



Kathryn Harrison
Councilmember District 4

SUPPLEMENTAL AGENDA MATERIAL

Meeting Date: March 28, 2017

Item Number: 32

Item Description: Acquisition of Real Property at 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street

Submitted by: Councilmember Harrison

Our office has made slight changes to Agenda Item 32 for the 3/28 Council Meeting. We propose the Repayment to the Workers' Compensation Fund after the property acquisition 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street be made from the excess Property Transfer Tax for the portion of the building utilized for City Council chambers and not from a combination of the Business License Tax of five or more units (U1).



Office of the City Manager

ACTION CALENDAR
March 28, 2017

To: Honorable Mayor and Members of the City Council
From: *DWR* Dee Williams-Ridley, City Manager
Submitted by: Phillip Harrington, Director, Department of Public Works
Subject: Acquisition of Real Property at 1001 University Avenue, 1007 University Avenue, 1011 University Avenue, and 1925 Ninth Street

RECOMMENDATION

1. Adopt an Urgency Ordinance authorizing the acquisition of 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street (APNs 057-208901401, 057-208901201, and 057-208901500) for \$6,650,000.
2. Adopt first reading of an Ordinance authorizing the acquisition of 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street (APNs 057-208901401, 057-208901201, and 057-208901500) for \$6,650,000.

FISCAL IMPACTS OF RECOMMENDATION

The City intends to fund the entire \$6,650,000 purchase price from Workers' Compensation Fund 875, and repayment to the Workers' Compensation Fund will be made with revenue generated from a combination of the Business License Tax of five or more units (U1) and excess Property Transfer Tax. Details of the repayment timeline, terms, and conditions will be determined by Council directive at a future date. In order to complete this purchase in FY 2017, funds must be appropriated as part of the Second Amendment to the FY 2017 Annual Appropriations Ordinance going to City Council in May 2017.

CURRENT SITUATION AND ITS EFFECTS

The City has expressed interest in purchasing three parcels that include three buildings and a surface parking lot as shown on the attached site plan (Attachment 1) and which parcels are briefly described as follows:

- 1001 University Avenue - warehouse space that formerly served as Premier Cru's wine storage and distribution warehouse.
- 1007 University Avenue - 501(c)3 non-profit culinary school called Bauman College: Holistic Nutrition and Culinary Arts. Bauman has a lease through 2021 with two five-year options to extend. This triple net lease generates approximately \$100,000 in revenue per year.
- 1011 University Avenue - former Premier Cru showroom and administrative offices.

- 1925 Ninth Street - surface parking lot with twelve standard, one handicap space, and a ramped loading dock. Six of the standard parking spaces are allocated for use by Bauman College.

The City's initial interest in the property focused on the site's long-term potential to be redeveloped into substantially below market rate housing. The site's location on the well-established University Avenue transit corridor, and its proximity to multiple neighborhood business districts, medical services and schools make the site ideal for below market rate housing for a diverse population. Tours of the properties' existing buildings revealed the site's potential flexibility to serve several interim uses. These include, but are not limited to, a navigation center for homeless population service and interim City Council Chambers.

BACKGROUND

For some time the City of Berkeley has been unsuccessful in its search for real estate within the City limits to provide much needed below market rate housing and services for homeless residents. The City has also sought a location suitable to serve as a long-term or interim Council Chambers. The availability of land and buildings suitable for these uses is extremely limited within the jurisdiction.

On February 14, 2017, the City Manager and Paul Buddenhagen, Director of Health, Housing and Community Services for the City of Berkeley presented a referral response information item called *Analysis of City-Owned Property for Potential for Housing Development*.¹The report used a comprehensive list of City-owned property created in 2016 by the Department of Public Works that assessed each site's development potential to accommodate a multifamily rental project and the City's ability to secure funding for affordable housing. Of the 119 properties reviewed, only six met the basic assessment criteria. One property is already the subject of an agreement with BRIDGE Housing for affordable housing development, and the other five all have significant challenges that required additional review, environmental site investigations, and potential policy changes before development or redevelopment could be considered.

Proposed Sites for Purchase

The City became aware that 1001, 1007, and 1011 University Avenue and 1925 Ninth Street were available for purchase when they appeared on Alameda County's list of Tax Defaulted Land to be auctioned March 18, 2017. Each year Alameda County prepares a list of properties that have maintained a tax default status for at least five consecutive years. Prior to offering them for sale in a public auction, the County offers federal, state and municipal entities (in that order) the option of purchasing the properties at a minimum bid price equal to the tax default amount. Even after this list is published, property owners or their representatives have the right to pay the taxes and redeem ownership of the property(ies).

¹ (<http://bit.ly/2m2O54I>)

In January 2017, the City of Berkeley was offered the option to purchase fourteen parcels in its jurisdiction from this year's Tax Defaulted Land list, which includes the parcels proposed for purchase. Soon after, the parcels were removed from the list as a consequence of bankruptcy proceedings related to the demise of Premier Cru and the properties were placed on the open market for sale at \$6.8 million. The City was able to negotiate a total price of \$6,650,000 for these properties. Proceeds from the sale of the properties will benefit those to whom restitution is owed by Premier Cru.

ENVIRONMENTAL SUSTAINABILITY

These recommendations have no specific environmental sustainability effects.

RATIONALE FOR RECOMMENDATION

The City does not currently own enough property suitable for the economic development of below market rate housing. Creating a navigation center and finding interim City Council Chambers are priorities for the City Manager and the City Council. Purchase of these properties provides the City with a great deal of flexibility by meeting its criteria for various interim use needs, while increasing its inventory of suitable sites for below market rate housing development.

