees, title, engineering, inspection, environmental, and other due diligence work shall be the responsibility of Sponsor. Sponsor is responsible for reimbursing ORNMTC for all expenses related to documenting and closing the transaction, whether or not the transaction is processed.

All of ORNMTC's ongoing fees and expenses will be funded into a controlled reserve account held by Sponsor at closing.

2. FISCAL IMPACT:

Approximately $75,000 remains for site remediation and will be used by the City for the removal and disposal of contaminated soil from the property. The LDDA will provide long-term benefits to the City from shared revenue starting in year eight to year sixty-six with a total expected return to the City of $5,400,000. The Redevelopment Agency used bond funds to purchase the sites and the lease revenue will be considered restricted funds. The revenue will be restricted to redevelopment purposes in the Central City East Redevelopment Area. The project developer, schedule of rent payments under the ground lease would be as follows:

Ground Lease			
Years	**Per Month**	**Yearly**	**Totals**
Year 8 to 20	$ 1,000	$ 12,000	$ 156,000
Year 21 to 30	$ 5,000	$ 60,000	$ 600,000
Year 31 to 40	$ 7,500	$ 90,000	$ 900,000
Year 41 to 50	$ 10,000	$ 120,000	$ 1,200,000
Year 51 to 60	$ 12,500	$ 150,000	$ 1,500,000
Year 61 to 66	$ 14,500	$ 174,000	$ 1,044,000
Total Lease payments to City			**$ 5,400,000**

As mentioned above, the former Redevelopment Agency invested approximately $4.5 million in restricted bond funds in land assembly costs related to this project. As such and per the LRPMP, the lease revenues resulting from the project will be restricted for redevelopment purposes within the Central City East project area. Beginning in year eight, the lease revenues will be deposited into the Central City East Taxable Bond Fund (5643).

SUSTAINABLE OPPORTUNITIES

Economic: The project will replace an underutilized vacant and blighted property with a new commercial neighborhood retail center, which will act as a commercial catalyst for this district. The project will create new permanent retail employment opportunities as well as temporary construction-related jobs. The project will generate sales tax, property taxes, utility taxes, and business license tax.

Environmental: The project will remove a blighted property from this commercial node and will create an infill neighborhood commercial retail development. The developer will use its good faith efforts to design, develop, and construct the project to be environmentally sustainable in conformance with the Build it Green commercial checklist.

Social Equity: The project will provide much needed access to retail services for daily goods and services in the Central East Oakland neighborhood and community. The project will bring a pharmacy and health and wellness services and retail to a neighborhood that is in need of these services.

CEQA

The project was approved by the Planning Commission on October 19, 2011 with a Notice of Exemption (NOE) based on an in-fill exemption (Section 15332 on the California Environmental Quality Act).

For questions regarding this report, please contact Theresa Lopez, Urban Economic Analyst IV at (510) 238-6250.

Respectfully submitted,

Mark Sawicki, Director
Workforce and Economic Development

Reviewed by:
Larry Gallegos, Area Manager

Prepared by:
Theresa Lopez, Urban Economic Analyst IV
Project Implementation

Attachments
Attachment A. Estimated Revenue to the City of Oakland from Foothill Seminary Development
Attachment B. Map of City of Oakland Eleven Properties
Attachment C. Site Plan of Seminary Foothill Project
Attachment D. Economic Planning Services (EPS) Report

ATTACHMENT A
FOOTHILL SEMINARY DEVELOPMENT

Foothill Seminary Development - Seminary Point Retail Development

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue to the City																					
Sales Tax	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269	$35,269
Permit Fees	$308,539																				
Business License Tax	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180	$9,180
Utility Tax	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854	$3,854
Property Tax	$82,165	$82,165	$83,808	$85,484	$87,194	$88,938	$90,717	$92,531	$94,382	$96,269	$98,195	$100,159	$102,162	$104,205	$106,289	$108,415	$110,583	$112,795	$115,051	$117,352	$119,699
Total	**$439,007**	**$130,468**	**$132,111**	**$133,787**	**$135,497**	**$137,241**	**$139,020**	**$140,834**	**$142,685**	**$144,572**	**$146,498**	**$148,462**	**$150,465**	**$152,508**	**$154,592**	**$156,718**	**$158,886**	**$161,098**	**$163,354**	**$165,655**	**$168,002**
Net Present Value	**$1,978,622**	Discounted Value 4%																			

Constuction Jobs	58	The formula is construction costs of project/$140,000
Permanent Jobs	54	The formula is square feet of retail space/500
Total	112	

Sales Tax	*The formula is + 0.143/square feet*
Permit Fees	*Provided by Developer*
Business License Tax	*The formula is .34/square feet*
Utility Tax	*The formula is .143/square feet*
Property Tax	*The Property tax is .01 of $8,216,541 which is $82,165. The share to the City is provided after AB1290 20% pass through the City receives 34.85% of that amount is apx $7,000.*

