



CITY OF OAKLAND

## *MEMORANDUM*

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Rachel Flynn

**SUBJECT:** RFPs for City-owned Properties

**DATE:** September 19, 2014

City Administrator

Date

Approval /s/ Donna Hom

**9/19/14**

### **INTRODUCTION**

This memorandum provides an overview of several Requests for Proposals (“RFP” or “Notice of Development Opportunity” or “NODO”) for the sale and/or lease and development of properties owned by the City of Oakland (“City”) that will be issued over the next 12 months by the City’s Economic & Workforce Development Department’s Project Implementation Division.

In 2013, the Oakland Redevelopment Successor Agency (“ORSA”) prepared a Long Range Property Management Plan (“Plan”) to address the disposition and use of the real property assets formerly owned by the Redevelopment Agency of the City of Oakland (“ORA”), and submitted the document to the California Department of Finance (“DOF”) for approval. DOF approved the Plan on May 29, 2014. The properties to be included in the forthcoming RFPs were identified in the Plan as properties to be transferred from ORSA to the City for future development.

The City will also issue an RFP for the vacant Henry J. Kaiser Convention Center (the “Kaiser Auditorium”), which the City has tried to sell or lease for several years. Because it is a City-owned property and not an ORA asset, the Kaiser Auditorium is not included in the Plan.

### **BACKGROUND/LEGISLATIVE HISTORY**

#### The Long Range Property Management Plan

Per Assembly Bill 1484 (“AB 1484”), before successor agencies are allowed to move ahead with the disposition of property, they are first required to prepare and obtain approval from DOF of a “long-range property management plan” addressing the disposition and use of real properties previously owned by the redevelopment agency. AB 1484 allows the successor agency to propose in the Plan that certain properties be transferred to the sponsoring city for future development. On May 29, 2014, DOF approved ORSA’s Plan, including properties to be

transferred to the City for future development. All of the properties to be included in the RFPs are located in the Central District, the Coliseum and the Central City East Redevelopment Project Areas.

Under the Plan, the properties may be sold at their fair market value or their fair reuse value, based on market conditions at the time of disposition. The determination of fair market value will consider the property's highest and best use. The determination of fair reuse value will consider the proposed use of the property and the value of the property with the conditions, covenants and development costs associated with the negotiated disposition, if any. The City may also choose to dispose of properties by means other than a fee sale, such as a long-term ground lease.

The Plan provides that any disposition of a property shall be governed by a negotiated disposition and development agreement or lease disposition and development agreement (“(L)DDA”) that will govern the terms of the disposition, the development of the property, and the use of the property following development. Any such agreement will obligate the developer to develop and use the property consistent with the applicable redevelopment plan, its implementation plan, the City's General Plan and any applicable specific plans.

The properties included in the RFPs, *except* for the Kaiser Auditorium, are currently subject to a Master Compensation Agreement among the taxing entities, whereby net unrestricted proceeds from a sale or lease must be remitted to the County Auditor-Controller for distribution to all taxing entities, including the City, in proportion to their respective share of the property tax base. Until such time that the Compensation Agreement is fully executed by all 14 taxing entities, the City cannot transfer title or lease a property to a developer. However, it is anticipated that the Compensation Agreement will be signed by all parties before the end of the year and thus before any sale or lease of a property to a developer will take place.

On July 30, 2013, the City Council, pursuant to Ordinance No. 13185 C.M.S., authorized the addition of Chapter 2.41 to the City's Municipal Code intended to facilitate the City's sale, lease, or disposition of real property for development to promote the economic development, housing, environmental, and community development goals of the City. Chapter 2.41 of the Municipal Code requires that properties be disposed by issuing either a competitive NODO or negotiating with a developer on a sole-source, noncompetitive basis. The current RFP complies with the NODO process for the disposition of real properties as stipulated in the Municipal Code.

#### The Kaiser Auditorium

The Kaiser Auditorium is located on Tenth Street at the southern end of Lake Merritt. It was constructed between 1913 and 1915, and underwent major refurbishment in 1985. The building houses the 1,789-seat Calvin Simmons Theater, a 4,000-8,000 seat capacity arena and three large ballrooms. The Kaiser Auditorium is an Oakland-designated historic landmark. Since the City closed the facility in 2005, it has made several unsuccessful efforts to sell or lease the building to various entities. Given the current economic recovery in the East Bay, staff believes that the release of an RFP to lease, renovate and adaptively reuse this iconic historic building is timely.

## ANALYSIS

### RFP Release Schedule

*Attachment A* identifies the properties that will be offered for disposition and development and provides a schedule for the release of an RFP for each site.

