

**SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTIONS 52201
FOR AN AGREEMENT TO
CONVEY BY SALE**

**2330 Webster Street and 2315 Street Valdez,
Oakland, CA 94612**

**BY AND BETWEEN THE CITY OF OAKLAND AND
TDP-WEBSTER, LLC**

The following Summary Report was prepared by Willdan Financial Services, in consultation with City staff, pursuant to California Government Code Sections 52201. The report sets forth certain details of the proposed Disposition and Development Agreement (the "DDA") to convey in fee certain City-owned property, referred to as "23rd and Valdez," to TDP-Webster, LLC, or a related entity. The proposed DDA is between the following parties:

1. The City of Oakland ("City");
2. TDP-Webster, LLC ("Developer"), or a related entity

INTRODUCTION

The City is the fee title owner of adjacent parcels located at 2330 Webster Street and 2315 Street Valdez (the "Property") in Oakland California, comprising approximately 1.42 acres. The Property is bounded on the south by 23rd Avenue, on the north by 24th Avenue, Webster Street to the West and Valdez Street to the East. The Property is currently operated as a parking lot, managed by a private entity under contract to the City.

In May 2014, the City received an unsolicited proposal from Developer to develop the Property into a mixed-use project consisting of market rate and affordable housing, retail, and a public parking garage. The Developer has demonstrated to the City its experience with successfully developing properties similar to the Property, and has extensive experience in the San Francisco Bay Area. On July 29, 2014, pursuant to City Council Resolution No.85137 C.M.S, the City and the Developer entered into an Exclusive Negotiation Agreement (the "ENA") for purposes of negotiating the subject DDA.

The City is now considering a DDA with the Developer to develop the Property. Pursuant to the terms of the DDA, the City will convey in fee simple the Property to the Developer, and the Developer will develop and construct a high quality, mixed-use "urbanistic" project that will attract a mix of residential, commercial, retail, restaurants, and service businesses

that can help create a walkable, inviting shopping experience, provide a "sense of place" for the community, create jobs for residents of the community and be the catalyst for the revitalization of the Broadway Corridor Area and community as a whole in furtherance of the Broadway Valdez District Specific Plan and the General Plan.

The subject Property's neighborhood and surrounding area is currently in transition, with industrial and commercial buildings used for automotive sales and services that are gradually shifting to restaurants, offices, and residential uses. The project will revitalize the site, providing jobs and amenities to the citizens of Oakland.

The following Summary Report is based on information contained within the DDA and is organized into the following seven sections:

- I. **Identity of the Contracting Party:** This section provides the name and address of the Developer.
- II. **Salient Deal Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the DDA.
- III. **Economic Incentive/Development Subsidy Provided, and Cost of the Agreement:** This section details the economic incentive/development subsidy to be provided by the City and the costs to be incurred by the City to implement the DDA.
- IV. **Estimated Value of the Interest to Be Conveyed, Determined at the Highest and Best Use of the Property:** This section estimates the value of the Property, determined at the highest and best use of the Property.
- V. **Estimated Value of the Interest to Be Conveyed, Determined at the Use and with the Conditions, Covenants, and Development Costs Required by the DDA:** This section estimates the value of the Property to be conveyed, factoring in the use of the Property, and conditions, covenants, and development costs required by the DDA.
- VI. **Consideration Received and Comparison with the Economic Incentive/Development Subsidy Provided:** This section describes the financial compensation to be received by the City pursuant to the DDA.
- VII. **Creation of Economic Opportunity and Public Purpose:** This section explains how the DDA will assist in creating economic opportunity in the City.
- VIII. **Job Creation:** This section describes the number of full-time, part-time, and temporary jobs created by effectuating the DDA.

This Summary Report and the DDA Term Sheet have been made available for public inspection prior to approval of the DDA by posting to the City's website.

