

STAFF REPORT

CITY OF SAN LEANDRO SUCCESSOR AGENCY OVERSIGHT BOARD

DATE: May 23, 2012

TO: Successor Agency Oversight Board

FROM: Cynthia Battenberg, Business Development Manager

SUBJECT: Oversight Board Authorization of Disposition and Development Agreement by and Between the City of San Leandro, in Its Capacity as the Successor Agency to the San Leandro Redevelopment Agency, and Innisfree Ventures II, LLC for the Sale and Development of 1550 East 14th Street (APN 077 0540 009)

SUMMARY AND RECOMMENDATION

In 2009, the San Leandro Redevelopment Agency purchased 1550 East 14th Street to provide temporary parking during the construction of the downtown parking garage and to develop the property into a project that would serve as a catalyst for downtown retail. The Redevelopment Agency has been working in partnership with Innisfree Ventures II, LLC and the community for the past three years to create the Village Marketplace, a 28,000 square foot retail project with a specialty grocery store anchor. Staff recommends that the Successor Agency Oversight Board authorize the execution of a Disposition and Development Agreement by and between the City of San Leandro, in its capacity as the Successor Agency to the San Leandro Redevelopment Agency, and Innisfree Ventures II, LLC for the \$2.25 million sale of 1550 East 14th Street for the development of Village Marketplace.

BACKGROUND

In 1947, Lucky began operating a grocery store at 1550 East 14th Street (the Site). In May 2005, Red Mountain Retail Group acquired a portfolio of Lucky properties, including the Site. Red Mountain held ownership of the Site through Norcal, a limited liability corporation. In September 2005 the grocery store, which had changed to an Albertsons, closed due to underperformance.

On April 20, 2009, the City Council voted unanimously to purchase the Site, assuming demolition of the building prior to close of escrow. The Redevelopment Agency's intention was to gain substantial control over the nature of future development. Additionally, the acquisition of the Site enabled the Redevelopment Agency to mitigate parking problems during the construction of the downtown parking garage.

In September 2009, the Redevelopment Agency entered into an Exclusive Negotiating Rights Agreement (ENRA) with Innisfree Ventures II for the Site and the triangle-shaped block

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bounded by East 14th Street, Hays Street, and Davis Street, known as “Town Hall Square.” These locations were identified as two of the three key opportunity sites for development in the City’s Transit Oriented Development Strategy. The opportunity is based on their ability to serve as development catalysts.

Staff worked closely with Innisfree and the community through the TOD Strategy, a downtown retail web survey and a retail attraction letter writing campaign, to create the Village Marketplace project. It will include the following features:

- Quality retailers and a specialty grocery store
- Outdoor dining opportunities and a generous plaza for people to gather
- Retail activity along East 14th Street with parking behind the buildings
- Superior architecture, building materials, landscaping and a public art component
- Off-site improvements including pedestrian friendly streetscape and angled public parking.

The proposed tenants with signed Letters of Intent are:

- Fresh & Easy Neighborhood Market - twenty year ground lease with four, 5-year options. Innisfree will lease the land to Fresh & Easy; Fresh & Easy will build its own building on the southern portion of the site.
- Peet’s Coffee & Tea - ten year lease with two 5-year options.
- Chipotle - ten year lease with four 5-year options.
- AT&T - five year lease with two 5-year options

Public meetings were held to receive input on the proposed project including a City Council work session on April 25, 2011 and a discussion with businesses at the June 24, 2011 Downtown Association meeting. Progress on the development of Village Marketplace was negatively impacted on June 28, 2011 when the State froze redevelopment agency activities thereby making it impossible for the Redevelopment Agency to sell the parcel as previously scheduled and planned.

Progress on Village Marketplace continued and public workshops were held on September 2, 2011 and September 27, 2011 and a project update was provided to the City Council at its November 7, 2011 City Council meeting.

On December 29, 2011 the State Supreme Court upheld AB x1 26, which eliminated redevelopment agencies effective February 1, 2012. City staff immediately began working with the City Attorney’s office to determine the process by which to legally sell the property. The property must be sold by the City serving in its capacity as the Successor Agency to the Redevelopment Agency. Sale proceeds will be forwarded to the Alameda County Auditor Controller for distribution to taxing entities as required by AB x1 26.

