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## AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Alexa Jeffress  
Interim Director, EWD

**SUBJECT:** City Center T5/T6 Site B -- First DDA  
Amendment

**DATE:** January 9, 2020

City Administrator Approval

Date:

1/10/20

### RECOMMENDATION

**Staff Recommends That The City Council Adopt An Ordinance To Authorize A First Amendment To The Disposition And Development Agreement (DDA) And Related Documents Between The City Of Oakland And Strada T5 LLC For Disposition Of The City Center T-5/6 Site B Located On The Block Bounded By Broadway, 11th Street, 12th Street And Clay Street To:**

- 1) Terminate The City's Obligations To Convey Site B Under The Current DDA;**
- 2) Allow Developer The Option To Pursue A Hotel Project On Site B;**
- 3) Authorize The City Administrator To Allow Developer To Pursue Entitlements For An Alternate Project, Subject To A Determination Of Hotel Infeasibility By The City Administrator;**
- 4) Establish A New Outside Entitlement Date And Related Performance Deadlines For Site B;**
- 5) Require An Extension Fee; And**
- 6) Amend Other Terms Of The DDA As Needed To Effectuate The Foregoing**

### EXECUTIVE SUMMARY

Staff seeks City Council authorization for a proposed First Amendment to an existing Disposition and Development Agreement (DDA) between the City of Oakland (City) and Strada T5 LLC (Strada or Developer). The T-5/T-6 property, located in downtown Oakland on the block bounded by 11<sup>th</sup> Street, Clay Street, 12<sup>th</sup> Street, and Broadway (the Property), consists of two lots shown on the map as Site A and Site B, totaling approximately 1.25 acres (**Attachment A**).

The DDA provides for two phases of development for the Property (the Project). Phase 1 (Site A), a 16-story apartment building at 1100 Clay Street with 288 market-rate units, ground floor retail, and a 12,075 square-foot publicly accessible plaza, is under construction with estimated completion by Spring 2020. Phase 2 (Site B) is considered for development of a 14-story, 200-300 room hotel with ground floor retail.

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The Developer has submitted detailed information related to the infeasibility of developing a hotel on Site B and now proposes the construction of a higher education institute, including offices, classrooms, teaching labs, common spaces (such as auditorium/ conference space), parking, health service facilities and related uses (collectively, the University Use or Alternate Project). The proposed tenant for the University Use is Samuel Merritt University (SMU).

The DDA only provides one feasibility period for determining an alternate project, which period has passed, so the obligations and milestones must all be amended if the City chooses to continue in this DDA and allow the Developer to pursue the Alternate Project, including obtaining the necessary planning approvals and environmental review. If the City takes no action to amend the DDA terms to allow the Developer to pursue the Alternate Project, the DDA will automatically terminate on the Outside Date of February 6, 2020.

Staff reviewed the materials provided by the Developer to demonstrate that a hotel is not feasible on Site B and concluded that the Developer's findings have merit but require additional analysis. Staff recommends that the City Council approve a First Amendment to the DDA to extend the Outside Date by 15 months, from February 6, 2020 to May 6, 2021, and two 3-month discretionary administrative options to extend the term further, if necessary. The Developer will pay a fee of \$90,000 for the first 15 months, which shall be due on the effective date of the First Amendment but payable in monthly installments commencing on the date of the feasibility determination, and \$20,000 for each 3-month extension option, which payment shall be due and payable in monthly installments commencing on the date of each extension. During the initial 90 days of the extension period the Developer will be required to provide additional analysis regarding the feasibility of a hotel project on Site B, after which the City Administrator will make a determination regarding hotel feasibility on behalf of the City. Depending upon the City Administrator's determination, the Developer will have the option to: (1) advance the hotel project, (2) terminate the DDA, or, (3) if the City determines that the hotel project is infeasible seek project entitlements for the University Use. At the end of proposed DDA extension period, staff would return to City Council to seek a possible Second Amendment to the DDA to advance either a hotel project or an Alternate Project that has achieved California Environmental Quality Act (CEQA) clearance and approve an updated development schedule, a new conveyance price to be based on an updated appraisal, and other changes and community benefits the City may desire.

### **BACKGROUND/LEGISLATIVE HISTORY**

The City Center T-5/T-6 parcels were purchased by the Oakland Redevelopment Agency in the early 1970s along with numerous other parcels as part of the City Center Redevelopment Project. The Property was transferred to the City at the time of the dissolution of the Oakland Redevelopment Agency in 2012, and disposition of the Property is governed by the Long-Range Property Management Plan (LRPMP) and the compensation agreement between the City and other taxing entities (the Compensation Agreement). Because the Property was purchased by the former Redevelopment Agency with unrestricted funding rather than tax allocation bond

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proceeds, net lease or sale proceeds will be split among the taxing entities, and the City will receive its approximate 29 percent proportional share, pursuant to the Compensation Agreement.