I. IDENTITY OF THE DEVELOPER

TDP-Webster, LLC
39 Forrest Street, Ste. 201
Mill Valley, CA 94941

II. SALIENT DEAL POINTS OF THE DEVELOPMENT AGREEMENT

A. Project Description

The Developer proposes to redevelop a 1.42 acre property comprising 2 parcels, herein described as the Property". The parcels are currently owned by the City and used for surface parking. The City purchased the Property on April 13, 2010 for \$4.05 million. The Property is encumbered by two long-term parking agreements (the "Parking Agreements") with the California Nurses Association (42 spaces) and CIM Realty Group (200 spaces) (collectively referred to hereinafter as the "Licensees"), the tenants of two office buildings located at One Kaiser Plaza and 155 Grand Avenue, at prevailing market rates. The Parking Agreement with CIM has a remaining term of 53 years, while the agreement with CNA is effective in perpetuity. The lot is currently full during weekdays. The Developer proposes to develop the following specified improvements (collectively, the "Project"):

1. Approximately 234 residential rental units, including 36 below market rate units (the "Residential Units");
2. Approximately 17,000 square feet of ground-floor retail (the "Retail Element"); and
3. Approximately 330 parking spaces, 242 of which will be conveyed to the City for use as a public parking garage, with first consideration going to the Licensees at market rates.

B. City Responsibilities

The DDA requires the City to:

1. Convey the Property to the Developer for \$9,450,000. The Developer shall deposit into escrow a Promissory Note ("Note") in the amount of the land purchase price less a \$50,000 nonrefundable good faith deposit that the Developer will pay directly to the City upon executing the DDA, and which will be credited against the land purchase price. Additionally the parties anticipate that the Developer may acquire the right to purchase one or more adjacent parcels within the same block as the Property. Should the Developer proceed with such acquisition, the parties anticipate that the Developer will submit an application for an amendment to the existing Project entitlements for a mixed use project that includes the public parking and expanded residential or retail uses, and City staff would cooperate with the Developer to process for consideration by the City Council such amendments to the DDA as may be

necessary and appropriate at that time.

2. Provide temporary parking for the Licensees during the construction of the Project, and secure amendments to the Parking Agreements to provide that they will encumber only the public portion of the garage.
3. Purchase the public parking component of the project for an amount not to exceed \$13,468,780 which will be a combination of land sales proceeds, accrued interest on the Note and cash.

C. Developer Responsibilities

The DDA requires the Developer to:

1. Complete development of the Property according to the terms of the DDA and other relevant documents.
2. Pay a non-refundable deposit of \$50,000 upon execution of the DDA.
3. Purchase the Property for \$9,450,000 (including the prior deposit of \$50,000).
4. Provide a Guaranty of Completion of the Project, per the terms of the DDA.
5. Construct affordable housing comprising 15 percent of the 234 units planned for the Project at the following affordability levels:

| Income Level | Recommended Affordability Mix |
|----------------------------|--------------------------------------|
| 50% of area median income | 14 units (6.0%) |
| 80% of area median income | 11 units (4.5%) |
| 100% of area median income | 11 units (4.5%) |
| Total units | 36 |

6. Start construction within 30 days of close of escrow and complete construction of the Project within 27 months of close of escrow.
7. Provide standard commercial indemnity, hold harmless and defense protections to the City.
8. Comply with relevant provisions of the Central District Redevelopment Plan and Broadway Valdez District Specific Plan.

The DDA Term Sheet is attached to this report as "Exhibit A".

III. ECONOMIC DEVELOPMENT SUBSIDY PROVIDED, AND COST OF THE AGREEMENT

The City is not providing an economic development subsidy. The current estimated value of the Property is \$9,450,000 (See IV, below), and the City is receiving \$9,450,000 in consideration.

IV. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED OR LEASED, DETERMINED AT THE HIGHEST AND BEST USE OF THE PROPERTY UNDER THE GENERAL PLAN AND ZONING

The Property is currently used as a public parking lot managed by a private entity. The City has obtained an appraisal of the Property in its current condition that values it at \$9,450,000, assuming the existing parking leases will not impact the Developer. A summary of the Property appraisal prepared by Yovino & Young is attached to this report as "Exhibit B".

V. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED, DETERMINED AT THE USE AND WITH THE CONDITIONS, COVENANTS, AND DEVELOPMENT COSTS REQUIRED BY THE DEVELOPMENT AGREEMENT

Under the terms of the DDA, the Developer agrees to construct a project consistent with the Central District Redevelopment Plan, the Broadway Valdez Specific Plans, and other documents. The Developer is also responsible for all off-site improvements in connection with the Project. In the current market in the Bay Area, residential development generally offers the highest profit potential. Because the terms of the DDA do not provide for any additional entitlements, and the Project is subject to all current restrictions, the estimated value of 23rd and Valdez is identical to its value at highest and best use, \$9,450,000.

