



Rashi Kesarwani
Councilmember, District 1

ACTION CALENDAR

April 20, 2021

TO: Honorable Mayor and Members of the City Council

FROM: Councilmember Rashi Kesarwani (Author), Councilmember Taplin (Co-Sponsor)

SUBJECT: Referral to the Planning Commission to Establish a Zoning Overlay at the Pacific Steel Casting Property

RECOMMENDATION

Refer to the Planning Commission to create a zoning overlay at the Pacific Steel Casting (PSC) property in West Berkeley—currently zoned Manufacturing (M) and redesignate it as Mixed Use - Light Industrial (MULI) due to the unique issues of public concern associated with this property (described below); specifically, include in the PSC zoning overlay allowances to enable all MULI uses and override any existing constraints in the Berkeley Municipal Code for Zoning (Title 23) on such MULI uses for the PSC property.

CURRENT SITUATION AND ITS EFFECTS

The Pacific Steel Casting (PSC) property sits at the corner of Eastshore Highway and Gilman Street, extending two blocks south to Page Street with structures on either side of Second Street. Once a thriving manufacturer of custom industrial-use parts employing more than 650 workers, PSC declared bankruptcy in 2014 and permanently shuttered in 2018. The site is known to have a number of problems of public concern, including: (1) environmental contamination at the site, (2) hundreds of blue-collar workers awaiting receipt of their pension benefits as a result of a future sale of the property, and (3) neighborhood blight and safety concerns resulting from an eight-acre multi-block area of abandoned buildings and graffitied fencing around the property.

The site, which is in close proximity to the highly-anticipated reconstruction of the Gilman Interchange, has generated some interest from real estate and business representatives for numerous mixed-use light industrial uses, such as biotechnology labs, warehouse and commercial uses, or office space, among other possibilities. The site has been on the market for more than two years without a serious buyer

due in part to concerns that the current Manufacturing zoning designation limits the potential uses of the site to heavy manufacturing only. Because of the difficulty in generating a prospective buyer for the PSC site—more than two years have elapsed since the property was first put on the market—and the issues of public concern noted above, a zoning overlay specifically for the PSC site is recommended. This referral and establishment of a zoning overlay signals to prospective buyers that the City is eager to see this site reinvented and contributing to our tax base and the vitality of our post-Covid local economy.

BACKGROUND

Established in 1934 and owned for more than 80 years by the Genger and Delsol families, PSC declared bankruptcy in 2014. Prior to that, a worker class action lawsuit was filed in 2011 against the company for wage theft.¹

In 2014, the company was purchased by Speyside Equity for \$11.3 million. Until that time, the company had been generating \$100 million in sales annually. Speyside turned the assets of PSC into a limited liability company and pledged to honor the collective bargaining agreements with the union representing the workers, including assuming pension liabilities and paying workers' health benefits.² The new company, Pacific Steel Casting LLC, however, failed to pay those benefits in part due to growing financial insecurity prompted by plummeting gas and oil prices which limited the need for production, and in part due to increased competition from China. It was also later discovered that Speyside used suspect financial practices that further drove the company into the ground.³

According to reporting from Berkeleyside, "The Speyside Fund, Speyside Equity, Alcast Company of Illinois, various business partners and managers, 'looted' \$14.5 million from the West Berkeley company over a four-year period, and justified the siphoning off by 'cooking' the books, according to the action filed by Sarah L. Little, the bankruptcy trustee."⁴ These legal entanglements encumber the land for any potential buyers, as it is predicted it will take between \$27 to \$30 million to make the workers and all the past creditors whole. This is in addition to the costs it will take for the environmental remediation of the property.

FISCAL IMPACT

¹ See Berkeleyside, Nov. 7, 2019 article, "Buyers of Pacific Steel Casting 'looted' its assets, made 'insider deals,' according to bankruptcy trustee:"

<https://www.berkeleyside.com/2019/11/07/buyers-of-pacific-steel-casting-looted-its-assets-made-insider-deals-according-to-bankruptcy-trustee>

² See Berkeleysides' Dec. 12, 2017 article, "Temporary reprieve for workers: Pacific Steel Casting to remain open through March:" <https://www.berkeleyside.com/2017/12/12/reprieve-workers-berkeleys-pacific-steel-casting-remain-open-march>

³ See Berkeleysides' Nov. 7, 2019 article, ""Buyers of Pacific Steel Casting 'looted' its assets, made 'insider deals,' according to bankruptcy trustee:" *Op Cit.*

⁴ Berkeleyside, Nov. 7, 2019, *Op. Cit.*

Staff time to facilitate the Planning Commission referral and prepare language for the zoning overlay.

ENVIRONMENTAL SUSTAINABILITY

The PSC site requires considerable environmental remediation. A property buyer would address all of the environmental clean-up issues, contributing to a revitalization of West Berkeley's Gilman District and responsible stewardship of the land. The 2014 Atwell, LLC report commissioned by Speyside Equity, LLC concluded that substances such as arsenic, petroleum hydrocarbons, tetrachloroethylene and trichloroethylene and others were present in samplings taken during the environmental investigation of the site.

RATIONALE FOR RECOMMENDATION

Creating a zoning overlay to enable the PSC site to be zoned MULI will increase the desirability of this property for prospective buyers. This in turn could reap many public benefits once the site is sold. First and foremost, it could enable former PSC workers to receive their pension benefits. It would also result in an environmentally sound property and contribute to the City's tax base.

CONTACT PERSON

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