The City Council authorized a DDA on October 6, 2015 (Ordinance No.13328 C.M.S.), which was executed on November 6, 2015 between the City and Strada T5 LLC. On February 6, 2018, prior to the close of escrow for Site A, this DDA, as it relates to Site A only, was assigned to 1100 Clay Venture, a joint venture comprised of 1100 Clay Venture Holdings, LLC (CIM) and Strada. Development of Site A is anticipated to be complete in the Spring of 2020.

### **ANALYSIS AND POLICY ALTERNATIVES**

Staff recommends granting the 15-month DDA extension to establish a new Outside Date and Schedule of Performance. In addition to the 15-month extension, staff recommends two additional discretionary 3-month extensions options which could be granted administratively if the City Administrator determines, in her or his sole and absolute discretion, that there are delays in Developer's performance beyond its control. In exchange for this extension, the City will require that the Developer comply with an updated Schedule of Performance that lists and defines the deliverables during the extension period and pay a fee of \$90,000 for the first 15 months, which shall be due on the effective date of the First Amendment but payable in monthly installments commencing on the date of the feasibility determination, and \$20,000 for each 3-month extension option, which payment shall be due and payable in monthly installments commencing on the date of each extension.

As described in the proposed Supplemental Schedule of Performance (**Attachment B**), during the first three months of the extension, the Developer will continue to conduct analysis regarding the viability of a hotel use on Site B, after which time the City Administrator will make a determination regarding hotel feasibility. If City Administrator determines that a hotel is feasible on Site B, the First Amendment will define the process by which the Developer will either terminate the DDA or advance the hotel project. If City Administrator determines that a hotel is infeasible, the First Amendment would allow Developer to either terminate the DDA or seek CEQA clearance and Planning entitlements for the University Use. The First Amendment would also authorize Developer and staff to negotiate a new Term Sheet for a possible Second Amendment to develop either a hotel or university on the site, including a new appraised value for Site B (which could be based on a long-term ground lease rather than a fee sale) and additional negotiated community benefits.

## **Hotel Feasibility**

Per the DDA's Schedule of Performance, the Developer submitted the required "Site B Financial Feasibility Notice" on February 6, 2018. The submission was based on the preliminary commitment of Stonebridge Companies as an equity partner and operator for the hotel. Stonebridge had expressed the only meaningful interest the Developer could solicit for hotel development despite a nation-wide marketing effort led by CBRE. However, by Fall of 2018, Stonebridge terminated its interest in the hotel project. The Developer was unable to find other partners and submitted new materials to the City stating that development of a hotel is not feasible without significant City financial assistance, including a total write-down of land value, Transient Occupancy Tax (TOT) rebates for up to 20 years, and an additional cash subsidy. The Developer then analyzed the potential for a mixed-use development with a hotel and a residential component, since securing financing for a hotel would be more viable when combined with a residential use but determined that such a project would also require a substantial City subsidy and be difficult to market to investors.

The materials submitted indicate that demand for hotel rooms in Oakland has been reasonably strong since 2015. However, construction costs have escalated significantly, increasing the difficulty of hotel development, despite growth in hotel room rates and occupancy levels. Developer has stated that all the other hotel projects currently moving forward in Oakland benefit from lower construction costs because they are mid-rise buildings, have carve outs for non-union construction and/or operations, and/or are in Federal Opportunity Zones (OZs) that increase investor returns by as much as 25 percent to 35 percent. See **Attachment C** for a summary of the hotel feasibility analysis received to date.

In April 2019, as an alternative to the hotel-residential combination, the Developer proposed partnering with SMU, a nursing school currently located in the Pill Hill area of Oakland (3100 Telegraph), to build a new university facility on Site B.

## **Samuel Merritt University**

SMU is a 110-year-old Oakland institution that offers advanced degrees in health sciences including nursing, physical therapy, occupational therapy, podiatry, and physician assistants. SMU serves many Oakland students and residents with its mission to train health care professionals to advance health equity and support diverse communities. SMU has partnerships in the Oakland community including with the Oakland Unified School District, the Peralta colleges, several community health clinics, and dozens of faith-based communities. Twenty-five percent of SMU students work in medically underserved areas. SMU is also a workforce development engine that places its diverse student body (68 percent students of color) in well-paying jobs that support Oakland's growth as a healthcare hub.

SMU is seeking a new home to expand its educational programming. The T5/T6 site would keep SMU in Oakland, thus retaining a major employer and workforce development institution, and would better connect the university to the communities it serves by providing easy access

to Bay Area Rapid Transit (BART) and to surrounding neighborhoods including West Oakland and Chinatown. A University Use would also be a dynamic, 24/7 complement to the primarily 9am-5pm office uses in the City Center area. Adding thousands of students and faculty would help activate downtown's public spaces, retail, and cultural centers. Unlike a hotel or a hotel-residential combination, the SMU proposal would not require any City subsidy and would allow the City to receive current market value for the sale or lease of the land.