VI. CONSIDERATION RECEIVED AND COMPARISON WITH ECONOMIC DEVELOPMENT SUBSIDY PROVIDED

The City is not providing any economic subsidy for development of the project. In addition to the purchase price of the Property, the City will receive the following revenues from the project:

1. Implementation of the DDA is expected to result in significant increases in total assessed value, along with putting the Property on the tax rolls. The projected assessed value at full implementation of the Project is estimated to be \$111 million, resulting in a Property tax assessment of approximately \$1.11 million in ad valorem Property taxes.¹ Of this total the City would receive approximately \$387,000 annually, with the rest going to the County, the Oakland Unified School District, AC Transit, and other taxing entities. The real property tax revenues to all property tax collecting taxing entities would increase by this amount, as the current property tax assessment for the Property is zero.
2. The new retail space will create approximately \$4,250,000 in annual sales (assuming \$250 per square foot in net new sales). This total will result in annual

¹ This is a rough estimate based on construction cost. The ultimate determination of assessed value of the project will be made by the County Assessor.

sales tax revenue of \$403,750, approximately \$44,000 of which will be received by the City and the rest by other taxing entities.

3. Business activity at the site will generate approximately \$106,000 annually in business license taxes.
4. The net 45 additional parking spaces and an increase in rates and parking activity will generate an estimated additional \$104,500 annually in parking taxes.

The total annual net revenue to the City generated by the Project from all sources is estimated to be \$642,000 annually. Over a 25-year operating period for the project the present value of this revenue at a six percent discount rate is over \$8 million.

Table 1
Economic and Fiscal Benefits
23rd and Valdez 52201 Report

| Item | Amount |
|-----------------------------|------------------|
| Annual Business License Tax | \$106,305 |
| Annual Sales Tax | 44,413 |
| Annual Property Tax | 386,835 |
| Annual Parking Tax | <u>104,000</u> |
| Total | \$641,553 |
| NPV of 25 years at 6% | \$8,201,200 |

Willdan, 2015

VII. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Property has been used as a parking lot for many years, which is generally considered a suboptimal use in an otherwise developing urban area. As a publicly-owned parcel it has not generated any tax revenue since its purchase by the City in 2010. Since the great recession of the late 2000s, market conditions have been improving, especially for residential development, and the City has an opportunity to begin substantial redevelopment along the Broadway Corridor.

The important goals and objectives that are satisfied by the Project are:

1. Implementation of the goals of the Broadway Valdez District Specific Plan.
2. Implementation of the goals of the Central District Redevelopment Plan.
3. Upon completion and full implementation, the Project to be developed pursuant to the DDA will generate an estimated 40 permanent jobs without further investment of City funds and 600 full-time equivalent (FTE) jobs during the construction of the Project directly attributable to private sector investment in the development of the Project.²
4. The creation of affordable housing to meet demonstrated affordable housing needs identified in the City's General Plan Housing Element constitutes an economic opportunity. The Project will increase the diversity of the housing stock in Oakland by providing a range of housing types at various affordability levels with 15% of the homes being affordable to very low, low and moderate income households. Specifically, the Project will result in the creation of approximately thirty six (36) residential units permanently restricted to occupancy by Very Low Income Households, Low Income Households and Moderate Income Households, which will help meet the demonstrated affordable housing need of the City of Oakland, as defined and described in the City's General Plan Housing Element. The creation of 36 units of new affordable housing meets the criteria for "economic opportunity" described in Government Code 52200.2(c).

In addition to these benefits, the other taxing entities that rely on the Oakland property and sales taxes to support their services and programs will receive new property tax revenues. Those taxing entities include, but are not limited to, the local school district, East Bay Municipal Utility District, and East Bay Regional Park District. Since the site currently generates no property tax revenue, the increased property taxes exceed the 15% increase in property tax revenue identified as a measure of "economic opportunity" in Government Code 52200.2(b).

VIII. JOB CREATION

The project is expected to create 40 permanent jobs and 600 temporary construction jobs. The temporary jobs will be created during construction to construct infrastructure and public amenities, prepare the site, and construct buildings and other structures. Because there is no net investment of public resources this exceeds the benchmark measure of "economic opportunity" described in Government Code 52200.2(a).

² Based on planned development and \$111 million in construction and development expenditures.