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Title:	Staff Report for Resolution Authorizing the City Manager to Execute a Purchase and Sale Agreement with David Langon Construction, Inc. for Sale of Successor Agency-owned property at 1595 Washington Avenue (APN: 075-0005-011-01) and 268 Parrott Street (APN: 075-0005-012-00).				
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Staff Report for Resolution Authorizing the City Manager to Execute a Purchase and Sale Agreement with David Langon Construction, Inc. for Sale of Successor Agency-owned property at 1595 Washington Avenue (APN: 075-0005-011-01) and 268 Parrott Street (APN: 075-0005-012-00).

SUMMARY AND 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 a Purchase and Sale Agreement with David Langon Construction, Inc. for sale of Successor Agency-owned property at 1595 Washington Avenue and 268 Parrott Street, in keeping with the Successor Agency's Long Range Property Management Plan.

BACKGROUND

The properties at 1595 Washington Avenue and 268 Parrott Street ("Properties") jointly comprise a 0.42 acre development site. The Redevelopment Agency of the City of San Leandro (RDA) purchased 1595 Washington from the East Bay Municipal Utility District (EBMUD) in 2004. The property was purchased with an office building, however the building was subsequently demolished. The City of San Leandro purchased 268 Parrott Street in 1998 and subsequently transferred it to the RDA so that the properties could be developed together.

In the City's 2007 Transit-Oriented Development Strategy, the Properties were identified as a strategic development opportunity site. Additionally, the Redevelopment Agency's 2010-2014 Implementation Plan includes a goal to redevelop the properties to "provide mixed-use retail and multi-family residential consistent with the TOD Strategy." Such a project has the potential to build

upon additional new development in Downtown San Leandro and to positively impact the greater area.

The Properties are among 22 properties that were owned by the Redevelopment Agency of the City of San Leandro at the time of its dissolution in February 2012 (as required by ABx1 26, amended by AB 1484 and SB 107). Pursuant to the redevelopment dissolution statutes, ownership of these properties transferred to the Successor Agency to the Redevelopment Agency of the City of San Leandro ("Successor Agency"). The City of San Leandro serves as the Successor Agency, with the City Council acting as the Board of Directors.

The Successor Agency is now responsible for disposition of properties owned by the former RDA. On December 30, 2015, the California Department of Finance approved the Successor Agency's Long Range Property Management Plan, which establishes a plan for transferring or selling the real property assets that were owned by the RDA.

Analysis

Request for Proposals

In accordance with the Long Range Property Management Plan, on November 28, 2016, the Successor Agency released a Request for Proposals (RFP) for purchase and development of the Properties. The RFP included information about the City's vision for development, zoning and other regulations, submittal requirements, and selection criteria. Respondents were requested to submit detailed proposals for development of the site, as well as information about their development team and project timeline.

The RFP was widely marketed to architects and developers, including the Economic Development and Request for Proposals pages of the City's website, the San Leandro Next blog, and online commercial realty sites including Oppsites CoStar, Loopnet and ICSC (the International Council of Shopping Centers). Staff worked with Larry Bell, a Vice President at Transwestern, as the listing agent and broker for the Properties; Mr. Bell assisted in marketing to potential developers. Mr. Bell reached out to over 250 developers in California and City staff reached out directly to approximately 50 others. The goal of the process was to ensure that a large number of qualified developers were aware of this opportunity.

Responses to the RFP were due on February 28, 2017 and three offers were received for this site. City staff and the listing agent held interviews with all three respondents to gain more information about their proposals for the site and development expertise. The three responses proposed various mixed-use commercial and residential uses for the site. Proposals were evaluated based upon the following selection criteria:

- Proposed vision and design that works towards the goals and policies of the City
- Quality of development team and its experience
- Proposed Price
- Financial ability to fund development
- Incorporation of sustainable design

Developer Selection

After a careful review of the offers and interviews, David Langon Construction, Inc. was found to provide a proposal that best meets the selection criteria and goals for the site. Langon Construction specializes in moderate to medium density in-fill housing through redevelopment or vacant land.