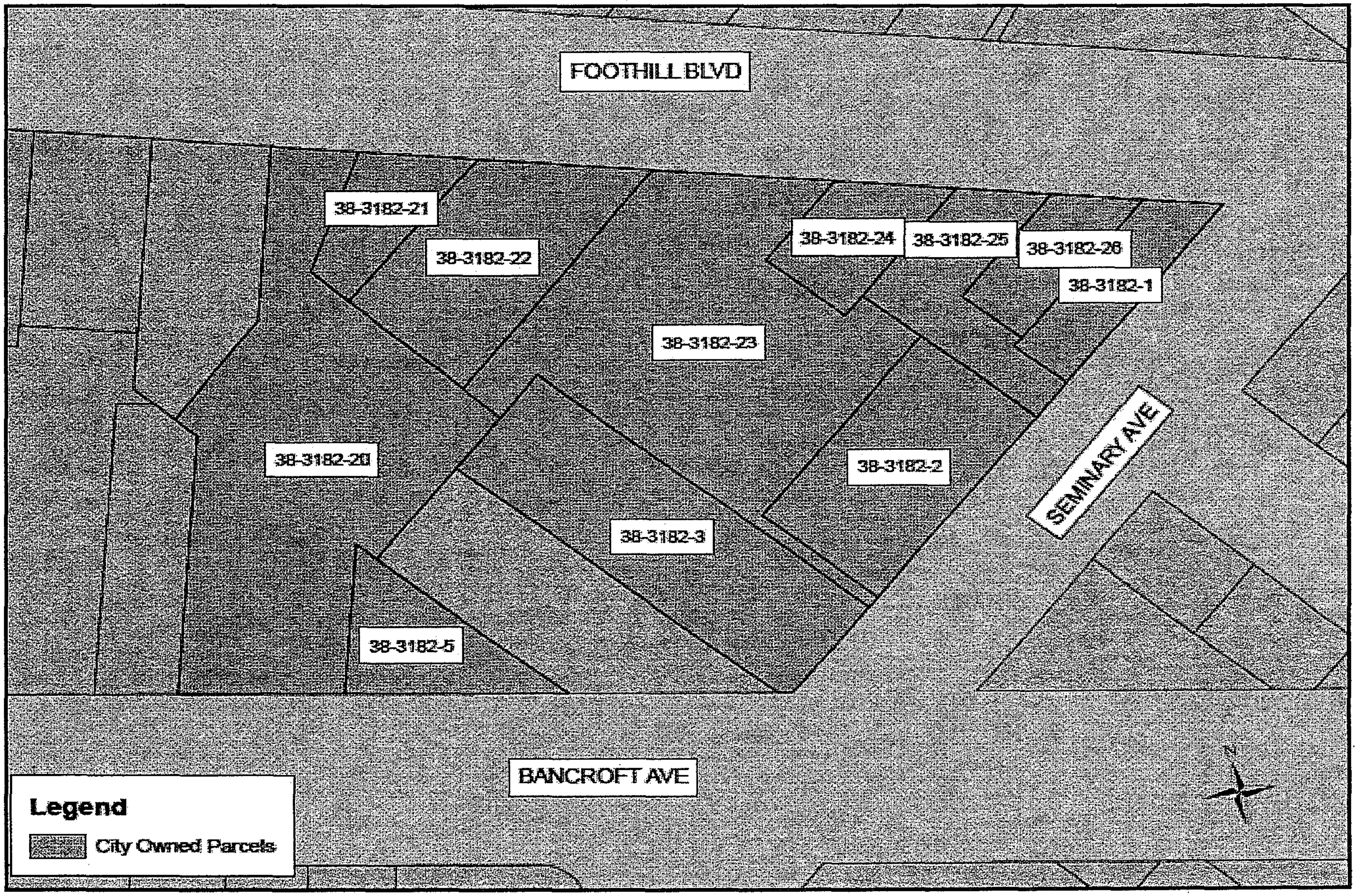
Assumptions	
Size of Site(Sq Ft)	73,616
Retail Square Feet	26,950
Total Development Cost	$14,906,216
Construction Cost (Hard)	$8,216,541
Land Value of Consideration	$2,400,000

Ground Lease			
Years	Per Month	Yearly	Years
Year 8 to 20	$ 1,000	$ 12,000	$ 156,000
Year 21 to 30	$ 5,000	$ 60,000	$ 600,000
Year 31 to 40	$ 7,500	$ 90,000	$ 900,000
Year 41 to 50	$ 10,000	$ 120,000	$ 1,200,000
Year 51 to 60	$ 12,500	$ 150,000	$ 1,500,000
Year 61 to 66	$ 14,500	$ 174,000	$ 1,044,000
Total Lease payments to City			**$ 5,400,000.00**

