



# AGENDA REPORT

**TO:** Elizabeth Lake  
Acting City Administrator

**FROM:** Ashleigh Kanat  
Director, Economic &  
Workforce Development  
Department

**SUBJECT:** Costco Exclusive Negotiation  
Agreement

**DATE:** May 26, 2026

City Administrator Approval

  
Betsy Lake (Jun 12, 2026 08:55:30 PDT)

Date: Jun 12, 2026

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution:**

- (1) Authorizing The City Administrator To Negotiate And Execute An Exclusive Negotiation Agreement With Costco Wholesale Corporation For Development Of A Costco Store On City Property Located At 101 Admiral Robert Toney Way And 2308 Wake Avenue For A 24 Month Term, Conditioned On A \$300,000 Exclusive Negotiation Payment, With Two Additional Six-Month Administrative Extensions, Each Conditioned On Payment Of An Additional \$25,000; And**
- (2) Waiving Competitive Bidding Under Oakland Municipal Code Chapter 2.42; And**
- (3) Adopting California Environmental Quality Act Findings.**

## **EXECUTIVE SUMMARY**

The recommended action would authorize the City Administrator to enter into an exclusive negotiation agreement (ENA) with Costco Wholesale Corporation to negotiate the terms of a lease disposition and development agreement (LDDA) and ground lease for the development of a Costco warehouse store on approximately 23 acres of City-owned property in the North Gateway area of the former Oakland Army Base (OAB). The authorization of an ENA is not an approval of a specific project or a binding real estate transaction; the action simply gives the City and Costco time to negotiate possible terms for a ground lease and LDDA on an exclusive basis. If negotiations are successful, City staff must then return to City Council for authorization to enter into the LDDA and ground lease.

The ENA would provide for an exclusive negotiation period of 24 months with two six-month options to extend. The fee to be paid by Costco in consideration for taking this property off the

market and not entertaining offers from other developers is set at \$300,000 for the initial term and \$25,000 for each of the extension options (Exclusive Negotiation Payments or ENPs).

During the ENA period, in addition to negotiating terms for an LDDA and ground lease, the City and Costco would negotiate a set of community benefits that would be based on the community benefits provided by past OAB projects, including specific job policies related to local employment, workforce training, and local business and small business contracting. Costco would also conduct community outreach, submit a preliminary financing plan, complete California Environmental Quality Act (CEQA) and traffic management review, and secure entitlements.

While this exclusive negotiation did not emerge from a competitive process, City staff have determined that pursuing an Exclusive Negotiating Agreement is in the best interest of the City due to the unique and significant public benefits associated with securing a Costco warehouse store in Oakland. Costco represents a significant economic development opportunity that is expected to generate approximately \$3 million in annual General Fund revenue, create an estimated 400 high quality jobs with competitive wages and benefits, expand access to affordable goods and services for Oakland residents and businesses, and strengthen the City's retail tax base.

## **BACKGROUND / LEGISLATIVE HISTORY**

Costco is proposing to build a new warehouse store and gas station on two parcels of land that the City owns in the OAB's North Gateway area. Parcel 1 is located at 101 Admiral Robert Toney Way (Assessor Parcel Number 18-508-16) and measures approximately 8.39 acres. Parcel 2 is located at 2308 Wake Avenue (Assessor Parcel Number 18-508-17) and measures approximately 12.04 acres. The City acquired these parcels from the federal government in 2004 and 2003, respectively, after closure of the former Oakland Army Base. The City also possesses an easement granted by the California Department of Transportation (Caltrans) under the Interstate 880 freeway structure adjacent to Parcel 1 measuring approximately 2.36 acres (Caltrans Easement). Collectively, these lands measure approximately 22.79 acres (Property) and are depicted in the map attached as **Attachment A**.

The City took ownership of Parcel 1 and Parcel 2 subject to binding federal and State restrictions that prohibit any residential housing on the Property due to environmental contamination.