In the alternative, the City Council could choose to take no action now, in which case the DDA would terminate on February 6, 2020. The site could then be offered for disposition pursuant to the requirements of the Surplus Land Act and the City's Public Land Policy framework, which would delay development and activation of the site by at least 2 to 3 years and potentially limit the site's commercial use.

### **FISCAL IMPACT**

Since T5/6 is a former Redevelopment Agency property purchased with unrestricted funds that are subject to the terms of the Compensation Agreement, the City is required to share the net sales proceeds with the other taxing entities. The sale of Site A at \$3,350,000 netted \$1,985,367 to be shared amongst the taxing entities. The City's 29 percent share of these proceeds resulted in \$575,756 received for the sale. In addition, the City retained \$364,633 from the sales price upfront to cover qualified project related expenses.

Extension fees collected from the Developer will be accepted, deposited, and appropriated into the Central District Projects Fund (5999), Central District Redevelopment Organization (85245), City Ctr T-5 Project (1001548), Downtown Redevelopment Program (SC13).

The sale of Site A also resulted in a Developer payment of \$1,943,000 into the City's Affordable Housing Trust Fund (\$1.8 Million per negotiated amount in DDA, plus an additional \$5,500/unit impact fee for the additional 26 units approved administratively above the original 262 units). The City also received approximately \$50,000 in Real Estate Transfer Tax.

During the 15-month extension, a new sales or lease price for Site B will be negotiated based on a current appraisal. Staff anticipates the price will be greater than the \$3.1 million reuse value from the 2014 appraisal.

### **PUBLIC OUTREACH / INTEREST**

For Site A, the public outreach required by the Planning Department and under the Exclusive Negotiation Agreement (ENA) was completed. In addition to hosting a formal public meeting to present the residential and hotel project prior to the July 2015 Planning Commission approval, Strada presented the project numerous times to community members, community groups, and businesses in the area, most notably the Old Oakland Neighbors. In addition, for maintenance

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and activation of the public plaza, the DDA requires that the Developer work with the Planning Department and partner with the Downtown Business Improvement District on an Operations Plan to ensure the Plaza is maintained as a lively, clean and safe public amenity.

Additional outreach will be required during the 15-month extension for the Developer's proposed University Use for Site B, including hosting at least one community meeting prior to the Planning Commission meeting, should that use be advanced.

### **COORDINATION**

Staff coordinated with the Developer, the Budget Bureau, the Office of the City Attorney, and the Council District 3 Office in preparation of this report and legislation.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The City has so far netted \$940,389 from the sale of Site A and is expected to net an additional \$57,000 from the remaining balance of the \$1 million set aside in escrow for environmental remediation. The City received approximately \$50,000 in Real Estate Transfer Tax for this transfer of land. Also, the Developer made an in-lieu payment of \$1,943,000 into the Affordable Housing Trust Fund. The development of Site A puts vacant underutilized land into productive use, creating housing and a public plaza. The construction on Site A under a PLA is providing significant union construction jobs and when completed is anticipated to generate significant ongoing tax benefits to the City in the form of annual property taxes, annual sales tax, and annual business license tax. Staff anticipates that a future conveyance of Site B will be greater than the \$3.1 million valuation in the current DDA because it will be based on an updated present-day appraisal of the Property.

**Environmental:** As an infill development in an already built-up area, the construction of the Property reduces the pressure to construct on agricultural and other undeveloped land and contributes to the prevention of urban sprawl. The location of the site in proximity to major public transportation nodes will likely encourage residents and customers/users to use BART and AC Transit. The residential project incorporates green building and energy efficient components both during construction and occupancy, such as a green roof, a solar thermal system and a waste management system to facilitate recycling. The Bureau of Planning's Conditions of Approval for the Site A development included requirements for pro-environmental plans be incorporated prior to issuance of a building permit, such as a Parking and Transportation Demand Management Plan and a Greenhouse Gas Reduction Plan.

**Race & Equity:** Community benefits from the Site A project include the Developer agreeing to build and maintain a publicly-accessible plaza on 12th Street, to provide an affordable housing in-lieu fee of \$1.93 million to the City's Affordable Housing Trust Fund, and to restrict the residential project from generating condo conversion credits. The retail on the ground floor and

in the plaza will activate the area and enhance security. Finally, the residents that will be attracted to live in this high-density project will contribute to Oakland's economic diversity and the demand that is needed to support Oakland's growing economy.

### **CEQA**

On July 1, 2015, the Planning Commission approved the entitlements for the Project including Design Review, Amendment/Revision to preliminary PUD, a Final Development Plan for Site A, Conditional Use Permit for reduced parking, variance for reduced loading, and CEQA review. As part of the approval for the DDA (Ordinance 13328 C.M.S.), the City Council made the finding and determination that the anticipated environmental effects of the Project have been evaluated by the "Modified Block T5/6 Project CEQA Analysis" dated May 29, 2015, and, as supported by substantial evidence in the record and for the reasons set forth in the CEQA Findings adopted by the Planning Commission on July 1, 2015 in connection with its consideration of the Project, no further environmental review is required for sale of the Property and the development of a Site B for residential and office uses, along with a hotel.

