



Legislation Text

File #: 22-450, **Version:** 1

Adopt Resolution to Authorize the City Manager to Execute the Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the City of San Leandro; and

Adopt Resolution to Authorize the Board of Directors of the Successor Agency to the Redevelopment Agency of the City of San Leandro to Execute a Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the Successor Agency

COUNCIL PRIORITY

- Housing and Homelessness
- Community & Business Development

SUMMARY

Staff recommends a Fifth Amendment to the Purchase and Sale Agreement for public properties in the Town Hall Square area, which will address market and regulatory challenges and facilitate the successful sale and development of much needed housing, and activation of Downtown San Leandro.

RECOMMENDATIONS

Staff recommends that the City Council, serving in its capacity as the Board of Directors of the Successor Agency to the Redevelopment Agency of the City of San Leandro (Successor Agency), approve a Resolution authorizing the City Manager, acting as the Executive Director of the Successor Agency, to execute the Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro and Beam Development, LLC (Beam) for sale of the following Successor Agency-owned properties in keeping with the Successor Agency's Long Range Property Management Plan:

- 290 Davis Street (APN: 075-0001-010-02)
- 250 Davis Street (APN: 075-0001-008-02)
- 222 Davis Street (APN: 075-0001-006-00)
- 212 Davis Street (APN: 075-0001-005-00)
- 1199 East 14th Street (APN: 075-0001-004-00)

Staff also recommends that the City Council approve a Resolution authorizing the City Manager to

execute Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro and Beam Development, LLC for the sale of the following City-owned property, which is adjacent to the Successor Agency-owned properties:

- 262 Davis Street (APN: 075-0001-009-02)

BACKGROUND

The area often referred to as 'Town Hall Square' is located at the northwest corner of East 14th and Davis Streets, at the center of Downtown San Leandro. The site of the original San Leandro City Hall in the late 1800s, the site was damaged by an earthquake and demolished. In the 1900s, commercial development was constructed on the site and housed various businesses over the years.

The Town Hall Square site has long been identified as a strategic development site Downtown, being centrally located, easily accessible by transit, and near goods and services. Development of this site has the potential to build upon other improvements Downtown and to positively impact the greater area.

The San Leandro Redevelopment Agency (RDA) began obtaining properties in the area in 2004 and began planning for comprehensive redevelopment of the area with the goal of creating an impactful project. Over the years, the RDA established several Exclusive Negotiating Agreements for development of the area. However, these agreements expired due to the difficulty of purchasing neighboring properties and the economic downturn of 2008. The six Successor Agency- and City-owned properties comprise just over half an acre (0.68 acre). The entire Town Hall Square site is approximately 1.5 acres. See attached map.

Following the State's termination of redevelopment, the City of San Leandro became the Successor Agency to the RDA in 2012. In 2015, as required by law, the Successor Agency prepared a Long Range Property Management Plan outlining how properties owned by the RDA would be sold for development. A Request for Proposals for purchase and development of the properties was issued in late 2016. Beam Development was selected through the process based on targeted criteria, including how the proposed vision and design for the project work towards City goals, plan to obtain adjacent properties, developer team and qualifications, and offered price.

In late 2017, a Purchase and Sale Agreement (PSA) was approved with Beam Development. The PSA included a purchase price of \$2.1 million and allowed for a due diligence period of up to 6 years. This long period was to allow for the developer to obtain adjacent properties on the block, which would not be available for sale for some time, with the goal of having a cohesive development area to achieve the best project possible.

In the years since entering into the PSA, Beam has continued to work to move the project forward and has purchased two of the three additional properties on the block not covered by the PSA: the Union Bank building at 1145 E. 14th St., and the parking lot to the rear. The third private property where the Chevron station is located is not expected to be a part of the development.

Over the years, several amendments to the PSA were made, generally related to extending the Due Diligence period to allow the developer additional time to perform site evaluation, environmental and

soils analysis, economic and market analysis, and negotiate purchase of neighboring properties. Those amendments did not change the purchase price of the property or any of the economic terms of the transaction. Over the past year, Beam worked to finalize the scope of the project, evaluate the cost of mitigating for certain site conditions, and prepare project plans for planning entitlements approval.