In June 2000 the City adopted the [OAB Redevelopment Plan](#) which establishes the legal and policy framework for eliminating physical and economic blight and facilitating the redevelopment of the former Army Base into a productive economic asset.

In July 2002, the City's predecessor-in-interest, Oakland Base Reuse Authority, adopted the [OAB Final Reuse Plan](#) which establishes a framework to transform the former military base into a modern commercial, maritime, and industrial center that generates significant employment and economic activity.

In July 2005, pursuant to [Resolution No. 2005-0049 C.M.S.](#), City Council authorized an exclusive negotiation agreement between the Oakland Redevelopment Agency, the Oakland Base Reuse Authority and Costco Wholesale Corporation for a term of 180 days to negotiate the terms and conditions for the development of a potential Costco store on the Property. The parties failed to reach agreement on terms at that time.

In June 2012, pursuant to [Resolution No. 83930 C.M.S.](#), the City revised the OAB Redevelopment Plan and the OAB Final Reuse Plan to include relocation of two recycling companies, CASS, Inc. (CASS) and California Waste Solutions, Inc. (CWS) from the West Oakland neighborhood to the OAB.

In December 2012, the City entered into a cooperation agreement with ten community-based organizations and labor unions pursuant to [Resolution No. 83933 C.M.S.](#), which established a set of workforce training and local employment policies that shall apply to all development agreements in the OAB (Jobs Policies). All development projects completed or planned in the OAB have also included a common set of additional community benefits related to labor union participation, local business and small business contracting, and environmental mitigations.

In July 2021, pursuant to [Ordinance No. 13658 C.M.S.](#), the City entered into a Lease and Disposition and Development Agreement (L/DDA) with CWS for relocation of its recycling facilities to Parcel 2. CWS did not complete the required steps to close escrow and elected not to extend the term of the L/DDA with the City, resulting in the City terminating the L/DDA.

In September 2021, pursuant to [Resolution No. 88826 C.M.S.](#), the City entered into an ENA with CASS for relocation of its recycling facilities to Parcel 1. The parties did not reach agreement on terms and the ENA expired.

On March 1, 2025, pursuant to [Ordinance No. 13829 C.M.S.](#), the City leased Parcel 1 to UCSF Children's Hospital & Research Center at Oakland dba Benioff Children's Hospital Oakland (Helipad Lease) through no later than February 28, 2029 for short-term use as a helipad/helistop for transport of patients requiring emergency or trauma care during modernization of the children's hospital in North Oakland. The recommended action would not conflict with the Helipad Lease as the Helipad Lease would reach the end of its term before the beginning of any ground lease that may result from the proposed ENA with Costco.

In late 2025, Deca Companies, LLC (Deca) presented an unsolicited proposal to the City to develop a Costco store on the Property.

On December 16, 2025, pursuant to [Resolution No. 91000 C.M.S.](#), City Council authorized the City Administrator to negotiate terms for an exclusive negotiation agreement with Costco Wholesale Corporation (Costco) and Deca to develop a Costco wholesale and retail general merchandise facility in the North Gateway area of the OAB and declared the property to be exempt surplus land. Costco identified the site as a strategic location for a future warehouse store and expressed a desire to work directly with the City to evaluate the opportunity and negotiate potential development terms. Given Costco's specific interest in the site and the substantial fiscal, employment, and community benefits anticipated from the project, the City

determined that exclusive negotiations were the most effective means of evaluating project feasibility and advancing the City's economic development objectives.

Chapter 2.42.170 of the Oakland Municipal Code (OMC) stipulates that the disposition of City property for development, whether by sale or lease, shall be done pursuant to a competitive process or, in the absence of a competitive process, if the City Administrator determines that disposition through an alternative process is in the best interests of the City. In this case, the City Administrator has determined that an ENA with Costco, done without a competitive process, would be in the best interests of the City, as discussed below.