### RFP Distribution

Staff has compiled a mailing list with over 650 developer addresses. The RFPs will be posted on the website of the Economic & Workforce Development Department's Real Estate Division, and developers will be notified by email and postcard that the document is available for downloading. Generally, developers will be given approximately 6 to 8 weeks to respond to the solicitation, depending on property characteristics and the complexity of arriving at a suitable development proposal for the site.

### RFP Evaluation

All proposals submitted in response to the RFPs will be evaluated by a selection panel comprised of City staff and other outside professionals in the field. The selection panel will conduct interviews with the top finalists and decide on a qualified developer based on the selection criteria summarized below. Following this process, staff will recommend a development team for review and approval by the City Council.

#### *Experience of Developer Team, including Architect*

- Developer's and Architect's experience in designing and developing projects comparable to the proposed project, including projects in an older urban setting with many historic buildings
- Project experience with local governments and other public agencies
- Demonstrated success in maintaining and operating high quality, efficiently operated projects

#### *Financial Capacity*

- Evidence of development team capacity to raise sufficient equity/debt capital to carry the project to completion
- Financial strength of developer(s) and other team members
- Commitment and ability to fund pre-development activities

*Project Design*

- Design quality of the proposed project
- Suitability of design for integration into existing neighborhood context
- Sustainability (LEED Certification)
- Proposed concept for ground floor retail uses

*Project Financial Feasibility*

- Proposed purchase price/ground lease rent
- Financial feasibility of proposed project
- Development schedule for project completion

*Community and Public Objectives*

- Level of local and small local business participation
- Level of local workforce participation
- Level of participation of Oakland-based apprentices during construction
- Number of jobs created for a range of training and education levels
- Commitment to prevailing and living wages
- Commitment to labor peace and labor neutrality agreements
- When applicable, number of residential units that are affordable to low and moderate income households included in the project

**COST SUMMARY/IMPLICATIONS**

Many of the properties that will be included in the RFPs were acquired or improved using tax allocation bond proceeds. Under applicable law and bond covenants, the proceeds from the sale or lease of these properties will continue to be restricted to uses consistent with the bond covenants in the indenture, such as retiring the bonds or investing in other capital projects that will meet a redevelopment purpose within the applicable redevelopment project area. For properties funded with tax-exempt bond proceeds, IRS regulations also restrict any revenue or sale proceeds to be used for another governmental purpose within two years. Therefore, proceeds restricted by law such as net revenue or sale/lease proceeds, would not be available for distribution to taxing entities. Unrestricted proceeds, however, will be distributed among the taxing entities pursuant to the Master Compensation Agreement.

For questions regarding this report, please contact Jens Hillmer, Urban Economic Coordinator at 238-3317.

Respectfully submitted,

\_\_\_\_\_/s/\_\_\_\_\_  
\_\_\_\_\_

Rachel Flynn, Acting Director  
Economic & Workforce Development Department

Prepared by:  
Jens Hillmer, Urban Economic Coordinator  
Economic & Workforce Development Department,  
Project Implementation Division

Attachment A – Schedule of Release of Requests for Proposals

## Attachment A

### Request for Proposals Order of Release

<b>RFP ROUND 1</b>		<b>Release Date: September/October 2014</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>Henry J. Kaiser Convention Center</b>	Central District	1	215,000	Cultural, Commercial, Institutional
<b>Uptown Parcel 4</b>	Central District	1	45,121	Commercial, Housing, Hospitality

<b>RFP ROUND 2</b>		<b>Release Date: 3-6 Months After Round 1</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>73rd &amp; Foothill</b>	Central City East	1	53,143	Commercial
<b>Former Melrose Ford site</b>	Coliseum & Central City East	2	32,500	Commercial
<b>66th &amp; San Leandro</b>	Coliseum	1	274,428	Major Retail, Commercial

<b>RFP Round 3</b>		<b>Release Date: 3-6 Months After Round 2</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>10451 MacArthur</b>	Central City East	1	23,000	Mixed Use, Housing
<b>36th &amp; Foothill</b>	Central City East	4	34,164	Mixed Use, Housing

<b>RFP Round 4</b>		<b>Release Date: 3-6 Months After Round 3</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>27th &amp; Foothill</b>	Central City East	2	22,581	Mixed Use, Housing
<b>Hill Elmhurst</b>	Coliseum	7	28,802	Mixed Use, Housing

<b>RFP Round 5</b>		<b>Release Date: 3-6 Months After Round 4</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>San Leandro St</b>	Coliseum	2	25,040	Housing
<b>8280 MacArthur</b>	Central City East	1	6,720	Housing
<b>8296 MacArthur</b>	Central City East	1	6,000	Housing

<b>Remainder</b>		<b>Action Date: TBD</b>		
<i>Property</i>	<i>Project Area</i>	<i>Parcels</i>	<i>Size (sq.ft.)</i>	<i>Potential Uses</i>
<b>73rd &amp; International</b>	Coliseum	2	5,435	Miscellaneous