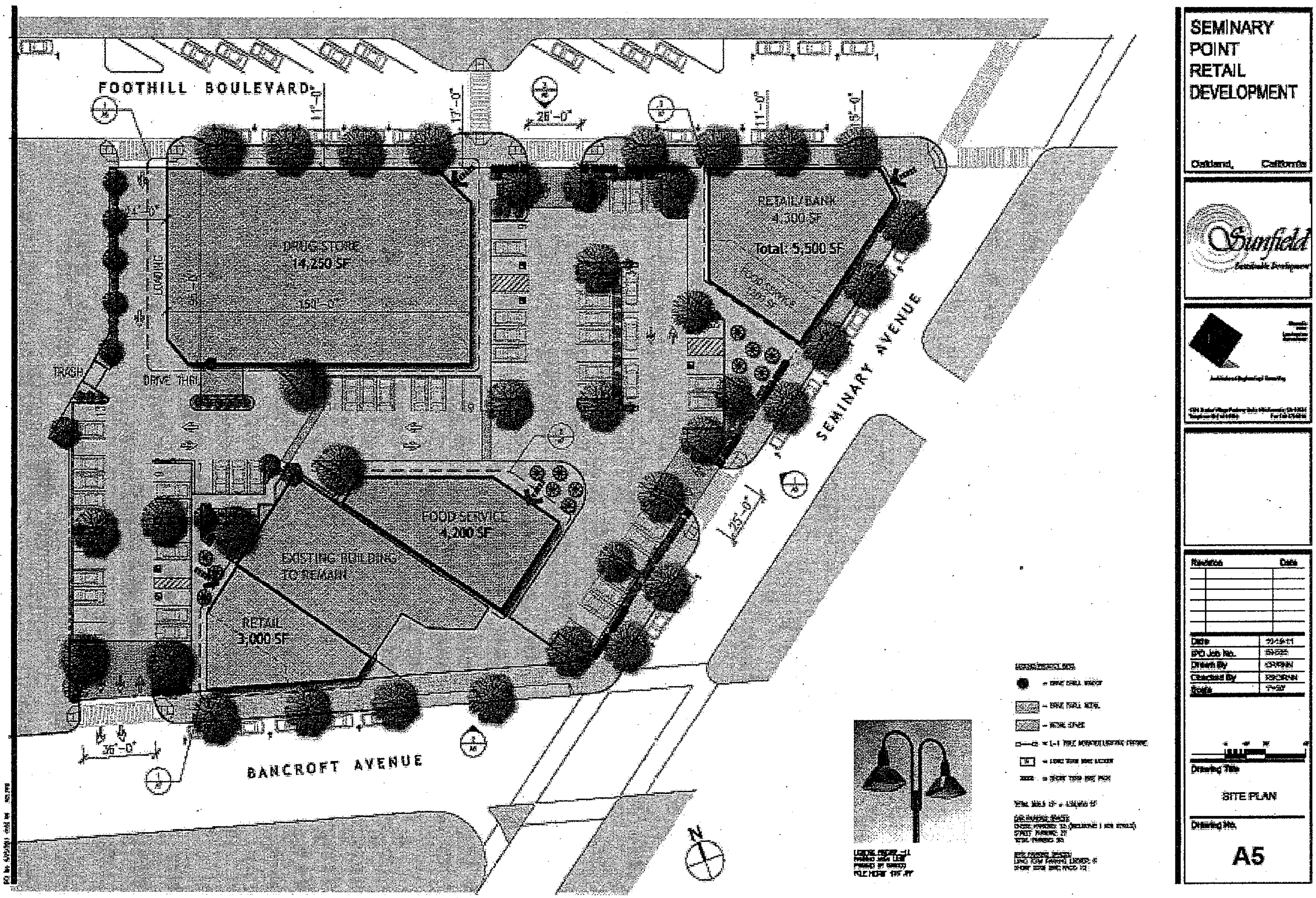
4/27/2015

ATTACHMENT B

Foothill Seminary Development Project Parcels



ATTACHMENT C



ATTACHMENT D

Economic Planning Systems, Inc.

Seminary Point Development Feasibility

Review and Findings Pursuant to Government Code 52201

April 20, 2015

The Economics of Land Use

Economic & Planning Systems, Inc.
One Kaiser Plaza, Suite 1410
Oakland, CA 94612
510 841 9190 tel
510 740 2080 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

MEMORANDUM

To: Theresa Lopez, City of Oakland

From: Jason Moody and Michael Nimon

Subject: Seminary Point Development Feasibility Review and Findings Pursuant to Government Code Section 52201; EPS #151039

Date: April 20, 2015

This memorandum provides analysis required under Government Code Section 52201 for disposition of Seminary Point, a 1.7-acre site at Seminary Avenue and Foothill Boulevard in Oakland (the Project). The Project site is owned by the Oakland Redevelopment Successor Agency (housed within the Office of Economic and Workforce Development Department and referenced hereafter as Agency) which is contemplating a long-term ground lease to Sunfield Development, LLC (the Developer) with an option to buy for construction of 26,950 square feet of retail space. The Project will be anchored by Walgreens.

The Agency has retained Economic & Planning Systems (EPS) to provide an independent financial assessment of the development economics of the Project. EPS has previously completed similar analysis of the Project pursuant to Section 33433 of the California Health and Safety Code and has reviewed the recent changes to the Project that include updated development costs and lease rates as well as the land lease structure. This memorandum also builds in prior Seminary Point Development Analysis completed in January 24, 2012 by Keyser Marston and Associates (Original Analysis).

Scope and Methodology Overview

This memorandum addresses specific Government Code Section 52201 requirements including:

1. The cost of the agreement to the City, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements provided by the city, and the expected interest on any loans or bonds to finance the agreements (52201.2B.i).

2. The estimated value of the interest to be conveyed or leased, determined at the highest and best use of the property permitted under the general plan or zoning (52201.2B.ii).

3. The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use, then the City shall provide as part of the summary and explanation of the reasons for the difference (52201.2B.iii).

4. An explanation of why the sale or lease of the property will assist in the creation of economic opportunity, with reference to all supporting facts and materials relied upon in marking this explanation (52201.2B.iv).

The current update to the prior EPS and KMA work rely upon industry standards, interviews, EPS's experience with similar projects, and a review of market conditions and trends in Oakland and the Bay Area. Specifically, EPS has reviewed the updated calculations and assumptions embodied in the financial pro forma model of the Project submitted by the developer. In addition, EPS has reviewed the revised construction costs and lease terms and changes since the original analysis.

EPS has not conducted a detailed market analysis associated with this Project. In addition, the new market tax credits (NMTC) estimates are based on the calculations by Equity Community Builders (NMTC consultants), including overhead and administration cost or related fees and were not independently verified as part of this analysis. Actual financial outcomes will differ from those projected in the developer pro forma and EPS findings to the extent that future economic cycles, market, and development trends change.

Summary of Findings

1. ***Other than site acquisition and general overhead, the City is not expected to incur any other costs associated with the proposed land disposition agreement with Sunfield Development.*** This is because the residual land value under the proposed retail development is negative, as further described below. While the developer plans to incur land acquisition or ground lease costs (currently being negotiated between the City and the Project applicant), clearance costs, and the cost of improvements, these costs are not expected to be incurred by the City. There is also no expected interest on any loans or bonds to finance the agreements on the City's behalf.