On June 2, 2026, pursuant to [Resolution No. 91203 C.M.S.](#), City Council directed the City Administrator to develop an amortization program through City legislation that would cause relocation of the CWS and CASS facilities out of the West Oakland neighborhood.

## **ANALYSIS AND POLICY ALTERNATIVES**

### **ENA Terms**

Consistent with [Resolution No. 91000 C.M.S.](#), staff now recommends that the City Council authorize that the City Council direct staff to enter into an ENA with the following terms:

- **Parties:** City and Costco
- **Subject of Negotiations:** Terms for an LDDA and ground lease for a Costco development on the Property
- **Term:** Initial 24-month exclusive negotiation period with two 6-month options to extend. If there is any lawsuit challenging CEQA review or project approvals, the term tolls while the lawsuit is in process.
- **Fees:** \$300,000 for the initial 24-month term, \$25,000 for the first 6-month extension and \$25,000 for the second 6-month extension (Exclusive Negotiation Payments or ENPs). The ENPs are consistent with the fees charged for other recent ENAs, including the ENA for the Oakland Coliseum.
- **Community Benefits and Jobs Policies:** Staff would negotiate for the community benefits package that has applied to previous OAB projects, which includes:
  - Project labor agreements and labor peace
  - Local employment, workforce training, retention of existing workers, and apprenticeship policies
  - Local business and small business contracting policies
  - Environmental mitigation measures
  - Other community benefits as needed and feasible (such as support for the West Oakland Community Fund)

This would provide consistency with past practice and furtherance of long-held community and stakeholder priorities.

- Schedule of Performance: The ENA would also include a schedule of performance for tasks that Costco would be required to complete during the ENA period, such as conducting community outreach, submitting a preliminary financing plan, completing CEQA review, and securing entitlements. The recommended term is sufficiently long to accomplish these tasks and enable City staff to return to City Council with an ordinance to authorize the LDDA and ground lease, provided the parties reach agreement on terms. If the Parties reach agreement on terms before the end of the initial 24-month ENA period, City staff will return to Council sooner.

### **Best Interest Finding**

Staff also recommends that the City Council make a finding and determination that it is in the best interests of the City to waive the competitive process per Section 2.42.170 of the Oakland Municipal Code (OMC), due to the very significant and foreseeable economic and community benefits that a Costco store would provide.

Costco is the third-largest retailer in the United States with nearly \$1 trillion in annual sales and 633 stores nationally. As a well-known, national brand, Costco's investment in Oakland would provide a positive market signal to other businesses and investors. Given its financial capacity and experience developing stores, Costco is well positioned to follow through on a development where other parties may fail. A new store will deliver significant jobs and revenue to Oakland as well as provide a source of affordable groceries, gas, and other goods and services for Oakland residents.

### *New Jobs*

A new Costco store is expected to provide approximately 400 new ongoing operations jobs. This compares favorably to other OAB projects. The tenants in the Prologis warehouses, for example, had a total of 183 filled operations jobs as of July 2025. And while the CWS and CASS projects were anticipated to support 365 jobs, most of those would be relocated from their existing facilities in West Oakland rather than net new jobs. When the anticipated jobs policies are negotiated during the ENA period, the result would be a substantial number of new jobs available to Oakland residents, particularly disadvantaged Oakland residents. These are expected to be high-quality jobs with relatively high pay (\$32/hour on average), robust benefits, career growth opportunities, and low turnover. There would be an additional, unknown number of temporary construction jobs paying prevailing wage, which is Costco's standard practice.

### *New City Revenues*

The City would receive several new sources of ongoing General Fund revenue from a Costco development estimated at \$3 million annually.

First, Costco would pay rent to the City under the long-term ground lease. While the amount would be negotiated during the ENA period and is thus unknown at this time, City staff would negotiate for no less than fair market rent, which by definition would be the highest achievable rent in the competitive, open market.

