
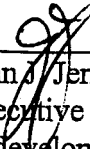


**CITY OF SAN LEANDRO
STAFF REPORT**

APPROVED AND
FORWARDED
TO AGENCY BOARD

DATE: October 1, 2001
TO: John J. Jermanis, Executive Director,
Redevelopment Agency
FROM: Luke Sims, Economic Development
Manager 
BY: Amalia Lorentz, Development Project Specialist



John J. Jermanis
Executive Director,
Redevelopment Agency

SUBJECT: Matter of Adoption of the Mitigated Negative Declaration, Approval of the Section 33433 Reports, and Approval of the Disposition and Development Agreements (DDA) Between the San Leandro Redevelopment Agency, Lavery California Dealership Properties No. 1, LLC and the Batarse Family Trust for Construction of New Auto Dealerships on Property Located at 467 Marina Boulevard (APN 075-0087-003-02), 505 Marina (APN 075-0087-004-04), 517 Marina (APN 075-0087-004-06) 559 Marina (APN 075-0087-007-04), 575 Marina (APN 075-0087-006-06), a Portion of 635 Marina (APN 075-0093-007-02), and 765 Marina (APN 075-0093-001-02); and Approval of an Owner Participation Agreement and Settlement Agreement with F.H. Dailey for Development of the Property Located at 936 Marina (APN 075-0102-008-02)

SUMMARY AND RECOMMENDATION

The following resolutions provide for the purchase, resale, and redevelopment of 467-517 Marina Boulevard, and related real estate transactions on Marina Boulevard that resolve outstanding Auto Mall redevelopment issues. The following actions by resolution are recommended:

- Agency to adopt Negative Declaration for Marina Square Auto Mall Expansion;
- Council to adopt Negative Declaration for Marina Square Auto Mall Expansion;
- Agency to approve 33433 Report and Disposition and Development Agreement with Lavery California;
- Council to approve 33433 Report and Disposition and Development Agreement with Lavery California;
- Agency to approve 33433 Report and Disposition and Development Agreement with Batarse Family Trust;
- Council to approve 33433 Report and Disposition and Development Agreement with Batarse Family Trust; and
- Agency to approve Owner Participation Agreement and Settlement Agreement with F.H. Dailey.

DISCUSSION

The purchase, resale, and redevelopment of the approximately 8.7-acre Yokota Nursery property is intended to extend auto retail sales on Marina Boulevard consistent with the Joint Project Area Redevelopment Implementation Plan. The development concept is for the Agency to close escrow on the property as discussed with the Agency Board on July 19, process a new parcel map in October, and then sell the newly reconfigured property to two auto dealership developers. The Yokota family will contract for the demolition of the existing buildings, and the Agency will pay for demolition, residential relocation, and environmental remediation in order to deliver a cleared site to the new owners. There are six main pieces to the project: the Lavery California transaction, the Batarse Family Trust transaction, public improvements, site clearance, the F.H. Dailey agreement, and financing.

Lavery California Dealership Properties No. 1 LLC. The Disposition and Development Agreement ("DDA") with Lavery will develop the eastern portion with a Volvo dealership and service facility. The land will be sold for \$25.30 per square foot, the Agency's approximate cost of acquisition. The new construction must comply with City site plan review standards. The property must remain an auto dealership for at least five years. If the franchise changes, the Agency must be consulted. There is a DDA and 33433 report explaining the Agency's costs associated with this transaction.

Batarse Family Trust. The agreement with Batarse is to develop the western portion with a new auto dealership. The land will be sold for \$20 per square foot, which is less than the Agency's cost of acquisition; the total land write-down amount is approximately \$824,000. The Agency will also contribute dealer assistance in an amount equal to half of the annual sales tax received from the new dealership, up to a total of \$600,000. The new construction must comply with City site plan review standards. The property must remain an auto dealership for at least ten years. There is a DDA and a 33433 report with a supplemental re-use valuation explaining the Agency's costs associated with this transaction.