2. ***The estimated acquisition and assembly cost of the Project site to the Agency was previously estimated at $4.5 million and has not changed.*** The original analysis conducted by KMA in 2012 found that the Agency had spent about $4.5 million to assemble site parcels with acquisition costs funded through bond proceeds expected to be repaid by tax increment over a 30-year period. These represent "sunk" costs that will not be affected by the execution of this agreement. However, the City may recoup a portion of these costs depending on the final outcome of site disposition agreement.

3. ***The appraised value of the interest to be conveyed, determined based on the highest and best use permitted under the redevelopment, was estimated at $3.05 million.*** This value was determined through an appraisal completed by Yovino-Young for a shopping center use in 2014. The appraisal assumed the subject property was vacant, assembled, and fully entitled for development consistent with the proposed use. It is

important to note that appraised values often do not reflect economic value (also referred to as "residual land value" as further described below) due the wide variety of factors embodied in actual market transactions, including land speculation, the unique characteristics of individual sites (e.g., views, access, adjacencies), the financial and negotiating position of various parties involved, and other factors. Differences between appraised values and economic values can be especially pronounced in cases where development costs exceed the revenue generating potential of proposed uses under existing market conditions (i.e., when economic values are negative).

4. ***Given current market conditions and the assumed lease rate of the anchor tenant (Walgreens), the development of 26,950 square feet of retail space on the Project site is not likely to be financially feasible as a private sector investment.*** Based on the assumed revenue that could be supported by the Project relative to the Project's development cost and additional operating cost, an adequate private sector return cannot be achieved under the current set of market conditions. Specifically, the EPS review of the Developer pro forma model assumptions suggests that the Project as currently proposed would generate a negative residual land value of approximately $1.2 million. This calculation is based on a "stabilized-year" pro-forma model that does not assume any growth in revenues or operating costs through time. The land value estimate is reduced from the $718,000 established by EPS in 2014 primarily due to the reduction in proposed rents by Walgreens and increase in development costs despite an increase in available new market tax credits.

5. ***EPS finds the Developer's financial pro forma is consistent with industry standards and the corresponding market and cost assumptions fall within a reasonable range for comparable projects.*** EPS has reviewed a detailed financial pro forma model submitted by the Developer (in excel format) and has confirmed that the overall methodology and key assumptions are consistent with prevailing market trends and industry standards. The key factor affecting the Project's financial performance include assumed retail lease rates (for both anchor and in-line tenants) as well as total construction costs. The lease rate assumed for Walgreens, the anchor tenant that will occupy 53 percent of the leasable space, is based on a verbal commitment from this tenant. Other tenants have not been identified and assumed lease rates reflect prevailing market conditions. While local and regional retail market trends have improved since 2011-2012, average rents have not increased proportionately to off-set increases in construction costs. The cost increase in the Project is partially attributed to prevailing labor across every trade and partially due to the overall cost escalation associated with the increase in construction activity. At the same time, the new market tax credits available to the Project only cover a small share of the potential development cost.

6. ***Despite the estimated negative residual land value generated by the Project based on "stabilized-year" analysis, there may be an opportunity for the City to capture future revenue growth attributable to better than expected market outcomes through a long-term ground lease.*** A separate analysis of an annualized cash-flow of the Project that reflects the currently proposed land lease structure, results in relatively modest developer returns within the first 20 years. After the first 20 years, Developer's cash on cash return improves, ranging between 22 percent in year 21 and 30 percent in year 35. This level of return is reasonable based on the capital investments, risks, and complexity of the Project. Among other things, this analysis assumes an average nominal growth in lease rates for all tenants of 2 percent per year. Additional upside for ground rent is likely to the City to the

extent that the annual growth in lease rates rent exceeds the 2 percent forecasted in the pro forma. Consequently, the City should link its ground lease deal terms to objective market indicators related to growth in retail lease rates. For example, the City may conduct a third party analysis of prevalent rents in the neighborhood at the time of reassessment to make sure the ground lease payments reflect the market reality at the time.

7. ***Implementation of the Project will contribute to elimination of blight and economic opportunity in the neighborhood as well as other goal and programs stated in the Area Plan.*** While redevelopment has been dissolved in California since, the goals and objectives outlined in the City's documents could still be achieved with successful development of the Project. These goals include neighborhood revitalization, infill development, creation of employment opportunities, and attraction of private investment. The original KMA report concluded that implementation of the proposed agreement can be expected to assist in the alleviation of blighting conditions through achieving high level of urban design features, increasing the City's revenues, creating and supporting new job opportunities, and improving safety through enhanced street activity. In EPS's estimation, these conditions have not significantly changed and equally apply to the Project as it is currently proposed.

Residual Land Value Calculations

This analysis is structured to solve for the difference between revenues and development costs, which results in an estimate of residual land value (also referred to as economic value). Improved land values typically range between 15 and 25 percent of total development value. If the land value does not achieve this range, the Project is not likely to be feasible as values do not support land costs. In the current analysis, the Project results in a negative land value estimate. However, given envisioned rent growth of retail uses over time, development could be supported by private investment with the longer-term investment horizon.

EPS reviewed the developer's pro forma and changes since the original report completion in 2012 and completion of the EPS 33433 Report in 2014. The reuse value is established through a residual land value approach, the difference between capitalized revenues of the Project and development cost. Construction costs have increased in recent years, driven by the broader economic recovery and associated construction activity. Additionally, the cost estimate increased due to the higher impact of prevailing wage required for the Project. Project's revenue has decreased since 2014 due to Walgreens' lower rent proposal due to neighborhood-specific factors and concerns for its internal saturation of the market area. The resulting land value has decreased as a whole since 2014 despite the increase in the NMTC revenue, as shown in **Table 1**. Key assumptions are described below.

