OAKLAND OVERSIGHT BOARD
MEMORANDUM

TO:	Oakland Oversight Board	**FROM:**	Fred Blackwell
SUBJECT:	Property Management Plan	**DATE:**	February 25, 2013
		ITEM:	#6

EXECUTIVE SUMMARY

This is an informational report to introduce the Property Management Plan. No action is requested.

Per Assembly Bill 1484 ("AB 1484"), successor agencies are required to make certain payments in order to obtain a finding of completion from the Department of Finance. A finding of completion among other things allows the successor agency and the city to move ahead with new property transactions. Before any transaction can be authorized, the successor agency is first required to prepare and get approval of a "long range property management plan" (the "Property Management Plan") addressing the disposition and use of real properties previously owned by the redevelopment agency. The Property Management Plan must be submitted to the oversight board and Department of Finance for approval no later than six months following the finding of completion. The Property Management Plan divides the former redevelopment agency properties into four categories: 1) properties retained for **governmental use**; 2) properties used to **fulfill enforceable obligations**; 3) properties retained for **future development**; and 4) properties slated for **immediate sale**.

ORSA staff will be preparing a proposed Property Management Plan, to be presented to the Oversight Board after ORSA receives its finding of completion. ORSA properties will be divided into the four categories and will include descriptions of the sites as required by AB 1484.

OUTCOME

This is an informational report to introduce the Property Management Plan. Per AB 1484, the Oversight Board cannot approve the Plan until ORSA receives a finding of completion from the Department of Finance. It is currently anticipated that the Property Management Plan will be brought back to the Oversight Board for approval in May if the finding of completion is issued in April.

BACKGROUND/LEGISLATIVE HISTORY

In anticipation of the end of redevelopment, the Redevelopment Agency authorized the transfer of various assets to the City, including 78 parcels of real property, and the Agency and City entered into a Purchase and Sale Agreement on March 3, 2011, obligating the Agency to sell and the City to purchase the designated properties for nominal consideration. The properties were conveyed by grant deed to the City on January 31, 2012. There were an additional 12 parcels that were transferred to the City as housing successor, four of which were determined by the Department of Finance not to be housing assets and will have be included in the Property Management Plan. Thirty properties were not conveyed to the City and are now owned by ORSA.

Governmental Use Properties

Among the properties transferred to ORSA are several properties constructed or used for governmental purposes. The dissolution law includes as examples of governmental purpose properties, roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, although this does not appear to be an exclusive list. The properties in that staff has determined are governmental purpose properties that will be proposed in the the Property Management Plan for retention by the City include:

- Two parcels at the 13th Street BART Entry, including the public plaza that provides below grade access from BART to City Center along the former 13th Street right-of-way;
- Street parcels at Sunshine Court, 615 High Street and 3801 East 8th Street;
- An open space parcel at Lion Way; and
- A site used for parking and storage of the bleachers parking at the Coliseum, which is part of the franchise agreements with the Oakland A’s baseball team and Oakland Raiders football team.

Properties to Fulfill Enforceable Obligations

All of the former Redevelopment Agency parcels with enforceable obligations were transferred to the City of Oakland except for one, a Tidelands Trust encumbered property at the Army Base that could not be transferred. If these transfers are approved, the City will be responsible for complying with those obligations.

Property for Future Development

The dissolution law allows the successor agency in the Property Management Plan to propose that properties be retained for future development for projects identified in an approved redevelopment plan; in those cases, the law says that the properties will be transferred to the city. (Health and Safety Code Section 34191.5(c)(2)(A).) The ORSA Property Management Plan will propose retention and transfer to the City for future development of 57 parcels that make up 18 future development sites in the Central District (Downtown - six sites), Central City East (six sites), Coliseum (six sites) and Oak Knoll (one site); one of the sites is in both Central City East and Coliseum. Some of these parcels were transferred to the City and some remain with ORSA but all will be subject to the Property Management Plan. These parcels include sites that had exclusive negotiating agreements prior to the dissolution of redevelopment where the developer is still interested, including the Foothill-Seminary site that has been approved by the Oversight Board; sites where interested developers have been identified; and sites where requests for proposals or other methods are required to identify developers. Staff is working to complete property descriptions for each site for the Property Management Plan. These parcels may be sold at market rate or at reduced prices depending on the project and market conditions.