Langon Construction proposes to build for sale market rate condos, and meet the City's 15% affordable requirement. The residential project includes a private fitness center, rooftop open space, outdoor amenities and grade level parking. The proposal also includes an approximately 3,000 square foot bar and grill style restaurant along Washington Avenue with outdoor seating. Mixed-use residential is permitted in the DA-1-Downtown Mixed Use Zoning District and ground floor retail is required along Washington Avenue.

Langon Construction was selected for the following reasons:

- Its proposal is in line with the City's Transit Oriented Development (TOD) strategy goals for Downtown, which strives to provide mixed-use retail and multi-family residential.
- The proposal's primary goal is to provide high quality condominiums that are for sale along with moderate and low income inclusionary units.
- Langon's experience working in San Leandro producing other high quality projects, such as Toscani Place and Arbor Place.
- Langon had an exclusive negotiating agreement with the RDA for development of the property in 2008 and already studied the property extensively, which should enable it to bring the proposed project to market expeditiously.
- A qualified and well-regarded architect with experience in in-fill and mixed use development design.
- Langon's proposal to build a restaurant meets an identified need in the downtown area and its team has experience constructing and operating restaurants.
- Langon offers a price that is competitive based upon other viable offers received.

Terms of Purchase and Sale Agreement

Staff prepared a Purchase and Sale Agreement based upon the following key terms:

Purchase Price:	\$1,150,000
Deposit:	\$34,300, refundable only until the close of due diligence
Due Diligence:	90 days for buyer to investigate property details
Close of Escrow:	30 days following end of due diligence to complete sale
Extensions:	One (1) thirty (30) day extension. Additional \$10,000 deposit required -refundable and applicable toward sale price.
As Is:	A requirement that the property will be conveyed by Seller to Buyer in an "As Is" condition, with no warranty as to the physical condition including, but not limited to, the soil, its geology, or the presence of hazardous materials.

Next Steps

The attached Resolution authorizes the City Manager, acting as the Executive Director of the Successor Agency, to execute a Purchase and Sale Agreement with David Langon Construction, Inc. for sale of Successor Agency-owned properties at 1595 Washington Avenue and 268 Parrott Street,

in keeping with the Successor Agency's Long Range Property Management Plan.

Following the execution of the agreement, David Langon Construction will begin its due diligence period, during which it will perform additional investigation into the property and further planning for its redevelopment. Project review will likely involve major site plan review, which will evaluate elevations, floor plans, exterior materials, landscaping details and engineering plans. The proposed use is permitted by right so no additional planning entitlements are anticipated.

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 Redevelopment Agency.
- On December 24, 2015, the Oversight Board to the Successor Agency approved a Resolution confirming the obligation of the Successor Agency to the City of San Leandro to deliver proceeds from future disposition of the property at 268 Parrott Street to the City of San Leandro and making a finding that the agreement was made for legitimate redevelopment purposes.

Environmental Review

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

Legal Analysis

The Purchase and Sale Agreement with David Langon Construction, Inc. was reviewed by the City Attorney and approved as to form.

Fiscal Impacts

The sale of these Successor Agency-owned property will result in new, unrestricted revenue to the City's General Fund once the transaction is completed. Proceeds from the sale of the two parcels will be allocated on a per-square-foot basis. Proceeds from the sale of 268 Parrott Street are owed to the City of San Leandro. Per the 2008 Conveyance Agreement, which transferred the property at 268 Parrott Street from the City of San Leandro to the Redevelopment Agency, "when the Agency disposes of the Property to another party, any and all funds the Agency derives from such disposition of the Property shall be paid to the City." Proceeds from the sale of 1595 Washington 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%. The estimated revenue to the City of San Leandro will be approximately \$540,000, less a broker's commission and applicable closing costs.

ATTACHMENTS

Attachment to Staff Report

- Proposal by David Langon Construction, Inc. for purchase and development of 1595 Washington Avenue and 268 Parrott Street.

Attachment to Resolution

- Purchase and Sale Agreement with David Langon Construction, Inc.

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