To develop Site B for a University Use, the Developer will need to obtain an amendment to the existing PUD, and an additional determination from the City that no further environmental review is required under CEQA for the alternative development of Site B for the University Use or, if further environmental review is required, Developer must complete such CEQA review process and address any required CEQA mitigation measures.

The recommended action does not result in a binding commitment to advance any "project" that will result in any foreseeable, direct or indirect physical change, in the environment. Through this action, the Council will be removing any obligation or commitment to convey Site B to the Developer, and the terms of any proposed disposition will require further negotiations between the parties and final discretionary actions of the City Council. As such, this action does not in-and-of-itself constitute a "project" pursuant to CEQA Guidelines Section 15378. Requisite environmental review and CEQA findings would be made by the Council should a second amendment to the DDA be approved later in time, pursuant to which the City would be making a binding commitment to advance the project and terms negotiated by the parties.

### **Surplus Lands Act**

The California Surplus Land Act, Government Code Sections 54220 et seq. (SLA), outlines the steps public agencies must follow when they want to dispose of land they no longer need. The SLA has been amended over the years, and the most recent amendment was effectuated on January 1, 2020 through AB 1486. The City followed the procedural steps for disposition required by the prior SLA. AB 1486 expressly carves out transactions that are the subject of a valid negotiations agreement or disposition agreement as of September 30, 2019. As this DDA is still in effect, the new requirements of the SLA do not apply.

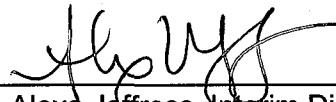
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**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt An Ordinance To Authorize A First Amendment To The Disposition And Development Agreement And Related Documents Between The City Of Oakland And Strada T5 LLC For Disposition Of The City Center T-5/6 Site B Located On The Block Bounded By Broadway, 11th Street, 12th Street And Clay Street To (1) Terminate The City's Obligations To Convey Site B Under The Current DDA; (2) Allow Developer The Option To Pursue A Hotel Project On Site B; (3) Authorize The City Administrator To Allow Developer To Pursue Entitlements For An Alternate Project, Subject To A Determination Of Hotel Infeasibility By The City Administrator; (4) Establish A New Outside Entitlement Date And Related Performance Deadlines For Site B; (5) Require An Extension Fee; And (6) Amend Other Terms Of The DDA As Needed To Effectuate The Foregoing

For questions regarding this report, please contact Hui-Chang Li at (510) 238-6239.

Respectfully submitted,



Alexa Jeffress, Interim Director  
Economic & Workforce Development Department

Reviewed by:  
Jens Hillmer, Redevelopment Area Manager  
Public/Private Development Division

Prepared by:  
Hui-Chang Li, Urban Economic Analyst IV  
Public/Private Development Division

**Attachments (3):**

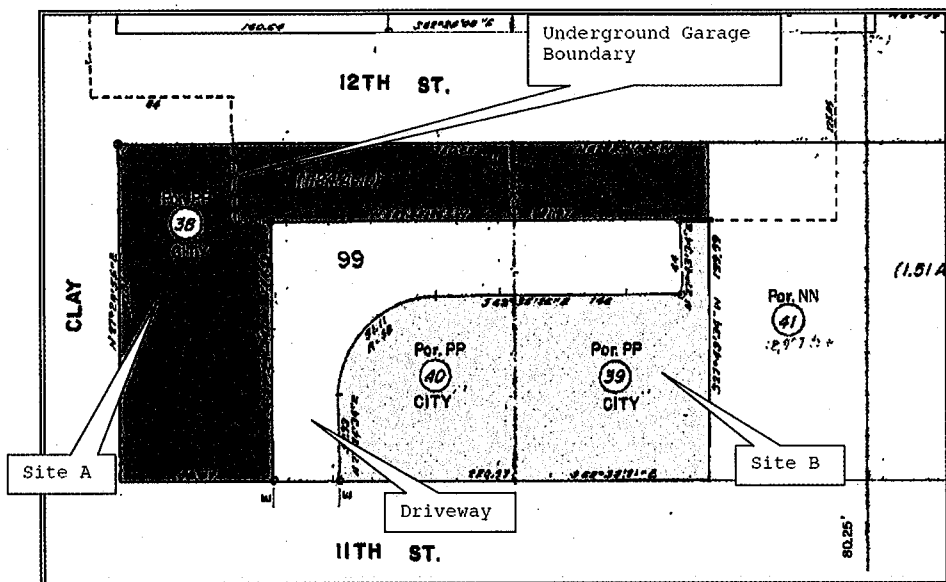
- A – Site Map
- B – Supplemental Schedule of Performance
- C – Summary of Hotel Feasibility Analysis