The applicable entitlements for Village Marketplace were approved by the Planning Commission and by the City Council at its May 21, 2012 City Council meeting concurrent with the Disposition and Development Agreement.

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The City and Innisfree have reached a negotiated sale price of \$2.25 million and staff is recommending execution of a Disposition and Development Agreement to sell the Site to Innisfree for development of Village Marketplace consistent with the terms and conditions of all approvals, entitlements and permits.

Analysis

Sales Price

The negotiated sales price is based upon the income approach valuation methodology which is the most common method for valuing commercial real estate. Basing the sale on the value of the Site using the income approach is recommended given that the City influenced the development of the Site and placed the following requirements on Innisfree.

- Developer will pay prevailing wages on construction
- \$500,000 in off-site improvements
- Quality architecture, materials and landscaping
- Generous public gathering spaces
- Full-service restaurant and desired retail tenants such as Peet's Coffee and Tea

The income approach takes into consideration the income projections. The income projections for the Site are solid because 75% of the total project has letters of intent signed with tenants. A detailed project pro forma including construction costs, financing costs, etc. was reviewed by staff and then forwarded to Keyser Marston, a financial consulting firm specializing in public-private transactions. Keyser Marston estimated the land value for the site for development of the proposed Village Marketplace to be 2.17 million dollars based on analysis of Innisfree's pro forma.

The 2.17 million dollar value is based on the following assumptions, which are reasonable in today's market:

- 10% Return on Investment (ROI)
- Net Operating Income of approximately \$705,000
- Capitalization rate of 7.5%

Other economic benefits of the Village Marketplace include:

- 113 permanent jobs
- Over \$100,000 annually in sales tax revenue to the City, more to others
- 8.5 million dollars added to the property tax roll; annual property tax revenue to taxing agencies of approximately \$97,500.
- Aggressive construction schedule after conveyance; project completion expected within 24 months.

Terms of the DDA

The Disposition and Development Agreement (DDA) includes the following provisions.

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- The City serving in its capacity as the Successor Agency to the Redevelopment Agency will sell the Site to Innisfree for \$2,250,000. (section 3.2)
- Innisfree must pay the Successor Agency an additional \$250,000 if a full-service restaurant is not opened on the Site within 24 months following the date of issuance of a certificate of occupancy or 48 months following the effective date of the DDA. (section 3.2.1)
- The closing date shall be no later than March 1, 2013 and is based upon the fulfillment of numerous conditions of closing such as approval of Construction Plans, and Innisfree having obtained permits, approvals, financing, and requisite insurance. (sections 3.6 and 3.8)
- Innisfree will include, at its expense, a public art component, new public sidewalks including street trees and bike racks. (section 4.1.1 - 4.1.3)
- Innisfree shall diligently prosecute the construction work to completion within 18 months, but in no event later than 24 months following the effective date of the DDA. (section 4.6)
- Innisfree, its contractors and agents must comply with prevailing wage laws. (section 4.15)
- Innisfree must maintain the Village Marketplace and surrounding public improvements at its own expense including the landscaping and common areas. (section 6.2)

Staff recommends Successor Agency Oversight Board authorization of the Disposition and Development Agreement between the Successor Agency and Innisfree Ventures II, LLC for the \$2.25 million sale of 1550 East 14th Street and the development of Village Marketplace.

Legal Analysis

The report and recommendation have been reviewed and approved as to form by the City Attorney's Office.

Fiscal Analysis

The proceeds from the Successor Agency's sale of 1550 East 14th Street will be forwarded to the County Auditor-Controller for distribution to taxing entities if such proceeds are not needed for approved development projects or to otherwise wind down the affairs of the former Redevelopment Agency, each as determined by the Oversight Board.



1550 East 14th St





VIEW OF PLAZA ALONG E. 14TH STREET

VILLAGE MARKETPLACE

SAN LEANDRO, CALIFORNIA

NOVEMBER 7, 2011



The Village Marketplace

A Neighborhood Center

The Vision:

A Mediterranean designed structure featuring a smooth stucco exterior skin, barrel tile roof, patterned murals of a market scene, and pre-cast stone arch features. Soft Tuscan hues accent a colorful landscape site which displays piazzas, a playful water feature, and colored awnings, creating the beginnings of a special place.

Hanging baskets of mixed flowers are scattered throughout the site including the surface parking area. These baskets are changed out every season giving our customer a delightful place to shop.