Table 1 Residual Land Value Analysis

Item	Total
Gross Rents	$618,210
(less) Vacancy at 4.2% of TGI (1)	($25,965)
Gross Effective Rent	$592,245
Recoverable Expense Reimbursement	$355,647
Recoverable Expenses	($355,647)
Non-Recoverable Expenses	($4,080)
(less) Management Fees and Reserves	($39,594)
NOI	$548,572
Return on Cost/Cap Rate	8.25%
Capitalized Project Value	$6,649,353
NMTC Net Impact	$1,814,450
(less) Development Cost	($9,680,611)
Residual Land Value	**($1,216,809)**

(1) An equivalent to the 7.5% vacancy factor applied to inline retail with Walgreens assumed 100% occupied.

Review of Key Assumptions and Methodology

Revenues

Walgreens is envisioned to be the Project's anchor tenant and has proposed to pay an annual lease rate of $19.32 per square foot based on its verbal communication to the Developer,[1] below its prior proposal of $26.32 per square foot. While other inline tenants have not been identified, the analysis assumes that these tenants will also support higher rents in the $27 per square foot range. It is typical for smaller inline retailers to pay higher rates due to smaller square footage and attraction of these tenants will highly depend on Walgreens' operation as a key tenant.

Overall, Project rents exceed the existing average of about $14.93 per square foot in the south Oakland submarket, as reported by Costar. However, some of the current local listings support the higher rents envisioned for the Project while reducing vacancies, currently at 3.2 percent, also suggest strengthening in the local market. For example, retail space at Fruitvale Village is currently listed for about $26 to $28 per square foot. It is expected that the Project will generate a rent premium associated with the new space as existing retail inventory in the south Oakland submarket is significantly older. Retail rents are based on triple net leases with revenue estimates shown in **Table 2.**

[1] According to the Developer, Walgreens has not provided a formal letter of intent for the proposed deal terms.

Table 2 Annual Revenue Estimate

Item	Total Space (sq.ft.)	Annual Rent psf	Total Annual Revenue
Walgreens	14,250	$19.32	$275,310
Other Inline Retail			
Space 2	4,300	$27.00	$116,100
Space 3	1,200	$27.00	$32,400
Space 4	1,800	$27.00	$48,600
Space 5	1,200	$27.00	$32,400
Space 6	1,200	$27.00	$32,400
Space 7	2,000	$27.00	$54,000
Space 8	1,000	$27.00	$27,000
Total	**26,950**		**$618,210**

Vacancy and Operating Expenses

This analysis reflects a vacancy rate of 7.5 percent applied to inline retail only, or a weighted average rate of 4.2 percent. This is a typical level of stabilized vacancy for retail space. While this vacancy exceeds the current south Oakland submarket average of 3.2 percent, a higher long-term vacancy assumption is reasonable given a narrower range of potential tenants that would support above-average rents.

The Developer assumes that annual operating expenses will be about $406,000 and include recoverable expenses (common area maintenance, real estate taxes, and insurance), non-recoverable operating expenses, asset management fees, and reserves (for repairs and replacement and for future leasing commissions and tenant improvements). Most of the expenses, about 90 percent, will be passed on to tenants under the terms of the triple net lease.

Development Costs

The cost for new construction generally has been increasing over the past several years due to improvements in the economy, renewed development activity, and corresponding growth in demand for construction services and materials. Woodland Construction, the preferred contractor for Walgreens, is expected to be the contractor for the Project and estimates direct construction cost of approximately $268 per square foot for warm shell, nearly a 20 percent increase relative to the 2014 cost estimate. The cost increase is associated with the overall construction cost escalation in the Bay Area as well as the addition of prevailing wage factors (estimated as a 40 percent cost premium)[2]. Direct costs include a $30 per square foot tenant improvements and a 5 percent contingency.

Indirect development costs include predevelopment, interest reserve during construction, accounting and legal, architecture, landscaping, engineering, broker commissions, permit fees and utility connection fees, insurance, and project contingency. Indirect costs comprise about 28 percent of the direct costs and fall within a typical range. Development costs also include selling, general, and administrative expenses assumed at 5 percent of other costs. These estimates

[2] Based on EPS's interview of Curtis Basore of Woodland Construction, April 17, 2015.

combine for a total Project development cost of $9.7 million or $359 per square foot, as shown in **Table 3**. While this cost estimate falls within a higher end of a reasonable range of retail projects completed in the Bay Area, the cost is reflective of the prevailing wage requirement and high-quality design consisting of four separate buildings (rather than a more conventional and cost-effective single-building layout); the requirement for architectural distinction also affects development cost.

Table 3 Development Cost Estimate

Item		Total
Direct Cost		
Shell		$4,743,130
Utilities		$1,842,519
Tenant Improvements		$381,000
Construction Cost Contingency		256,207
Total Direct Cost		$7,222,856
Indirect Costs		
Predevelopment		$475,000
Interest Reserve During Construction		$364,459
Engineering		$105,500
Architecture & Landscape		$168,500
Permit Fees		$417,466
Broker Commissions		$368,882
Insurance		$1,883
Contingency	5.0%	$95,084
Total Indirect Cost		$1,996,774
SG&A	5.0%	$460,981
Total Development Cost		**$9,680,611**

Financial Returns

Expected returns on development investment vary based on a range of factors such as risk, capital and real estate market conditions, building uses, and other trends. Under the current set of market conditions and development cost assumptions, the Project's assume cap rate of 8.25 percent is reasonable and is below the South Oakland submarket average of 9.0 percent reported by Costar. Developments of comparable risk and complexity typically require a return threshold ranging between 8.5 and 11 percent and depend on location, construction type, and other factors. Despite generating a return that falls within the lower end of a reasonable range, the developer remains interested in the Project due to a long-term commitment to assume potential ownership of the retail center under the contemplated option to buy in the currently negotiated lease terms, strong tenant prospects, and anticipation of future improvements in retail rental rates.