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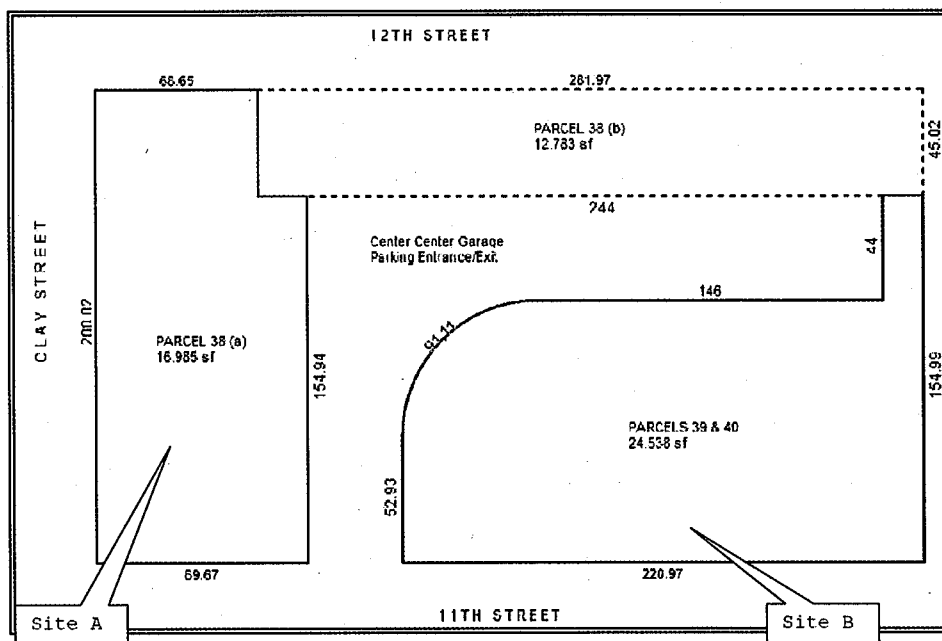


## ATTACHMENT A

Parcel Map



### Site Sketch



## ATTACHMENT B

### Supplemental Schedule of Performance 15-Month Extension (T-5/T-6 Site B)

	Short Description of Developer Deliverable for Phase 2 / Site B	Due Date (Days)	Months
<b>1</b>	<b>Hotel Feasibility Analysis</b>	<b>0-120 Days</b>	<b>Months 1-4</b>
1a	Developer pursues hotel project, including but not limited to the following deliverables: <ul style="list-style-type: none"> <li>• Shared underwriting of hotel pro forma(s) between Developer and City and City's Third Party Economic Consultant;</li> <li>• Evidence of Developer meetings with minimum of three hotel investors to evaluate current market interest;</li> <li>• Fiscal Impact Report regarding hotel use.</li> </ul>	During first 90 days	Month 1 to Month 3
1b	Developer submits additional information regarding Alternate Project, including Fiscal Impact Report and other materials as requested.	During first 90 days	Month 1 to Month 3
1c	City makes determination regarding hotel feasibility and Alternate Use: <ol style="list-style-type: none"> <li>1. <b>If City determines hotel is feasible</b> – Developer makes affirmative decision to either seek Second Amendment to negotiate new terms and benchmarks for hotel project or terminate DDA. Proceed to 2a.</li> <li>2. <b>If City determines hotel is infeasible</b> - City makes determination to allow Developer to pursue Alternate Project. Proceed to 2b.</li> </ol>	Within 120 days of Council Authorization	Month 4

	<b>Short Description of Developer Deliverable for Phase 2 / Site B</b>	<b>Due Date (Days)</b>	<b>Months</b>
<b>2</b>	<b>DDA Termination -OR- Project Selection</b>	<b>Within 150 Days of Council Authorization</b>	<b>Month 5</b>
2a	1. If City determines hotel is feasible, pursuant to 1.c.1, and Developer decides not to pursue hotel project, developer submits written notice within 30 days after City determination of intent to terminate DDA. 2. If Developer decides to pursue hotel project, Developer continues entitlement process with FDP application. Proceed to Step 3.	Within 150 Days of Council Authorization	Month 5
2b	If City authorization for Alternate Project is received, pursuant to 1.c.2, Developer submits applications for PUD Amendment and CEQA Clearance for the University Use. Proceed to Step 3.	Within 150 Days of Council Authorization	Month 5
3	Project Team Info	Within 150 Days of Council Authorization	Month 5
4	Host Community Meeting	Within 210 Days of Council Authorization	Month 7
5	Project Design Info	Within 240 Days of Council Authorization	Month 8
6	Project Financing and Schedule	Within 240 Days of Council Authorization	Month 8
7	Market Research Study & Project Marketing	Within 240 Days of Council Authorization	Month 8
8	Final Appraisal Report	Within 250 Days of Council Authorization	Month 9
9	Final Reuse Appraisal (only if Developer elects)	Within 330 Days of Council Authorization	Month 11
10	Complete Planning Entitlements, including CEQA, as required.	Within 330 Days of Council Authorization	Month 11
11	Complete Negotiations for 2 <sup>nd</sup> Amendment to DDA for presentation to Council for approval	Within 360 Days of Council Authorization	Month 12