The City would also receive significant new sales tax revenue from a Costco store, estimated at \$2.2 million per year. A peer reviewed August 2025 study indicated that the gross annual sales at a Costco store are \$1,800 per square foot.<sup>1</sup> Typical new Costco stores are approximately 165,000 square feet, which would yield approximately \$300 million in gross sales annually. This same report finds that at least 50% of these sales would be taxable (some Costco products, like groceries, are tax-free, and registered wholesale buyers would not pay sales tax). The City's General Fund would receive approximately 1.45% of these sales or \$2.2 million annually (primarily from a 0.5% sales tax levy per 2025 Measure A and the City's share of Bradley-Burns sales tax collections), with additional sales tax paid to Alameda County for services that would, in part, benefit the City. This is a conservative estimate as not all food products (such as prepared foods) are tax exempt.

The City would also receive significant new business license tax revenue from a Costco store. Assuming again that the new store generates \$300 million in gross sales annually, that would result in approximately \$720,000 in new business license tax collections under the City's progressive tax rate structure. All of these proceeds would be deposited to the City's General Fund.

The City would also receive its proportionate share of new property tax revenues, which are expected to be substantial. On average, the seven existing Costco stores in Alameda County pay approximately \$620,000 in property taxes annually. The Pleasanton store, which was the most recent one to open, paid approximately \$718,500 in ad valorem taxes in 2025. If an Oakland store performed comparably, then the City, which is allocated approximately 26% of each property tax dollar, would receive approximately \$187,000 per year in new property tax revenues from a Costco development. Combining sales tax, business license tax and property tax revenues, the City could conservatively expect at least \$3 million in new General Fund revenues from taxes.

A significant portion of the economic activity related to Costco is expected to be from new spending in Oakland, rather than spending diverted from other Oakland businesses. Costco reports that approximately 90,000 Oakland residents are Costco members, or approximately 25% of Oakland's adult population. Because there is currently no Costco store in Oakland, all of the benefits of Oakland residents' spending at Costco is currently realized by other jurisdictions, such as Richmond and San Leandro. The average member spends about \$3,000 per year at Costco and, therefore, Oakland is currently missing out on approximately \$270 million in annual spending from just those Costco members who live in Oakland.

Furthermore, because of the Property's high visibility and strategic location adjacent to several interstate freeways carrying very high traffic volumes, a new Costco store in this location would be well positioned to capture additional spending from Costco members who reside outside of Oakland but for whom the location in Oakland is more convenient.

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<sup>1</sup> Exhibit M to the [Draft Environmental Impact Report for the El Dorado Hills Costco Project](#), published in January 2026.

### *Affordable Goods and Services*

One of Costco's central competitive advantages is its low prices. This would benefit Oakland residents and businesses by providing a locally-accessible source of affordable goods and services. Because groceries are sold at Costco, the proposed store would provide a new source of fresh food in a neighborhood that is considered a food desert due to a relative lack of existing grocery stores. Costco is also a source of other affordable goods and services including gas, clothing, household essentials, baby supplies, pharmaceuticals, and business supplies and services.

### **Alternatives**

As an alternative, the City Council could choose not to pursue an ENA with Costco. This would allow the site to remain available for other uses such as for relocation of the recyclers, a long held objective of West Oakland community members. However, despite years of effort the City and the recyclers have failed to deliver this outcome, and it is questionable whether the recyclers are sufficiently motivated under current conditions to relocate to the OAB. With the recently introduced Amortization Resolution, the City has an opportunity to address the community's preference for moving the recyclers out of West Oakland while creating a different development opportunity for the Property. This alternative would also mean that Oakland would not receive the economic benefits that a new Costco would provide, including substantial new tax revenue, approximately 400 new jobs, and a new source of affordable goods and services for Oakland households and businesses.

### **RELATED PLANNING EFFORTS**

The recommended action supports the City's recently completed [Economic Development Action Plan](#) (EDAP). A key goal of the EDAP is to pursue development on vacant or underutilized public property to catalyze positive change and investment. Development of a Costco store and the associated fiscal benefits for Oakland would substantially advance this goal.