The piazzas are tiled, hardscaped, surfaces and encourage patrons and passerby alike to enjoy the space. Tables are available for food service and tenants are chosen to reflect the neighborhood's requirement for convenient, fun, shopping, and entertainment, and are displayed in exciting architecture.

A specialty food market is the centerpiece of our "Village" activity. Premium coffee and pastries lend an air of relaxed moments around the piazza and fountain.

A restaurant is chosen for its neighborhood friendly atmosphere and good food. Food, friendly service, and pleasant surroundings, offer our patron an "Entertaining" experience. Table service in the piazza is encouraged by our exceptional weather pattern. The "Marketplace" is convenient, inviting a shopping experience in creatively designed Mediterranean style buildings with landscaping complimentary to the site and its location within the heart of our downtown commercial center.

The "Village Marketplace" encourages cross shopping so that our downtown available parking inventory is shared in a responsible and productive manner. The center is adequately parked to support the tenant level of parking required. Any new development within the downtown commercial district must offer an exciting site plan and a quality architectural commitment. Interesting architectural features encourage our community to want to spend more time downtown because it is an attractive place to spend time.

A connection to the nearby neighborhoods, welcoming all forms of mobility: cars, walking, biking, and public transportation, are important to the success of the "Village Marketplace". The necessary automobiles will be accommodated at the center behind the building, allowing storefronts to be at the edge of the sidewalks for maximum tenant exposure and customer excitement. Creative signage design and lighting will give each tenant their own individuality.

It is important to keep in mind, "The Village Marketplace", is located along East 14th street, a major arterial street in San Leandro. To help make the "Marketplace" successful, this fast moving street must be made comfortable for our cross traffic car and pedestrian connections to other parts of our city. On-street parking, wide sidewalks, and large trees at the street edge, will help buffer the pedestrian from fast moving traffic and integrate the shopper into our storefronts.

The "Village Marketplace" will be a part of the downtown, not just a project within the city center. The Marketplace will pay attention to the many details that excite and welcome customers. It is a pivotal project that builds upon the budding renaissance of Downtown San Leandro.



SUMMARY

TOTAL BUILDING AREA: 27,425 SF

PARKING PROVIDED: 113 STALLS

PARKING RATIO: 4.1/1000



NORTH ELEVATION AT CORNER OF JUANA AND E. 14TH. STREET



SOUTH ELEVATION AT PLAZA



WEST ELEVATION ALONG EAST 14TH STREET

VILLAGE MARKETPLACE SAN LEANDRO, CALIFORNIA

DATE: OCTOBER 31, 2011
MCG JOB #: 10119.01

DATE	REVISIONS

SHOPS BUILDING
CONCEPTUAL ELEVATIONS

Scale : 1/8"=1'-0"



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NORTH ELEVATION



EAST ELEVATION



WEST ELEVATION



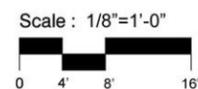
SOUTH ELEVATION

VILLAGE MARKETPLACE SAN LEANDRO, CALIFORNIA

DATE: OCTOBER 31, 2011
MCG JOB #: 10119.01

DATE	REVISIONS

CONCEPTUAL ELEVATIONS
FRESH & EASY MARKET



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WATER EFFICIENT LANDSCAPE STATEMENT

The irrigation system shall be designed to meet current water efficiency standards and State Model Water Efficient Landscape Ordinance (MWELO) as required by local jurisdictions while achieving the goal of effectively and efficiently providing the landscape with water by means of high efficiency spray irrigation to the turf and ground cover areas and drip irrigation bubblers to revegetated shrub planting and shrub mass planting areas as applicable.

Irrigation systems shall be designed to accommodate recycled water where available either currently or in the future as directed by the local water purveyor. Recycled water systems shall be designed in accordance with local and state codes.

Irrigation systems for landscapes greater than 8,000 sf shall have a dedicated water meter for irrigation. A Water Efficient Landscape Statement shall be included with hydrosone information table, water budget calculations and irrigation operation schedule.

A state of the art ET based self adjusting irrigation controller shall be specified for this project to automatically control the water allocated to each valve grouped per individual hydrosone (based on plant type and exposure). This shall include rain and flow sensors as applicable for a higher level of water conservation.