Properties for Immediate Sale

There are 17 parcels that are too small to hold for future development and will be proposed for immediate sale by ORSA. These include seven small undevelopable parcels, between 109 and 1,250 square feet that have little or no value. These sites are narrow, land-locked remainders from earlier redevelopment projects. Staff will propose to transfer these sites to interested neighboring property owners where possible. The remaining nine parcels are small sites between 1,250 and 9,385 square feet and have modest market value , up to perhaps $600,000 for the parcel in Old Oakland. These sites are proposed for sale as soon as the Property Management Plan is approved, with the sales proceeds becoming part of the funds available for the distribution as property tax to the taxing entities. Several of the neighboring property owners have shown some interest and will be contacted again once the Plan is approved. One of these, the funeral home next to 8th Street in Oak Center, which has been using the site for parking, had requested owner financing. Approval of the sale with Redevelopment Agency financing was in process when the California Supreme Court issued its stay on August 11, 2011. The proposal at that time was for a 10 year $125,000 loan with market rate interest and a $10,000 initial down payment. These sales will be brought to ORSA and the Oversight Board for approval after the Property Management Plan is approved.

COST SUMMARY/IMPLICATIONS

The eventual transfer of property to the City for future development instead of immediate sale may reduce ORSA assets that would benefit the taxing entities. But there will be substantial positive fiscal benefits flowing to the taxing entities from the development of these sites that will likely offset any immediate loss in revenue. In the Seminary Point transaction, for example, the sales price is set at $6,000 with the seller contributing $150,000 for environmental remediation. While this leaves no sales proceeds that could be split by the taxing entities, the fiscal benefits to the taxing entities from development of the site are substantial, including approximately $85,372 per year in property taxes and $320,625 per year in sales taxes, see Attachment D, Public Benefits – Seminary Point for a detailed analysis of these benefits. The development will also provide jobs and retail opportunities in a drug store dearly needed by the community.

Another example is 1800 San Pablo, planned for an approximately 120,000 square foot retail and entertainment project, for which the land sales price and approximately $6.3 million in additional bond funds will be used by the City to purchase public parking in the development. While this leaves no revenue that could be split by the taxing entities, the fiscal benefits for the taxing entities are substantial, including approximately $305,315 per year in property taxes and $2.9 million per year in sales taxes, see Attachment D, Public Benefits – 1800 San Pablo for a detailed analysis of these benefits. This project will also provide jobs and retail opportunities.

Respectfully submitted,

/S/

Fred Blackwell,
Assistant City Administrator

Attachment A: Public Benefits – Seminary Point and 1800 San Pablo

E	SEMINARY POINT
Address:	Foothill and Seminary
Site:	Multiple APN's: 038-3182-001-00, 038-3182-002-00,038-3182-003-00,038-3182-005-00, 038-3182-020-00, 038-3182-021-00, 038-3182-022-00, 038-3182-023-00, 038-3182-024-00, 038-3182-025-00, & 038-3182-026-00 (parcels total approx. 1.69 acres).
Background:	The site consists of eleven contiguous parcels that were acquired by the former redevelopment agency. Residents from the surrounding area cited blighted vacant and deteriorated buildings, prostitution and illegal drug activity as a major problem of the blighted properties. The site has been cleared of all remaining structures and is currently ready for development. On September 4, 2009, a Notice of Development Opportunities (NODO) was issued to solicit development proposals for the property. Sunfield Development, LLC was selected and the Agency entered into an Exclusive Negotiating Agreement (ENA) with Sunfield Development LLC. On May 15, 2012, the City Council authorized the City to enter into a Disposition and Development Agreement (DDA) with Sunfield Development, LLC to sell the property for the development of a neighborhood commercial retail shopping center at a purchase price of $6,000 and to provide $150,000 to cover the cost of remediating hazardous material contamination on the property.
Development Plan:	Sunfield Development, LLC has an ENA for the site and is prepared to enter into a Development and Disposition Agreement (DDA) to build a new 27,000 sf neighborhood-serving retail center featuring a 14,250 sf Walgreens store as an anchor tenant with additional smaller retail tenants.
Current Obligations/ Status:	Multiple parcels were individually purchased, demolished and assembled over multiple years with former redevelopment agency taxable bond funds.

II Developer/ Agency Status to Date:

Developer		Agency		Development Timeline
Sunfield Development, LLC		Central City East		
Current Investment to date	Project Start Date	Financial Investment	Project Start Date	Developer is prepared to sign DDA with City for development of site. Construction would take an additional 6 months to provide complete turn-key operation for tenants.
$300,000	3/30/2010	$4,500,000	8/4/2009	

III Project Development Benefits:

Developers Financial Investment at Project Completion	Land Value
$8,000,000	Appraisal as of January 20, 2012 $2,100,000

IV Estimated Property Tax Breakdown:

Annual Property Tax Revenue (1%)	City	County	OUSD	ACTransit	Peralta	Other
$85,372	$ 29,752	$ 26,346	$ 15,939	$ 3,953	$ 2,254	$ 7,129

V Estimated Sales Tax Breakdown:

Annual Sales Tax Revenue (9.00%)	City	County	ACTIA	AC Medical	AC BART	State
$320,625	$ 35,269	$ 44,531	$ 17,813	$ 17,813	$ 17,813	$ 187,388