New Market Tax Credit Proceeds

The level of NMTC funding has direct implication on land value of the Project. This analysis assumes that $14 million of NMTC would be allocated with the net proceeds of $1.8 million after loan costs, fees, capital gains taxes, and other expenses as estimated by Equity Community Builders.

Other Section 52201 Documentation

EPS has reviewed other elements of the original KMA report and concludes that the findings are consistent with the current circumstances. Specific sections pursuant to Section 52201 requirements are described below.

Cost of the Redevelopment Agency Land Acquisition

According to the original KMA report, City of Oakland Redevelopment Agency spent $1.8 million to assemble eleven parcels that comprise the Project. The Agency spent approximately $4.5 million for acquisition, demolition, assemblage, and professional services. The cost was funded through bond proceeds envisioned to be repaid over a 30-year period. Based on EPS's understanding, these facts remain unchanged.

Highest and Best Use Interest Value

An appraisal for the proposed shopping center property was completed by Yovino-Young, Inc. in December 2011. The appraisal came up with a land value opinion of $2.8 million. There is a variety of reasons why appraised values vary significantly from the residual land value analysis. They include entitlement assumptions, site specific considerations, and development considerations, such as a number of buildings, architectural features, and prevailing wage requirements. The appraisal focused on comparable land sale transactions which can result in substantially different results from the residual land value approach, as utilized by EPS.

Blight Elimination Effects

The following describes KMA's consideration of blight which remains consistent with the current conditions based on EPS's estimation.

"...The present appearance of Foothill Boulevard gives an overall depressed impression to the entire area. In some areas blight is unchecked. Speeding, reckless drivers and loitering, particularly at liquor stores has created an environment conducive to crime. Local Neighborhood Crime Prevention Councils are vigilant in their efforts to work with law enforcement to maintain a sense of safety on the corridors and in the surrounding residential areas...

Despite these efforts, the present conditions have proven to deter legitimate retailers and developers, and only a few marginal businesses have attempted to open recently. Furthermore, the large number of inadequately sized parcels in multiple ownerships prevents the development of contemporary facilities.

Implementation of the proposed Agreement can be expected to assist in the alleviation of blighting conditions through the following:

- Achievement of an environment reflecting a high level of concern for architectural, landscape, and urban design and land use principles appropriate to attainment of the objectives of the Redevelopment Plan and capable of attracting new retailers to the area. Starbucks, Walgreens, the UPS Store, and Subway are among the retailers who have expressed interest in locating at Seminary Point.

- Provision for increased revenues to the City, including sales, business license, and other fees, taxes, and revenues...
- Provision for tax increment to provide funds necessary to finance rehabilitation and development programs which cannot be accomplished through existing publicly funded programs or by the private sector acting alone to eliminate blighting influences in the Project Area.
- Creation and development of local job opportunities and the preservation of the area's existing employment base.
- Creating a sense of safety in the Area by attracting a constant flow of customers to the area."

Implementation Policy Objectives

The original KMA report discusses the implementation policy objectives of the Redevelopment Plan for the Central City East Redevelopment Area adopted in 2003. Since the completion of the KMA report, the City of Oakland Redevelopment Agency ceased to exist. The new Redevelopment Successor Agency, housed within the Office of Neighborhood Investment, was created to wind down and complete the activities of the former Redevelopment Agency. The new Agency's goals for this plan area remain consistent with those of the former City of Oakland Redevelopment Agency. The goals of the plan include:

"This 'Area Plan' provides the Agency with powers, duties and obligations to implement and further the redevelopment, rehabilitation and revitalization of the Project Area. The goals of the Plan include:

A. Stimulating in-fill development and land assembly opportunities on obsolete, underutilized, and vacant properties in the Project Area that present health and safety hazards.
B. Attracting new businesses and retain existing businesses in the Project Area, providing job training and employment opportunities for Project Area residents.
C. Improving transportation, open space, parking, and other public facilities and infrastructure throughout the Project Area.
D. Revitalizing neighborhood commercial areas and strengthening retail in the Project Area.

These goals are to be accomplished through the following strategies:

A. Assembling adequate sites for the development and construction of residential, commercial, industrial, or public facilities;
B. Demolishing or removing buildings and improvements, when necessary;
C. Conveying sites to redevelopers for the development and construction of residential, commercial, industrial, or public facilities; and
D. Promoting redevelopment by private redevelopers or other public agencies for uses in accordance with the Plan.

...According to the Implementation Plan the Agency will focus its activities in the near-term on eliminating physical and economic blight conditions through the construction of public improvements and utilities, and assisting the private sector in developing vacant and/or underutilized properties. It is hoped that the Implementation Plan as proposed will encourage further private sector investment in both commercial and residential designated areas.

...The Implementation Plan specifically identifies Disposition and Development Agreement (DDAs) as a tool for providing land write downs or to grant or loan money to assist new retail, commercial, or housing development or expansion of existing facilities.

The sale of the Property to Seminary Point, LLC conforms to the goals and programs stated in the Area Plan as well as the Implementation Plan as described above."

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2015 APR 29 PM 1:02

APPROVED AS TO FORM AND LEGALITY

DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

ORDINANCE NO. ________ C.M.S.