It also supports the City's [OAB Final Reuse Plan](#), adopted July 2002, which establishes a framework to transform the former military base into a modern commercial, maritime, and industrial center that generates significant employment and economic activity.

It also supports the City's [OAB Redevelopment Plan](#), adopted in June 2000, which establishes the legal and policy framework for eliminating physical and economic blight and facilitating the redevelopment of the former Army Base into a productive economic asset for Oakland.

### **FISCAL IMPACT**

The nonrefundable ENPs would be accepted and appropriated into the OBRA Leasing & Utility Fund (5671), Oakland Army Base Redevelopment Organization (85244), OARB Bay Bridge Gateway Program (SC07), in a Project to be created or determined (TBD).

### **PUBLIC OUTREACH / INTEREST**

The District 3 City Councilmember has hosted four community meetings at various locations across Oakland at which Costco presented their plans and the public provided input. City staff attended each of these meetings and observed that public feedback was overwhelmingly positive, focused on the new jobs a Costco would bring, the benefit of having a local source of affordable groceries, gas and other goods, as well as recognizing the positive impact the new tax revenue would have on the City's budget. The most common concerns raised related to the future of the recyclers, the potential impact on local businesses, and increased traffic congestion. At the same time, some community members noted that Costco could provide a convenient and affordable source of goods that supports Oakland households and small businesses. Community members also emphasized the importance of a comprehensive traffic analysis and mitigation plan to fully understand and address potential transportation impacts.

### **COORDINATION**

The City Administrator's Office, Economic and Workforce Development Department, Planning & Building Department, Finance Department, and City Attorney's Office have coordinated on this resolution.

### **RACE AND EQUITY**

The proposed Costco store would be located in West Oakland, which is comprised of Census tracts that are identified as Highest Priority Neighborhoods according to the Oakland Department of Transportation's Geographic Equity Toolbox, with some tracts having up to 91% Black, Latinx, Asian Pacific Islander, and Indigenous residents. West Oakland was also the target of urban renewal projects in the 20<sup>th</sup> century that resulted in the disproportionate loss of Black-owned homes, businesses and livelihoods. The recommended action would create a development opportunity that would deliver hundreds of new, high-quality jobs and a source of affordable groceries, gas and other goods in this neighborhood.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

City staff have determined, after independent review and consideration, that this action will not result in a direct or indirect physical change in the environment and does not in-and-of-itself constitute a "project" pursuant to CEQA Guidelines Section 15378.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution:

- (1) Authorizing The City Administrator To Negotiate And Execute An Exclusive Negotiation Agreement With Costco Wholesale Corporation For Development Of A Costco Store On

City Property Located At 101 Admiral Robert Toney Way And 2308 Wake Avenue For A 24 Month Term, Conditioned On A \$300,000 Exclusive Negotiation Payment, With Two Additional Six-Month Administrative Extensions, Each Conditioned On Payment Of An Additional \$25,000; And

- (2) Waiving Competitive Bidding Under Oakland Municipal Code Chapter 2.42; And
- (3) Adopting California Environmental Quality Act Findings

For questions regarding this report, please contact Brendan Moriarty, Director of Real Estate & Special Projects, at [bmoriarty@oaklandca.gov](mailto:bmoriarty@oaklandca.gov) or (510) 238-6354.

Respectfully submitted,

**Signature:** Kelley Kahn  
Kelley Kahn (Jun 11, 2026 17:37:47 PDT)

**E-mail:** [kkahn@oaklandca.gov](mailto:kkahn@oaklandca.gov)

**Kelley Kahn for**

Ashleigh Kanat, Director  
Economic & Workforce Development  
Department

Reviewed by:  
Kelley Kahn  
Assistant Director, Economic & Workforce  
Development Department

Chuck Baker  
Assistant City Administrator  
City Administrator's Office

Prepared by:  
Brendan Moriarty, Director of Real Estate &  
Special Projects

**Attachments (1):**  
**A: Map of the Property**