	<b>Short Description of Developer Deliverable for Phase 2 / Site B</b>	<b>Due Date (Days)</b>	<b>Months</b>
12	New Outside Date for DDA Expiration	450 days after Council Authorization - OR <ul style="list-style-type: none"> <li>• if 1<sup>st</sup> Extension Option granted: within 540 days after Council Authorization</li> <li>• if 2<sup>nd</sup> Extension Option granted: within 630 days after council Authorization</li> </ul>	Month 15 - OR <ul style="list-style-type: none"> <li>• if 1<sup>st</sup> Extension Option granted: Month 18</li> <li>• if 2<sup>nd</sup> Extension Option granted: Month 21</li> </ul>

## ATTACHMENT C

### Summary of Hotel Feasibility Analysis Received To Date

*The following is a summary of the hotel feasibility materials submitted by the Developer during the current DDA term to support their finding that a hotel is financially infeasible on Site B. As stated above, staff reviewed these materials, including conducting a peer review with an economic consultant, and concluded that these findings have merit but require additional analysis. This analysis will be completed during the first 90 days of the First Amendment extension period. These findings are summarized here for reference only and do not reflect the final determination of the City Administrator regarding hotel feasibility.*

Demand for hotel rooms in Oakland has been reasonably strong since 2015, with upscale hotel average daily room rates (ADR) increasing from \$190 to \$215 (or by 13% percent), and revenue per available room (RevPAR) increasing from \$152 to \$172 (or by 13 percent) over the same period. However, as detailed in Table 1 below, construction costs have experienced extreme escalation – a total of more than 40 percent since 2015. This means that, despite growth in rates and occupancy, hotel feasibility challenges have become more severe. Table 1 is a summary of a select group of upscale hotels in the competitive set (including the City Center Marriott, the Joie De Vivre Waterfront Hotel, and The Graduate Berkeley), with performance metrics compared to Bay Area construction cost increases as reported by Rider Levett Bucknall, an independent construction advisory firm.

**Table 1**

#### **East Bay Upscale Hotel Performance vs. Construction Cost Escalation**

	Occupancy	ADR	RevPAR	RevPAR Increase	Construction Cost Increase
2013	75.7%	\$159	\$120		
2014	77.2%	\$174	\$134		
2015	79.9%	\$190	\$152	13.4%	9.4%
2016	76.3%	\$205	\$157	3.3%	14.7%
2017	79.8%	\$208	\$166	5.7%	7.6%
2018	80.0%	\$215	\$172	3.6%	6.2%
Total Increase				28.4%	43.5%

Source: STR Data & RLB Construction Index

In addition to the fact that cost increases have outpaced revenues, there are some signs that net revenue growth is slowing. 20 new hotel developments are in the immediate pipeline in San Francisco, adding nearly 5,000 new rooms. This new product could siphon off some demand from Oakland.

All other hotel projects currently moving forward in Oakland benefit from lower construction costs because they are mid-rise (wood-frame) buildings; have different labor requirements; and/or are in Federal Opportunity Zones (OZ). Table 2 is an overview of recent Oakland hotel starts.

**Table 2: Active Hotel Developments in Oakland - 2019**

District	Hotel Name	Address	Developer	Rooms	Stories	OZ
7	SpringHill Suites	195 Hegenberger	Monarch Hotels	140	5	Yes
2	Hampton Inn	375 11th Street	Ridgemont Hospitality	121	6	No
3	Signature	2401 Broadway	Signature Development	168	6	No
3	AC/Residence Inn	1431 Jefferson	Hawkins Way Capital	286	18	Yes
3	The Moxy	2225 Telegraph	Tidewater Capital	173	7	Yes

A high-rise hotel on T-5/6 Site B does not benefit from the Federal OZ investor return increase of 25-35% and costs more to build due to Type I high-rise construction and other factors.

Based on the most recent hotel pro forma analysis prepared by Strada in November 2019 and peer reviewed by the City's third-party economic consultant, development of a hotel on Site B would require substantial City subsidy (i.e. free land; \$4 to \$12 million upfront; 100% of TOT rebate for first 20 years of operation) to make a hotel attractive to investors. Table 3 below summarizes the key results from the proforma analysis which show the cost per to build a hotel is nearly double what the Marriot sold for in 2017, which sold for \$289,000 per room.