AN ORDINANCE AMENDING ORDINANCE NO. 13114 C.M.S., AUTHORIZING THE DISPOSITION OF PROPERTY AT FOOTHILL BOULEVARD AND SEMINARY AVENUE TO SUNFIELD DEVELOPMENT, LLC, FOR DEVELOPMENT AS A RETAIL CENTER, TO CHANGE THE DISPOSITION FROM A SALE TO A LONG-TERM GROUND LEASE WITH AN OPTION TO PURCHASE, AND TO RESCIND THE ALLOCATION OF $150,000 FOR A DEVELOPER REMEDIATION ALLOWANCE AND ALLOCATE $75,000 TO CITY REMEDIATION COSTS

WHEREAS, the City owns a property consisting of previously eleven, contiguous but separate vacant parcels of land located at the southwest corner of Foothill Boulevard and Seminary Avenue (the "Property"), consisting of 1.69 acres, as more particularly described in the staff report accompanying this Ordinance; and

WHEREAS, Ordinance No. 13114 C.M.S., enacted on May 15, 2012, authorized City staff to negotiate and enter into a Disposition and Development Agreement ("DDA") with Sunfield Development, LLC, (the "Developer") to sell the Property for the development of Seminary Point, a neighborhood commercial retail shopping center, for a purchase price of $6,000, and to allocate a $150,000 allowance to the Developer for environmental remediation of the Property; and

WHEREAS, the City Council wishes to change the method of conveyance from a sale of the Property to a long-term ground lease of the Property, with a lease term of 66 years and with an option to purchase, under a Lease Disposition and Development Agreement ("LDDA"); and

WHEREAS, since the City has spent approximately $75,000 of the $150,000 allowance demolishing the last remaining structure on the Property, and will be addressing the environmental remediation of the Property itself with the remaining $75,000, the City wishes to rescind the allocation of the $150,000 environmental remediation allowance to the Developer and instead reallocate the remaining $75,000 to cover City remediation costs; and

WHEREAS, the LDDA will set forth the terms and conditions under which the City will lease the Property to the Developer with an option to purchase, and by which the Developer will construct the project on the Property; and

WHEREAS, given the financial feasibility of the proposed project and the need to make the project work, the lease of the Property to the Developer will be for 66 years and will provide revenue to the City starting in year eight; and

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WHEREAS, California Government Code Section 52201 requires that before any property returned to a city per a long range property management plan pursuant to California Health and Safety Code Section 34191.5 is sold or leased for economic development purposes, the sale or lease must first be approved by the legislative body, i.e., the City Council, by resolution after public hearing; and

WHEREAS, a public hearing of the City Council was held to hear public comments on the lease of the Property for the project; and

WHEREAS, notice of the lease of the Property and the public hearing was given by publication at least once a week for not less than two weeks prior to the public hearing in a newspaper of general circulation in Alameda County; and

WHEREAS, as required by state law, the City has made available to the public for inspection, no later than the first date of publication of the notice for the hearing, a report that contains a copy of the proposed lease of the Property and a summary of the cost of the agreement to the City, the estimated fair market value of the Property at its highest and best use permitted under the general plan or zoning, the estimated value of the Property determined at the use and with the conditions, covenants, and development costs required by the lease, with an explanation of the reasons for the difference between the two values, and an explanation of why the lease of the Property and development of the project will assist in the creation of economic opportunity, with supporting facts and material; and

WHEREAS, the City Council previously found and determined that the conveyance of the Property and the project are exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15332 of the CEQA regulations (in-fill exemption); now, therefore

The Council of the City of Oakland does ordain as follows:

SECTION 1. The City Council hereby amends Ordinance No. 13114 C.M.S. to change the method of the conveyance of the Property to Sunfield Development, LLC, or an affiliated entity approved by the City Administrator, from a sale to a long-term ground lease with an option to purchase. The lease shall provide that the Developer shall pay the City a monthly rent of $1,000 starting in year eight, with increases during the term. The schedule of rent payments under the ground lease would be as follows:

Ground Lease			
Years	**Per Month**	**Yearly**	**Years**
Year 8 to 20	$ 1,000	$ 12,000	$ 156,000
Year 21 to 30	$ 5,000	$ 60,000	$ 600,000
Year 31 to 40	$ 7,500	$ 90,000	$ 900,000
Year 41 to 50	$ 10,000	$ 120,000	$ 1,200,000
Year 51 to 60	$ 12,500	$ 150,000	$ 1,500,000
Year 61 to 66	$ 14,500	$ 174,000	$ 1,044,000
Total Lease payments to City			**$ 5,400,000**

The Developer shall have an option to purchase the Property on or before year 21 with restrictions that apply in perpetuity and specify certain retail and commercial uses only, for the Property's current appraised fair market value of $2.4 million; and an option to purchase the Property without restrictions for the Property's current appraised fair market value of $2.4 million as the base value with an escalator at an annual compounded interest rate of two percent.

SECTION 2. The City Council hereby authorizes the City Administrator or his or her designee to negotiate and execute a Lease Disposition and Development Agreement with Sunfield Development, LLC, or an affiliated entity approved by the City Administrator, for the lease and development of the Property consistent with the terms of Ordinance No. 13144 C.M.S as amended by this Ordinance, with options to purchase as described above, as well as negotiate and execute a ground lease and any other agreements or documents as necessary to lease the Property to the Developer upon the satisfaction of any preconveyance conditions imposed by the City Administrator or his or her designee.

SECTION 3. The City Council hereby finds and determines that the lease of the Property for the project will assist in the creation of economic opportunity in Oakland by:

- creating and expanding new jobs, including approximately 54 permanent jobs, which is at least one full-time equivalent permanent job for every $35,000 in City investment; and
- increasing property tax revenue to all taxing entities by at least 15% of total property tax when compared to the year prior to the City's acquisition of the Property.