Tree bubblers shall be included on separate circuits to isolate the irrigation to the trees and provide deep watering to promote a deeper root structure.

Spray irrigation systems for groundcover areas greater than 8' wide in any direction shall be designed with commercial series spray heads with high efficiency nozzles that include internal check valves and pressure compensation devices. The heads shall be designed in a head to head layout to achieve an even level of precipitation throughout the irrigation system. The nozzles deliver water at minimum 100% efficiency with a low precipitation rate that matches the infiltration rate of the soil.

The drip system will incorporate pressure compensating drip bubblers with 1/2" drip tubes to each plant which delivers water at 100% efficiency at an application rate that matches the soil type.

Plant List

Trees		
Lagerstroemia i. 'Tocconia'	Crape Myrtle	15 gallon
Lophostemon confertus	Brisbane Box	15 gallon
Melaleuca quinquenervia	Cajuput Tree	15 gallon
Pistacia chinensis	Chinese Pistache	15 gallon
Platanus a. 'Columbar'	Sycamore	15 gallon
Shrubs		
Arctostaphylos d. 'Howard McMini'	McMini's Manzanita	5 gallon
Diets vegeta	Fortnight Lily	5 gallon
Hemerocallis sp.	Orange and Red daylily	1 gallon
Heuchera micrantha 'Palace Purple'	Purple Heuchera	1 gallon
Lavatera thuringiaca 'Rosera'	Tree Mallow	5 gallon
Phormium t. 'Dart'	New Zealand Flax	5 gallon
Raphiolepis i. 'Jack Evans'	Indian Hawthorn	5 gallon
Westringia fruticosa	Coast Rosemary	5 gallon
Groundcovers		
Anigozanthos hybrids 'Bash Gold & Bash Ranger'	Kangaroo Paw	1 gallon
Arctostaphylos uva-ursi 'Point Reyes'	Bearberry	1 gallon
Carex tumicola	Berkeley Sedge	1 gallon
Geranium sanguineum	Cranesbill	1 gallon
Juncus sp.	Rush	1 gallon
Lampranthus auranticus	Ice Plant	Flats
Limonium Perezii	Sea Lavender	1 gallon
Trachelospermum asiaticum	Asiatic Jasmine	Flats
Vines		
Bougainvillea 'Barbara Kiser'	Bougainvillea	15 gallon
Distictis buccinatoria	Blood-red Trumpet Vine	15 gallon

VILLAGE MARKETPLACE SAN LEANDRO, CALIFORNIA

LANDSCAPE CONCEPT Scheme K.6

Scale : 1" = 20'-0"



DATE: OCTOBER 28, 2011
MCG JOB #: 10119.01

DATE	REVISIONS

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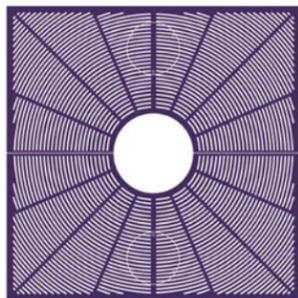
BUS SHELTER