Beam is currently working with their development team, which includes Branagh Construction, BDE Architecture, and Sandis Engineering to finalize their development proposal and plans, with the goal of creating a well-designed and impactful multifamily building at the center of the community. Their preliminary proposal includes:

- Over 150 Multifamily Housing Units - 15% will be affordable per City Code
- Indoor parking and bike storage spaces
- Outdoor courtyards and tenant gathering and workspace
- Street-level activation through architectural design and open tenant uses on the ground floor

Analysis

In order to facilitate the successful sale and development of the Town Hall Square properties, adjustments to the PSA are deemed necessary at this time. Since entering into the PSA in 2017, the economic and regulatory feasibility of developing housing has become more challenging, while the need for housing has increased. Additionally, a significant amendment to the Surplus Lands Act (SB1486) was passed in 2019, which requires that the close of escrow under the PSA occur by the end of 2022.

Over the years, Beam has continued to refine the development concept for the Property to take into account the evolving circumstances including:

- changes related to the ever-escalating state and regional housing crisis and the associated Statewide legislation removing barriers to housing development,
- changes in economic and related market conditions associated with rising construction costs and inflation generally,
- uncertainty in market demand, and shifting retail demand related to the on-going effects of the COVID-19 pandemic and other factors.

While the original proposal included retail space on the ground floor, Beam proposes an all-residential multifamily development based on the current market analysis and what is economically feasible for the project.

The PSA is covered by an exemption in the revisions to the Surplus Land Act, which allows PSAs entered before the 2019 revisions to the Act to remain in place without first going through the notice and negotiations requirements now mandated by the Surplus Land Act for new sales of public lands. This exemption to the Surplus Lands Act applies only if the close of escrow for the sale to occur after December 31, 2022. However under the PSA, Beam is not required to close unless, among other things, they have previously received all necessary governmental entitlements, which is not anticipated to occur until 2023.

Despite the uncertain economic and market conditions, Beam has continued to work with diligence and in good faith to pursue redevelopment of the Property by expending substantial amounts of time and money to:

- purchase the adjacent properties;
- retain technical consultants to prepare various geotechnical and environmental site assessments as well as conduct civil engineering work;
- retain legal counsel to provide guidance on the land use entitlement, CEQA, and transaction-related elements to facilitate the entitlement process and the closing;
- retain architects, other design professionals and a project management team to prepare and refine the development proposal and prepare the necessary development applications.

City staff has also worked with diligence and in good faith to support Beam's efforts to complete site evaluation, purchase of adjacent properties, and prepare development applications and environmental review. Despite these collective efforts, staff and Beam recognize that obtaining the necessary entitlements cannot reasonably be expected to occur before December 31, 2022.

Fifth Amendment to the Purchase and Sale Agreement

In order to facilitate the successful sale and development of the Town Hall Square site, several changes are proposed to the Purchase and Sale Agreement.

The Due Diligence Contingency Period is proposed to be extended to November 30, 2022 in order to allow for Beam to complete their development analysis and submit their entitlements applications. The outside date by which the Close of Escrow (sale) is to occur would be established at December 31, 2022.

Beam is willing to consider waiving its condition in the PSA which provides that they are not required to purchase the property without entitlements approval (Entitlements Condition) in return for adding a requirement that the City and Successor Agency accept a return of the properties after the sale if certain conditions are not met (Put Option). Under the Put Option, if the developer does not receive entitlements, appeal is brought or litigation is filed against the project prior to September 30, 2023, Beam may reconvey the property back to the City and Successor Agency. The proceeds from sale of the properties would be held in escrow until this time, and would be returned to Beam, less costs as outlined in the Put Option Agreement, if the Put Option is exercised.

Based on the current project schedule, Beam intends to submit entitlements applications within the next month, after which staff and consultants will work with them to review the applications per Code and environmental requirements in an expeditious manner with the goal of completing plan review and adjustments to plans by the first quarter of 2023 and completing technical environmental studies and CEQA determination and reaching an entitlements hearing by the second quarter of 2023.

