



AGENDA REPORT

RECOMMENDATION

Councilmember Fife Recommends That The City Council Adopts A Resolution (1) Authorizing The City Administrator To Negotiate Terms For An Exclusive Negotiating Agreement With Costco Wholesale Corporation And Deca Companies LLC To Develop A Costco Wholesale And Retail General Merchandise Facility In The North Gateway Development Area Of The Former Oakland Army Base And (2) Declaring The Property Exempt Surplus Land

EXECUTIVE SUMMARY

The City of Oakland has a unique opportunity to explore bringing a Costco to the undeveloped area of the former Army Base. The development of a Costco at the North Gateway parcel, 22-acres in size, can help the City address a myriad of needs, including job creation, revenue generation, and most critically, expanding residents' access to groceries and other essential merchandise. To this end, the proposed resolution is a preliminary step that will allow the City Administrator to begin discussions with Costco Wholesale Corporation and Deca Companies, LLC, a real estate investment and development firm, around terms for an Exclusive Negotiating Agreement (ENA) to develop a Costco Wholesale and Retail General Merchandise Facility in the North Gateway development area of the former Oakland Army Base. The resolution requires that the City Administrator return to the City Council provided that terms are successfully negotiated for Council's consideration and for authorization to enter into the ENA. The resolution also makes findings that the property is exempt surplus land pursuant to Government Code Section 54221(f)(1)(J) of the Surplus Land Act because the property is subject to a valid legal restriction not imposed by the City which prohibits any residential housing and there is no feasible method to satisfactorily mitigate or avoid the prohibition on the site.

BACKGROUND / LEGISLATIVE HISTORY

The City acquired the 22-acre North Gateway parcel from the federal government on August 8, 2003. The site has since been identified for serval uses, most notably for relocating the

operations of two recyclers: California Waste Solutions (CWS) and CASS, Inc. (CASS). However, currently, all agreements related to the relocation of the recyclers, including Exclusive Negotiating Agreements and a Lease and Disposition Development Agreement (L/DDA), have terminated.

On February 12, 2012, the City entered into an Exclusive Negotiating Agreement (North Gateway Recyclers Project) with CASS and California Waste Solutions (“CWS”) (the “Joint ENA”), to jointly relocate their recycling operations to the North Gateway Area of the Oakland Army Base. That joint ENA expired in 2016. The City then entered into individual ENAs with the recyclers and eventually an L/DDA with CWS in 2021. However, the City no longer has agreements with the two entities concerning the North Gateway site.

Over the past 5 years, there have also been multiple efforts to utilize the North Gateway site for homeless shelter intervention(s) but the site is subject to deed restrictions that prohibit any residential housing **unless a waiver is obtained from the Department of Toxic Substances Control (DTSC) and extensive toxics mitigation is completed.** The crisis of homelessness is immediate and because of the time it would take to prepare this site for human use, experts have argued that it is neither timely, nor financially or administratively feasible for the City to secure a DTSC waiver and conduct the necessary site mitigation.

On the December 17, 2024, the City Council approved Ordinance No 13829 C.M.S., authorizing The City Administrator to negotiate and execute a lease agreement with UCSF Benioff Children’s Hospital Oakland for 8.4-acres of the North Gateway property for a temporary helipad/helistop for emergency transportation services for an approximately four year term. The City finds that exploring longer term uses for the parcel will not conflict with this agreement.

There is currently interest and opportunity for the potential development of a wholesale and retail general merchandise facility in the North Gateway development area of the former Oakland Army Base that would improve the economic conditions in the Area.

Costco Wholesale Corporation

Costco is the third largest retailer in the world with over 800 warehouses and over 300,000 employees worldwide. A membership warehouse club, Costco is known for a diverse selection of goods for bulk purchase at competitive prices. The retailer has a loyal customer base that is underscored by over 100 million cardholders.

Since the early 2000s, Costco has been looking to establish a warehouse in Oakland, specifically at the former Army Base.¹

¹ <https://oakland.legistar.com/LegislationDetail.aspx?ID=742301&GUID=21B88723-96B1-48C7-911F-9F7D130A4E73&Options=ID|Text|&Search=costco>

Deca Companies, LLC

Deca is a real estate investment and development firm with a proven track record of major development projects, including the Phillips 66 redevelopment next to the Port of LA, the redevelopment of the Cow Palace in Daly City, and mixed-use projects across California. Deca currently has 15 active projects with a total development value of \$10.15 billion. Deca has approached the District 3 Council Office expressing an interest in leveraging their experience to help bring Costco to Oakland.

POLICY ANALYSIS

This legislation marks a preliminary but important step to spur much needed economic activity in West Oakland and has the potential to bring wholesale retail and groceries to underserved residents who currently have to drive long distances for their needs. Much of West Oakland is currently designated as a food desert by the United States Department of Agriculture (USDA), with very limited access to high-quality, affordable food options. A Costco Warehouse located at the North Gateway parcel can help fill the gap for affordable groceries and essentials for our impacted communities while creating hundreds of jobs with competitive wages, which in turn will help localize spending. Moreover, a Costco will be a significant new sources of annual tax revenue for the City.

It should be noted that **this legislation does not constitute a binding commitment** on the part of the City to any project or developer for the property. Any future Exclusive Negotiating Agreement will need to come before Council for approval. Additionally, because community engagement is critical to the success of any project, discussion of terms will include plans for community outreach and engagement should the City decide to move forward with a formal agreement.

FISCAL IMPACT

There is no direct fiscal impact associated with this legislation. However, should this project move forward, the tax revenue, local job creation opportunities, and so much more will have significant positive financial impact on the City of Oakland.

PUBLIC OUTREACH / INTEREST

There was no specific public outreach conducted beyond the posting and noticing of this agenda item.

COORDINATION

This legislation was drafted in collaboration with the Office of the City Attorney, Economic and Workforce Development Department, and the City Administrator's Office.

SUSTAINABLE OPPORTUNITIES

Economic: A Costco at the North Gateway site can create hundreds of jobs and increase the City's tax revenue significantly. However, this is an initiation of discussions and the full breadth benefits that could result from bringing a Costco to the site will be detailed in a future ENA that will come before Council if discussions of terms are fruitful.

Environmental: No direct environmental impact.

Race & Equity: Addressing the limited options for grocery and other retail needs in neighborhoods, particularly lower-income communities, is critical to reducing disparities in quality of life. Establishing a Costco has the potential to help meet the gaps in services.

ACTION REQUESTED OF THE CITY COUNCIL

Councilmember Fife recommends that the City Council adopt a Resolution (1) Authorizing The City Administrator To Negotiate Terms For An Exclusive Negotiating Agreement With Costco Wholesale Corporation And Deca Companies LLC To Develop A Costco Wholesale And Retail General Merchandise Facility In The North Gateway Development Area Of The Former Oakland Army Base And (2) Declaring The Property Exempt Surplus Land

For questions regarding this report, please contact Rediat Bayeh, Policy Director for Councilmember Fife, at RBayeh@oaklandca.gov.

Respectfully submitted,



Councilmember Carroll Fife
District 3