BENCH



POTS



TREE GRATE



LIGHT WITH HANGING BASKETS



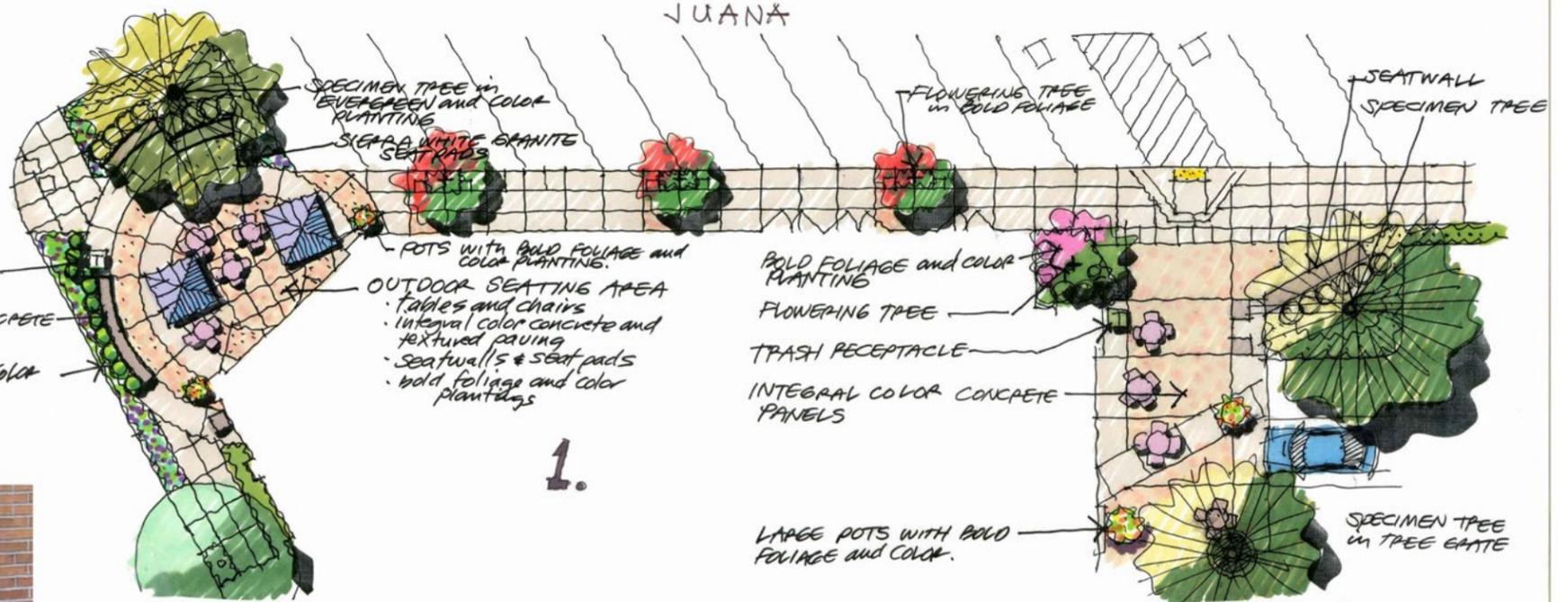
BIKE RACK



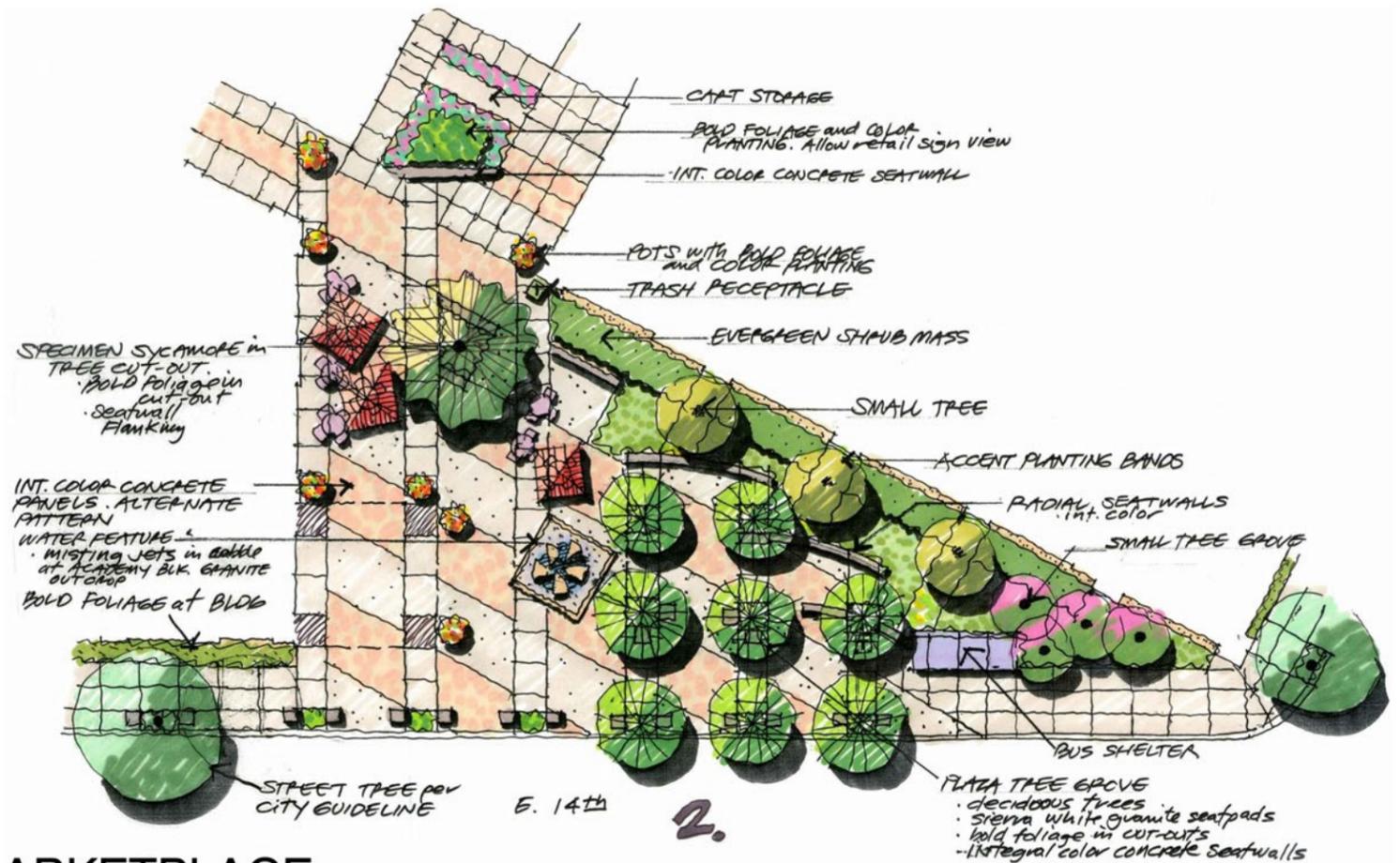
GRANITE SEATPADS



TRASH RECEPTACLE



1.



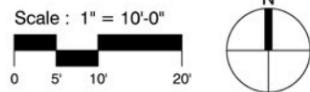
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VILLAGE MARKETPLACE SAN LEANDRO, CALIFORNIA

DATE: OCTOBER 28, 2011
MCG JOB #: 10119.01

DATE	REVISIONS

SITE EXAMPLES AND ENLARGEMENTS
Scheme K.6



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RESOLUTION NO. 2012-003 OB

**RESOLUTION OF THE OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF SAN LEANDRO**

**AUTHORIZING THE CITY MANAGER TO EXECUTE A DISPOSITION AND
DEVELOPMENT AGREEMENT BY AND BETWEEN THE SUCCESSOR AGENCY TO
THE REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO AND
INNISFREE VENTURES II, LLC FOR THE SALE AND DEVELOPMENT OF 1550
EAST 14TH STREET (APN 077 0540 009)**

WHEREAS, pursuant to Resolution 2012-001, adopted by the City Council of the City of San Leandro on January 9, 2012, the City of San Leandro agreed to serve as the Successor Agency to the Redevelopment Agency of the City of San Leandro (“**Redevelopment Agency**”) commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to Assembly Bill x1 26 (“**AB 26**”);

WHEREAS, staff to the Successor Agency has negotiated and prepared a draft Disposition and Development Agreement (the “**Agreement**”) pursuant to which the property known as 1550 East 14th Street (APN 077 0540 009) (the “**Property**”) would be conveyed to Innisfree Ventures II, LLC for construction of a retail development that includes specified public amenities; and

WHEREAS, pursuant to Assembly Bill x1 26, the disposition of the Property is subject to the approval of the Successor Agency Oversight Board; and

WHEREAS, pursuant to California Health and Safety Code Section 34177(e), the proceeds of the sale of property owned by the Successor Agency must be provided to the County Auditor-Controller for distribution to the taxing entities if such proceeds are not needed for approved development projects or to otherwise wind down the affairs of the former San Leandro Redevelopment Agency, each as determined by the Oversight Board.

WHEREAS, the execution of the Agreement was approved by the Successor Agency by resolution adopted on May 21, 2012.

NOW THEREFORE, BE IT HEREBY RESOLVED by the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of San Leandro that it hereby:

1. Approves the execution of the Agreement substantially in the form presented, with such modifications as may be approved by the City Manager in consultation with the City Attorney.
2. The City Manager is authorized to execute such other instruments and to take such

other actions necessary to carry out the intent of this Resolution and to implement the terms of the Agreement.

PASSED AND ADOPTED AT A REGULAR MEETING OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN LEANDRO ON MAY 23, 2012 BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Secretary

Chair