SECTION 4. The City Council hereby further finds and determines that the consideration for the lease of the Property is not less than the fair reuse value of the Property at the use and with the covenants and conditions and development costs authorized by the lease, and that it is in the best interest of the City to convey the Property by lease to the Developer at its fair reuse value given the need to redevelop the Property for the benefit of the community.

SECTION 5. The City Council hereby further amends Ordinance No. 13114 C.M.S. to rescind the allocation of up to $150,000 for an environmental remediation allowance to the Developer; and since the City has spent $75,000 of the $150,000 allowance, hereby allocates $75,000 from Fund 5643, Org. 94899, Account 54930, Project C412710, and Program SC18 for City costs in remediating the Property.

SECTION 6. All agreements associated with the conveyance of the Property for the project shall be reviewed and approved as to form and legality by the Office of the City Attorney prior to execution by the City, and shall be placed on file with the City Clerk.

SECTION 7. The City Council hereby finds and determines that none of the circumstances necessitating preparation of additional environmental review, as specified in CEQA and the CEQA Guidelines, including, without limitation, Public Resources Code Section 21166 and CEQA Guidelines Sections 15162 or 15163 are present in that (1) there are no substantial changes proposed in the project or the circumstances under which the project is undertaken that would involve new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and (2) there is no "new information of substantial importance," as defined in CEQA Guidelines Section 15162(a)(3).

SECTION 8. The recitals contained in this Ordinance are true and correct and are an integral part of the Council's decision.

SECTION 9. The City Council hereby authorizes the City Administrator or his or her designees to take whatever action is necessary with respect to the lease of the Property for the project consistent with this Ordinance and its basic purposes.

SECTION 10. This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _______________, 2015

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

ATTEST: ______________________________
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

5-1

COMMUNITY & ECONOMIC DEVELOPMENT CMTE.

MAY 12 2015

AN ORDINANCE AMENDING ORDINANCE NO. 13114 C.M.S. AUTHORIZING THE DISPOSITION OF PROPERTY AT FOOTHILL BOULEVARD AND SEMINARY AVENUE TO SUNFIELD DEVELOPMENT, LLC, FOR DEVELOPMENT AS A RETAIL CENTER, TO CHANGE THE DISPOSITION FROM A SALE TO A LONG-TERM GROUND LEASE WITH AN OPTION TO PURCHASE, AND TO RESCIND THE ALLOCATION OF $150,000 FOR A DEVELOPER REMEDIATION ALLOWANCE AND ALLOCATE $75,000 TO CITY REMEDIATION COSTS

NOTICE AND DIGEST

This Ordinance amends Ordinance No. 13144 C.M.S, which authorized the sale of City-owned real property located at Foothill Boulevard and Seminary Avenue to Sunfield Development, LLC, for development of a neighborhood commercial retail center, to change the method of conveyance from a sale to a long-term ground lease. This Ordinance authorizes the City Administrator to negotiate and enter into a Lease Disposition and Development Agreement with Sunfield Development, LLC, for this transaction, and makes associated findings with respect to the California Environmental Quality Act (CEQA) and other matters. The Ordinance also rescinds a previous allocation of $150,000 for a developer remediation allowance, and allocates $75,000 to cover City environmental remediation costs.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2015 APR 29 PM 1:02

APPROVED AS TO FORM AND LEGALITY

DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

RESOLUTION NO. ______________ C.M.S.

A RESOLUTION AMENDING RESOLUTION NO. 84521 C.M.S. APPROVING AN ALLOCATION OF $6 MILLION IN NEW MARKET TAX CREDITS BY OAKLAND RENAISSANCE NMTC, INC., TO SUNFIELD DEVELOPMENT, LLC, OR ITS AFFILIATES FOR THE DEVELOPMENT OF A RETAIL PROJECT AT FOOTHILL BOULEVARD AND SEMINARY AVENUE, TO ALLOCATE AN ADDITIONAL $8 MILLION IN NEW MARKET TAX CREDITS FOR A TOTAL ALLOCATION OF $14 MILLION

WHEREAS, Oakland Renaissance NMTC, Inc., an affiliate of the City of Oakland, is a California nonprofit public benefit corporation, which was established by the City in August of 2004, and whose mission is to serve low-income communities and low-income persons in the City of Oakland; and

WHEREAS, on April 24, 2013, Oakland Renaissance NMTC, Inc., was notified by the Community Development Financial Institution ("CDFI") Fund that it received an allocation of tax credit authority as a community development entity ("CDE") in an amount of $20 million; and

WHEREAS, on July 16, 2013, the Oakland City Council approved Resolution No. 84521 C.M.S. approving the allocation of up to $6 million of New Market Tax Credits ("NMTC") by Oakland Renaissance NMTC, Inc., to a sub-community development entity affiliated with Oakland Renaissance NMTC, Inc., to allocate said tax credits to Sunfield Development, LLC, or its affiliates for the development of Seminary Point, a retail project at Foothill Boulevard and Seminary Avenue; and

WHEREAS, the City wishes to allocate an additional $8 million in NMTCs to the project for a total allocation of $14 million; now, therefore, be it

RESOLVED: That the City Council hereby amends Resolution No. 84521 C.M.S. to allocate an addition $8 million in NMTCs to the Seminary Point project for a total allocation of $14 million; and be it further

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RESOLVED: That the City Council hereby authorizes the City Administrator or his or her designees to take whatever action is necessary with respect to the allocation of NMTCs to the project consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, ____________________, 2015

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

ATTEST: ____________________________

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

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