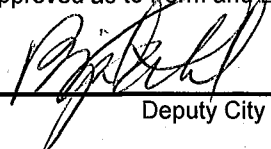
**Table 3: Strada Pro Forma Conclusion Summary**

	High Rise Hotel (300 Key / Type I)	Mid Rise Hotel (180 Key / Type III)
Total Development Cost	\$150,000,000	\$83,000,000
Per Room Cost*	\$500,000	\$461,111
Land Payment to City	\$0	\$0
Additional Upfront Subsidy Needed	\$12,000,000	\$4,000,000
TOT Rebate Needed	100% for 20 Years	100% for 20 Years
NPV of TOT Rebate	\$33,000,000	\$19,000,000
IRR (Typical Range: 15% to 20%)	18%	18%

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Approved as to Form and Legality

  
Deputy City Attorney

**ORDINANCE NO. \_\_\_\_\_ C.M.S.**

**ORDINANCE TO AUTHORIZE A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS BETWEEN THE CITY OF OAKLAND AND STRADA T5 LLC FOR DISPOSITION OF THE CITY CENTER T-5/6 SITE B LOCATED ON THE BLOCK BOUNDED BY BROADWAY, 11TH STREET, 12TH STREET AND CLAY STREET TO (1) TERMINATE THE CITY'S OBLIGATIONS TO CONVEY SITE B UNDER THE CURRENT DDA; (2) ALLOW DEVELOPER THE OPTION TO PURSUE A HOTEL PROJECT ON SITE B; (3) AUTHORIZE THE CITY ADMINISTRATOR TO ALLOW DEVELOPER TO PURSUE ENTITLEMENTS FOR AN ALTERNATE PROJECT, SUBJECT TO A DETERMINATION OF HOTEL INFEASIBILITY BY THE CITY ADMINISTRATOR; (4) ESTABLISH A NEW OUTSIDE ENTITLEMENT DATE AND RELATED PERFORMANCE DEADLINES FOR SITE B; (5) REQUIRE AN EXTENSION FEE; AND (6) AMEND OTHER TERMS OF THE DDA AS NEEDED TO EFFECTUATE THE FOREGOING**

**WHEREAS**, the City owns approximately 1.25 acres of property on the block bounded by Broadway, 11th Street, 12th Street and Clay Street, commonly known as T-5/T-6, that has been reconfigured into two development sites commonly referred to as Site A and Site B ("Property"); and

**WHEREAS**, the Property is located within the City Center Redevelopment Project and was owned by the former Oakland Redevelopment Agency prior to its dissolution pursuant to AB 1X 26 and AB 1484 (collectively, "Redevelopment Dissolution Act"); and

**WHEREAS**, disposition of the Property is governed by the Long-Range Property Management Plan prepared by the Oakland Redevelopment Successor Agency ("ORSA") and approved by the ORSA Oversight Board and the Department of Finance and the Compensation Agreement entered into by the City and taxing entities pursuant to the Redevelopment Dissolution Act; and

**WHEREAS**, on January 31, 2012, the City issued a Request for Proposals ("RFP"), in compliance with the California Surplus Land Act, Government Code

Sections 64220 et seq. ("SLA"), to develop the Property; and

**WHEREAS**, the City only received one proposal from Strada (as defined below); and

**WHEREAS**, Strada T5 LLC ("Developer") is a limited liability company created by Strada Investment Group, LLC ("Strada"); and

**WHEREAS**, the City Council authorized a Disposition and Development Agreement ("DDA") on October 6, 2015 (Ordinance No. 13328 C.M.S.) with Strada; and

**WHEREAS**, Strada satisfied all the requirements of the DDA for the close of escrow and start of construction for Site A, and assigned the development rights for Site A to 1100 Clay Venture, LLC ("Phase 1 Developer"), a joint venture comprised of 1100 Clay Venture Holdings, LLC (CIM) and Strada; and

**WHEREAS**, construction of Phase 1, a 16-story apartment building with 288 units, approximately 4,000 square feet of ground floor retail and a 12,075 square-foot publicly accessible plaza (located above the existing City Center Garage), began on Site A in March 2018 and is expected to be complete by Spring 2020; and

**WHEREAS**, a 14-story 200-300 room hotel with ground floor retail on Site B is the approved use under the DDA for Phase 2; and

**WHEREAS**, if the closing/land transfer of Site B does not occur by February 6, 2020 (the "Outside Date"), the DDA terminates as it relates to Site B; and

**WHEREAS**, Developer has indicated that a hotel use on Site B may not be feasible and has requested a 15-month extension to determine a feasible use for Site B; and

**WHEREAS**, Developer is now proposing construction of a higher education institute, including offices, classrooms, teaching labs, common spaces (such as auditorium/convention space), parking, health service facilities and related uses for Samuel Merritt University (SMU) as an alternative project; and

**WHEREAS**, staff is recommending Developer be given a 15-month extension and two 3-month discretionary administrative extension options to (1) provide additional analysis regarding the viability of a hotel project on Site B, and (2) if the City Administrator determines that the hotel project is infeasible after considering the additional analysis provided by the Developer, explore feasibility, conduct community outreach and obtain planning entitlements and California Environmental Quality Act (CEQA) clearance for their proposed alternative project; and

