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Title: Staff Report for a City of San Leandro City Council Resolution to Approve a First Amendment to the Consulting Services Agreement with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiation Services

Sponsors: Tom Liao

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Staff Report for a City of San Leandro City Council Resolution to Approve a First Amendment to the Consulting Services Agreement with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiation Services

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council approve the attached Resolution amending the Consulting Services Agreement with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiation Services, increasing the amount of compensation from \$45,000 to \$90,000.

BACKGROUND

The Shoreline Development is a comprehensive master plan for the northern portion of the San Leandro Shoreline, which has a vision to create a regional destination that connects the community with the Bay and provides enhanced recreational and community amenities. The proposal includes a 200-220 room hotel, as well as two restaurants, a banquet facility, a 285 unit apartment complex, a small market, and up to 215 single family and town houses. Construction of a new park is proposed to include a pedestrian promenade, expanded Bay Trail path and bike lanes, a boat launch area, and opportunities for public art and environmental education. A new 2,500 square foot Mulford-Marina Branch Library will be constructed by the City in the area.

In October 2008, following a Request for Proposal process, the City entered into an Exclusive Negotiating Rights Agreement (ENRA) with Cal-Coast Development, LLC for the development of an approximately 75-acre opportunity site at the City's Shoreline. A second ENRA was established on April 2, 2012 and has been amended two times, with the current term ending on February 28, 2020.

During the term of this agreement, the City and Cal-Coast have worked to prepare plans, studies, and financial analyses in order to fine-tune the scope of the project and negotiate terms and conditions for its development. Based on public input, negotiations, staff analysis, Bay Conservation and Development Commission (BCDC) review, and CEQA environmental analysis to date, the scope of the project has evolved and changed to reflect the priorities of the community.

Over the past years, the many steps taken to further the project include:

- Numerous public meetings with the Shoreline Development Citizens Advisory Committee (CAC) and other groups;
- Certification of the Shoreline Development Project Environmental Impact Report;
- General Plan Map Amendment and Rezoning for future development of the Shoreline Development Project;
- Review by the San Francisco Bay Conservation & Development Commission;
- Updates to project elements and details based upon various factors, including feasibility and market analysis, environmental review, and BCDC review;
- Successful conclusion of lawsuit filed by the Coalition for the San Leandro Shoreline;
- Negotiation of term sheets for Development Agreement and associated agreements;
- Planning and funding of public improvements associated with the project, including construction of a new Mulford-Marina Branch Library and harbor decommissioning;
- Appraisal to obtain the market value of a portion of the executive (9-hole) golf course land for proposed sale for the development of housing;
- Draft Development Agreement;
- Draft Purchase and Sale Agreement; and
- Draft Lease Document, which will be utilized for the hotel, multifamily, restaurant, and market elements.

In the coming months, staff will continue to work with Cal-Coast to finalize project details and agreement terms so that the following items may be brought forward for public review:

- Updated Zoning Applications, including General Plan and Zoning Map Amendments;
- Tentative Map creating new parcels for the development;
- Addendum (or other necessary changes) to Environment Impact Report to reflect current project scope;
- Final Development Agreement and associated documents, including Public Improvement Agreement, Scope of Development, Schedule of Performance, and Impact Fees;
- Final Purchase and Sale Agreement for a portion of the Golf Course Property; and
- Final Lease Agreements for the hotel, multifamily, and restaurant/banquet elements.

If these agreements are approved, the project will then go through a second stage of Zoning approvals and site plan review for specific development details for each project element (hotel, multifamily, etc). The proposed park and public elements will also be required to go through review and approval by BCDC. Following all agency approvals, the project will then go through Building and other permit review processes, with construction beginning following the issuance of applicable permits.

Analysis

Given the size and complexity of the project, the significant investment it represents, and the long-term nature of the lease, staff has utilized the assistance of Keyser Marston Associates (KMA) throughout the development of the Shoreline Project. Keyser Marston has assisted with evaluation of project feasibility and business terms, as well as negotiations with Cal-Coast and development of the agreements for the project. KMA has expertise in financial and market analysis, public-private and ground lease negotiations and experience working with cities in negotiating leases. KMA specializes in public-private real estate development, specifically the evaluation and negotiations of transactions that achieve the goals and objectives of both the public sector and private developer.

An initial Consulting Services Agreement (CSA) was established with Keyser Marston in 2008 to assist with review and evaluation of developer proposals. Following selection of Cal-Coast Development, a second CSA was established with KMA in 2015 to assist staff in evaluating the project and developing terms and agreements. Following expiration of this agreement, the current CSA was established in 2018 to continue such work.

Since 2008, Keyser Marston has assisted with the following tasks for the project:

- Review and evaluation of developer proposals for the Master Developer for the project;
- Review City goals and objectives and help establish a negotiating strategy;
- Evaluate financial return on the publicly owned asset and identify possible public financing;
- Review financial information from the developer and equity partner and other submittals, including market studies, conceptual programs and phasing, development pro forma by land use, site development costs, and debt and equity requirements;
- Review financial feasibility based on development program and pro forma;
- Assist in preparing business terms for agreement term sheets;
- Assist in negotiation of agreements, assisting in establishing primary and secondary negotiating positions, updating business terms, and attending negotiating meetings;
- Review Development Agreement, Ground Lease Agreements, and Purchase and Sale Agreement, provide feedback based on financial and feasibility analysis; and
- Assist in preparation of presentations to the City Council.

Under the current CSA, KMA is providing the following assistance to the City:

- Review of financial feasibility based on development program and pro forma;
- Review and provide comments on draft Development Agreement and its attachments, including Lease Agreements and Purchase and Sale Agreement;
- Assist in negotiations with Cal-Coast;
- Assist staff in preparation of documents for public hearing with the City Council;
- Participate in meetings with staff, legal counsel, development team and City Council; and
- Other tasks as may be requested.

An amendment to the current CSA in the amount of \$45,000 is requested at this time so that KMA may continue assisting in the completion of project negotiations, finalization of documents, and presentations to the City Council and public.

Previous Actions

- On May 5, 2008, the City entered into a Consulting Services Agreement (CSA) with Keyser Marston Associates, Inc. for Review and Evaluation of Developer Proposals for the Master

Developer for the Marina-Shoreline Area in the amount of \$20,000.

- On December 21, 2015, the City Council approved a CSA with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiations in the amount of \$110,980, which was amended on January 1, 2017 to increase the amount 25% to \$138,725 and extend the term to June 30, 2018.
- On August 1, 2018, the City entered into a CSA with Keyser Marston Associates, Inc. for continued Shoreline Development Agreement and Ground Lease Negotiations in the amount of \$45,000.

Legal Analysis

This Agreement was reviewed by the City Attorney and approved as to form.

Fiscal Impacts and Budget Authority

The current \$45,000 Consulting Services Agreement is included in the Capital Improvement Program Account No. 210-57-114-5120 - Marina Advanced Planning. This account has a balance of \$106,358 remaining from the 18-19 Fiscal Year, which is utilized for several consulting contracts for the Shoreline Project.

To fund this extension, staff will transfer \$40,000 from Economic Development Consulting Account No. 010-41-003-5120, with the remaining \$5,000 coming from existing balance in CIP Account No. 210-57-114-5120.

ATTACHMENT(S)

Attachment(s) to Resolution

- Consulting Services Agreement with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiation Services
- First Amendment to Consulting Services Agreement with Keyser Marston Associates, Inc. for Shoreline Development Agreement and Ground Lease Negotiation Services

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