If the properties are not sold prior to the end of 2022 or are reconveyed to the City and Successor Agency through the Put Option, the properties would be required to be offered for sale based upon the Successor Agency's Long Range Property Management Plan. Such sale would be required to comply with the Surplus Lands Act, which requires, among other things, that properties be offered to specified public agencies and affordable housing developers and have a minimum of 25% affordable

housing. However, Beam would not be subject to such requirements and would continue to own a large portion of the site, with their properties dividing the public properties and limiting the size and feasibility of successful development on the public sites. Based on this, staff recommends the approval of the Fifth Amendment to the PSA as the best means to achieve a successful sale and development to the Town Hall Square site in the most expeditious manner.

Approval of the Fifth Amendment to the PSA is also subject to the approval of the Alameda Countywide Oversight Board, and is scheduled for consideration at its July 25, 2022 meeting.

Previous Actions

- On November 2, 2015, the Successor Agency approved the Long Range Property Management Plan, establishing a plan for transferring or selling the real property assets that were owned by the former Redevelopment Agency.
- On November 6, 2017, the City Council and Successor Agency approved a Purchase and Sale Agreement with BEAM Development, LLC. for Sale of Successor Agency-owned and City-owned properties at 290, 262, 250, and 222 Davis Street and 1199 E 14th Street.

Applicable General Plan Policies

- Policy ED-5.2 - Housing Production. Substantially increase the production of a variety of housing types meeting the needs of persons at all income levels.
- Policy LU-3.4 - Promotion of Infill. Encourage infill development on vacant or underused sites within residential and commercial areas.
- Policy LU-6.6 - Downtown Housing Diversity. Encourage a mix of market-rate and affordable housing in the Downtown area, including ownership and rental housing at a variety of price points. Recognize the opportunity to make future Downtown housing more affordable by reducing accompanying transportation costs and making it more feasible to use transit, bicycles, bicycle and car-sharing, and other innovative modes of transportation as these become viable.

Environmental Review

The requirement for environmental review will be determined as part of the entitlement process as plans for the site are further developed.

Legal Analysis

The Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions with Beam Development, LLC, was reviewed by the City Attorney and approved as to form. Beam Development, LLC. has agreed to the terms of the amendment to the PSA.

Financial Impacts

The proposed amendment does not alter the sales price for the properties. The sale of these Successor Agency- and City-owned properties will result in new, unrestricted revenue to the City's General Fund once the transaction is completed and Put Option time frame is expired. Proceeds from the sale of the six parcels will be allocated on a per-square-foot basis. Proceeds from the sale

of the Successor Agency-owned properties at 290 Davis Street, 250 Davis Street, 222 Davis Street, 212 Davis Street, and 1199 East 14th Street will be remitted to the Alameda County Auditor-Controller for distribution to the local taxing entities, with the City of San Leandro receiving approximately 12%. Proceeds from the sale of the City-owned property at 262 Davis Street will be paid to the City. Based upon this, the estimated revenue to the City of San Leandro is expected to be approximately \$850,000, less a broker's commission and applicable closing costs. Because the Put Option would require the purchase price proceeds to be held in escrow until the put option period has expired, the proposed amendment would result in a delay in the timing of the City's receipt of the purchase price proceeds.

ATTACHMENT(S)

Attachment A: Resolution Authorizing the City Manager to Execute the Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the City Located at 262 Davis Street

Attachment B: Resolution Authorizing the Executive Director of the Successor Agency to Execute a Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the Successor Agency Located at 290 Davis St, 250 Davis St, 222 Davis St, 212 Davis St, and 1199 E. 14th St.

Attachment C: Fifth Amendment to the Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the City and Successor Agency
- Attachment C, Exhibit A - Put Option Agreement

Attachment D: Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Leandro, the City of San Leandro, and Beam Development, LLC, for Sale of Real Property Owned by the City and Successor Agency, including Amendments 1 - 4.

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