VI Other Benefits:

Annual Business License Tax Estimate	Jobs		Housing	
	Construction	Permanent	Affordable	Market
$9,180	52	54	N/A	N/A

Fire Sale Benefits:

Land Value	Transfer Tax	Annual Property Tax
$2,100,000		$24,570

VII Sale Details:

Purchase Price	Holding Costs (maintenance, etc.)	Remediation Cost	Appraised Value	Estimated Sale Price
$4,500,000	$10,000 per yr	$150,000	FMV	TBD

B	1800 SAN PABLO
Address:	1800 San Pablo Avenue
Site:	APN# 008-0642-018

I

Background: On September 4, 2009, the Agency released a Notice of Development Opportunity (NODO) asking for a retail-oriented project to be developed on the property. The NODO also specified that ORA was going to contribute funding for the development of up to 200 parking spaces as part of the project. On July 20, 2010, the Agency entered into a 15-month ENA with Sunfield, including a commitment for $6.4 million plus a portion of the sales price for the development of public parking. The ENA expired and Council approved a new ENA with Sunfield in March of 2012 to complete CEQA review, and other development-related activity. The ENA has not been executed. The property is currently leased to San Jose Arena Management for the purpose of providing parking to Oakland Ice Rink patrons. The Ground Lease with SJAM will expire in May 2014.

Development Plan: Sunfield is proposing to develop a 120,000 square feet mixed-use project with up to 107,500 square feet of retail space and approximately 200 public parking spaces to be paid for and owned by the City. The City would pay up to $6.4 million in cash and the land sale proceeds from the developer's portion of the property purchase price toward the cost of the parking garage. Sunfield has secured letters of intent for about 85% of the rentable area in the proposed building. Sunfield still needs CEQA approval to proceed with the Project.

Current Obligations/ Status: The former Agency entered into a Ground Lease with San Jose Arena Management for the property for a term of 3 years ending in May of 2014 to use the lot for public parking servicing the Oakland Ice Center and surrounding businesses.

II

Developer/ Agency Status to Date:

Developer		Agency		Development Timeline
Sunfield Development		Central District		
Financial Investment	Project Start Date	Financial Investment	Project Start Date	
~ $291,500 (includes $25,000 Project Expense Payment, etc.)	9/4/2009	$1.3M Land purchase price; $169,368.41 for CEQA work; $33,503 for phase II soil/groundwater investigation; $6,169 KMA Economic Consultant	9/4/2009	Approximately 4 years - Entitlements April 2013, start construction April 2014 and complete construction January 2016.

III

Project Development Benefits:

Developers Financial Investment at Project Completion	Land Value
$9,078,689 of developer's equity and $30M of debt.	Appraised value as of January 7, 2011 at $3,554,000 ($80/sf) to $4,443,000 ($100/sf). Developer has offered approx. $2,661,000 (44,350 sf @ $60 per sf)

IV

Estimated Property Tax Breakdown:

Annual Property Tax Revenue (1%)	City	County	OUSD	ACTransit	Peralta	Other
$305,315	$ 106,402	$ 94,220	$ 57,002	$ 14,136	$ 8,060	$ 25,494

* Property tax revenue is based on the lower of land appraisal range multiplied with the portion to be owned by the developer or 60% plus hard costs of the developer's portion (ie. Retail)

B	1800 SAN PABLO

V Estimated Sales Tax Breakdown:

Annual Sales Tax Revenue (9.00%)	City	County	ACTIA	AC Medical	AC BART	State
$2,902,500	$ 319,275	$ 403,125	$ 161,250	$ 161,250	$ 161,250	$ 1,696,350

* Sales tax revenue is based on 107,500 of leasable sf in the project and assumes $300/sf of sales revenue.

VI Other Benefits:

Annual Business License Tax Estimate	Jobs Construction ;	Permanent	Housing Affordable :	Market
$86,046	190	215	N/A	N/A

Fire Sale Benefits:

Land Value	Transfer Tax	Annual Property Tax
$2,665,500	$42,915	$31,186

VII Sale Details:

Purchase Price	Holding Costs (maintenance, etc.)	Remediation Cost	Appraised Value	Estimated Sale Price
$1,329,000 (Agency utilized tax-exempt and taxable bonds for purchase)	The Agency has no holding costs as the site is subject to a ground lease with San Jose Arena Management.	Between $750,000 and $1.5 million if Garage is built below grade as currently proposed.	Appraised value as of January 7, 2011 at $3,554,000 ($80/sf) to $4,443,000 ($100/sf). Developer has offered approx. $2,661,000 (44,350 sf @ $60 per sf)	TBD, developer contends that parcel is worth about $60/sf or $2,661,000. New appraisal is needed