**WHEREAS**, the City previously prepared and placed on file a copy of the summary of the transaction contemplated by the original DDA (Ordinance No. 13328 C.M.S.) as required by Government Code Section 52201 ("52201 Report") and



Government Code Section 53083 ("53083 Report"), and an update to those Reports is not required at this time for this proposed Ordinance; and

**WHEREAS**, the City has conducted a noticed public hearing on the transaction as required by Government Code Sections 52201 and 53083; now therefore

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

**SECTION 1.** The City Council hereby authorizes the City Administrator to execute an Amendment to the DDA to: 1) terminate the City's obligations to convey Site B under the current DDA; 2) allow Developer the option to pursue a hotel project on Site B; 3) authorize the City Administrator to allow Developer to pursue entitlements for an alternate project, subject to a determination of hotel infeasibility by the City Administrator; 4) establish a new outside entitlement date and related performance deadlines for Site B; 5) require an extension fee in the amount and terms described in the related agenda package; and 6) amend other terms of the DDA as needed to effectuate the foregoing.

**SECTION 2.** The City Council authorizes the City Administrator to accept, deposit and appropriate the Extension Fees in the Misc. Capital Project Fund (5999), Central District Redevelopment Organization (85245), City Ctr T-5 Project (1001548), Downtown Development (SC13).

**SECTION 3.** The City Council finds and determines that the anticipated environmental effects of the project have been evaluated by the "Modified Block T5/6 Project CEQA Analysis" dated May 29, 2015, and, as supported by substantial evidence in the record and for the reasons set forth in the CEQA Findings adopted by the Planning Commission on July 1, 2015 in connection with its consideration of the Project, no further environmental review is required for this action as the Council will be removing any obligation or commitment to convey Site B to the Developer, and the terms of any proposed disposition will require further negotiations between the parties and final discretionary actions of the City Council.

**SECTION 4.** The City Council finds that this action does not result in a binding commitment to advance any "project" that will result in any foreseeable, direct or indirect physical change, in the environment and does not in-and-of-itself constitute a "project" pursuant to CEQA Guidelines Section 15378.

**SECTION 5.** The City Council finds that the new requirements of the California Surplus Land Act, Government Code Sections 54220 et seq. (SLA), effectuated on January 1, 2020 through AB 1486 do not apply as the DDA was in effect as of September 30, 2019.

**SECTION 6.** The City Administrator or his or her designee is further authorized

to negotiate and enter into other agreements and take whatever action is necessary consistent with this Ordinance and its basic purposes.

**SECTION 7.** The recitals contained in this Ordinance are true and correct and are an integral part of the Council's decision.

**SECTION 8.** The 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, \_\_\_\_\_ 2020

**PASSED BY THE FOLLOWING VOTE:**

AYES - BAS, GALLO, GIBSON McELHANEY, KALB, REID, TAYLOR, THAO and PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

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

**AN ORDINANCE TO AUTHORIZE A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS BETWEEN THE CITY OF OAKLAND AND STRADA T5 LLC FOR DISPOSITION OF THE CITY CENTER T-5/6 SITE B LOCATED ON THE BLOCK BOUNDED BY BROADWAY, 11TH STREET, 12TH STREET AND CLAY STREET TO (1) TERMINATE THE CITY'S OBLIGATIONS TO CONVEY SITE B UNDER THE CURRENT DDA; (2) ALLOW DEVELOPER THE OPTION TO PURSUE A HOTEL PROJECT ON SITE B; (3) AUTHORIZE THE CITY ADMINISTRATOR TO ALLOW DEVELOPER TO PURSUE ENTITLEMENTS FOR AN ALTERNATE PROJECT, SUBJECT TO A DETERMINATION OF HOTEL INFEASIBILITY BY THE CITY ADMINISTRATOR; (4) ESTABLISH A NEW OUTSIDE ENTITLEMENT DATE AND RELATED PERFORMANCE DEADLINES FOR SITE B; (5) REQUIRE AN EXTENSION FEE; AND (6) AMEND OTHER TERMS OF THE DDA AS NEEDED TO EFFECTUATE THE FOREGOING**

#### **NOTICE AND DIGEST**

An Ordinance to authorize an amendment to terms of the Disposition and Development Agreement between the City of Oakland and Strada T5 LLC for sale of "Site B" of the City Center T-5/6 parcels, located on the block bounded by Broadway, 11th Street, 12th Street and Clay Street to: (1) terminate the City's obligations to convey Site B under the current DDA; (2) allow Developer the option to pursue a hotel project on Site B; (3) authorize the City Administrator to allow Developer to pursue entitlements for an Alternate Project, subject to a determination of hotel infeasibility by the City Administrator; (4) establish a new Outside Entitlement Date and related performance deadlines for Site B; (5) require an extension fee; and (6) amend other terms of the DDA as needed to effectuate the foregoing.