The Batarse DDA also gives the developer the right to purchase a portion of 635 Marina Boulevard from the Agency at the Agency's actual acquisition costs for the property and requires the developer to develop a new and used auto dealership at 765 Marina. The developer will be reimbursed \$100,000 by the Agency for his cost to widen Marina Boulevard. The reader board sign lease will be extended through 2037 as another part of the agreement. The Batarse DDA also specifies that Batarse foregoes the development rights for 846, 872, 945, and 936 Marina, for which the Agency will compensate him \$160,000. The Batarse DDA requires 890 Marina to be sold to F.H. Dailey Chevrolet for \$675,000.

Public improvements. A road will be constructed between the two newly-created parcels to be sold to the dealerships. The new road will be improved to City standards with paving, sidewalk, drainage, and lighting. The road will extend approximately 500 feet south from Marina Boulevard. This public right-of-way for the road is the third new parcel to be created. The fourth new parcel is also about 500 feet long, from the end of the new road to the southern Yokota property edge, and is to be held for potential extension of the road within 18 months. If at that time development plans do not require the road to be extended, the fourth parcel can be

sold to the Batarse Trust and/or Lavery California at \$25.30 per square foot. The Agency's estimated cost of constructing the public improvements for 500 feet of roadway is \$750,000.

The owner of the parcel south of the Yokota Nursery will make a small initial contribution to the public improvements in consideration of the future extension of the road and will be required to reimburse the Agency for the cost of the right-of-way represented by the fourth new parcel and to construct road improvements as a condition of future development.

Site clearance. The Yokota Nursery site needs to have an environmental remediation plan completed and approved, the existing structures demolished, and the residents relocated before it can be developed.

In terms of remediation, soil testing during the due diligence period found the need for groundwater wells and monitoring, which will be implemented following approval of the DDAs. Further remediation is not planned; however, an allowance for tilling the soil (following demolition) and/or additional soil removal remains in the project budget in case additional action is required.

The environmental issues around the building materials (asbestos and lead paint) complicate the demolition of the existing buildings on the site. The sellers will contract for demolition with the Agency assuming the cost, estimated at \$400,000. Assigning the demolition to the sellers will expedite the process.

The relocation of the five existing tenants will be carried out by the Agency using a relocation consultant. The estimated relocation allowance is \$20,000 per household.

F.H. Dailey Chevrolet. The agreements with F.H. Dailey allow the developer to establish a new Chevrolet truck satellite dealership by purchasing 890 Marina Boulevard from the Batarse Trust for \$675,000 and adding it to adjacent property already owned by F.H. Dailey. The costs to the Agency include F.H. Dailey's acquisition costs above and beyond \$675,000 for 890 Marina and all City fees for the new dealership. The estimate of these miscellaneous fees is \$67,500. The Agency also will help F.H. Dailey find an alternate car storage site as a replacement for the existing storage at 846-872 Marina. The dealership can be 65% new, 35% used. The new construction must comply with City site plan review standards. The property must remain an auto dealership for at least ten years. In consideration of the dismissal of Alameda County Superior Court Case No. H215592-4, the Agency will contribute a total of \$783,878.76 to be paid in 36 monthly installments to F.H. Dailey beginning the first month after the Agency Board approves the agreement. There is a Settlement Agreement with an attached Owner Participation Agreement associated with this piece of the project.

Financing. While the bulk of the Yokota property acquisition costs will be paid by the two auto dealers, the Agency will be required to cover certain costs related to the write-down of the Batarse parcel, the demolition and environmental clean-up, relocation assistance, and acquisition of the right-of-way and improvement costs for the public road between the two properties. Approximately half of the Agency's right-of-way costs will be reimbursed when the Hudson Lumber property to the south is developed. The total cost to be borne by the Agency is

approximately \$3.3 million. In order to provide the funding for this cost, and to raise a small amount of additional redevelopment funds for other project area activities, staff proposes the sale of approximately \$4.3 million of bonds to be repaid from project area tax increment. Over the next twenty years the Joint Project Area is expected, conservatively, to generate over \$20 million of tax increment revenues after payment of all outstanding DDA obligations. However, due to the Project Area's financial obligations over the next seven years resulting from DDAs (including the new agreements with Batarse and Dailey) and the detrimental effect of a significant downward reassessment of Bayfair Mall, the project area's credit is not currently strong enough to attract municipal bond investors on a stand-alone basis.

In order to sell the Agency's bonds at an acceptable rate of interest it will be necessary to back the project area's credit with the City's General Fund. This can only be accomplished through use of a municipal lease in an amount equal to the total project area borrowing. The proposed subject for the municipal lease is the City's Corporation Yard. The combination of General Fund lease credit backed by an Agency Reimbursement Agreement may qualify for municipal bond insurance and the resulting "AAA" credit rating. If not, a stand-alone credit rating of "A-" is likely. Under either scenario, a bond interest rate of around 5% is likely.

Staff has commenced the process of developing documentation for the financing program and expects to bring the financing package to the Agency Board/City Council at the October 15 meeting. The actual bond sale is projected for late October or early November with funds to be delivered before Thanksgiving. Since the projected closing date for the Yokota Nursery sale is mid-to-late October, it will be necessary to advance the funds temporarily from City reserves with reimbursement to occur immediately upon closing the bond sale.

BACKGROUND

Current City Council/Redevelopment Agency Policy

On February 5, 2001, the Council/Agency adopted a resolution stating that eminent domain would not be used to acquire the Yokota Nursery property. On March 5, 2001, the Council/Agency extended the policy to the entire auto mall area on Marina Boulevard. The proposed purchase transaction was negotiated voluntarily. On July 17, 2001, the Agency Board approved a Purchase and Sale Agreement for the Yokota property with a 90-day escrow period.

City Council Committee Review and Action

N/A

Applicable General Plan Policy

A Finding of Conformance with the General Plan was reviewed and approved by the Planning Commission on August 9, 2001 (minutes attached). The proposed redevelopment uses are consistent with the retail/auto mall use allowed in the IG district, and encouraged by the S-overlay zoning and draft General Plan.

Permits and Variances Granted

N/A

Environmental Review

An Initial Study was prepared; it concluded with a Mitigated Negative Declaration for the proposed expansion of the auto mall on Marina Boulevard. A Mitigated Monitoring Plan is included with the Initial Study/Negative Declaration. One letter with comments on the Negative Declaration was received; it and the staff response are also attached to the Initial Study.

Code Compliance Review

N/A

Board/Commission Findings

N/A

Summary of Public Outreach

The Planning Commission reviewed the Initial Study/Mitigated Negative Declaration as an information item on August 23, 2001.

Fiscal Impact

The acquisition will be funded initially from City Reserve Funds. The reserves will be reimbursed from the sale of Agency/City bonds. Annual debt service on the bonds will be in the \$340,000 range for 25 years. The source of bond repayment will be Joint Project area tax increment revenue.

Budget Authority

N/A

Attachments

- Initial Study/Mitigated Negative Declaration (including Mitigation Monitoring Plan (MMP) and Written Comments/Response)
- Planning Commission Minutes of August 9, 2001
- Agency Resolution Adopting Negative Declaration
- Council Resolution Adopting Negative Declaration
- Agency Resolution Approving Lavery 33433 Report and Lavery DDA
- Council Resolution Approving Lavery 33433 Report and Lavery DDA
- 33433 Report – Lavery California
- Lavery California DDA
- Agency Resolution Approving 33433 Report and Batarse Trust DDA
- Council Resolution Approving 33433 Report and Batarse Trust DDA
- 33433 Report – Batarse
- Re-use Valuation Report for Batarse Project
- Batarse Trust DDA
- Agency Resolution Approving F.H. Dailey Owner Participation Agreement and Settlement Agreement

- F.H. Dailey OPA
- F.H. Dailey Settlement Agreement

CONCLUSION

Staff recommends the Redevelopment Agency/City Council adopt the Mitigated Negative Declaration and approve the Disposition and Development Agreements, 33433 Reports, Owner Participation Agreement, and Settlement Agreement to allow the Agency move forward on the completion of the auto mall project and advance the goals of the Redevelopment Plan.

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