ALTERNATIVE ACTIONS CONSIDERED

No alternative actions have been identified.

CONTACT PERSON

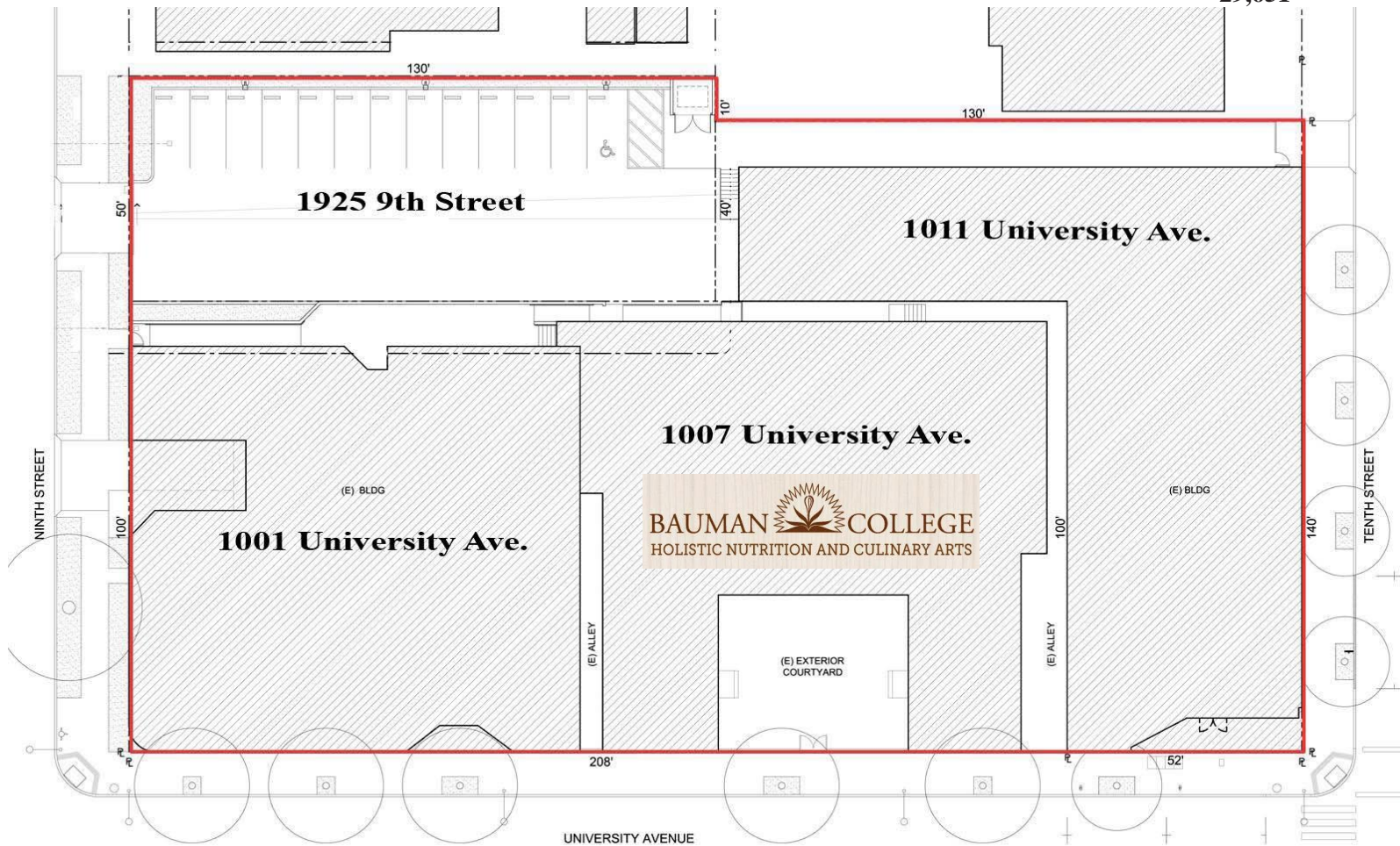
Phillip L. Harrington, Director, Department of Public Works (510) 981-6303
Dionne Early, Community Development Project Coordinator (510) 981-6453

Attachments:

- 1: Site Plan
- 2: Urgency Ordinance
- 3: Ordinance

ATTACHMENT 1: SITE PLAN

Building	Ground	Second/Mezzanine	Total
1011 University Ave. *AVAILABLE Retail & Office	8,632	3,994	12,626
1007 University Ave.	7,400		7,400
1001 University Ave. *AVAILABLE Warehouse	8,864	761	9,625
			29,651



ORDINANCE NO. #,###-N.S.

URGENCY ORDINANCE AUTHORIZING ACQUISITION OF REAL PROPERTY AT 1001, 1007, AND 1011 UNIVERSITY AVENUE, AND 1925 NINTH STREET FOR \$6,650,000.00

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. Purpose and Intent.

The purpose and intent of this Ordinance is to address a current crisis in the provision of housing and services to homeless persons in Berkeley.

Section 2. Findings.

A. The City Council hereby finds and declares that there continues to be a shortage of shelter and services for homeless residents of Berkeley. As a result, several hundred Berkeley residents are without shelter, and in many cases, needed services. This results not only in human suffering – and in some cases death – but also in an increased and unsustainable demand for emergency response from the Police and Fire Departments, extraordinary demands on the Departments of Public Works and Parks Recreation and Waterfront, and avoidable impacts on emergency services at local hospitals and clinics.

B. It is therefore essential for the life, health, and well-being of homeless residents, as well as to reduce unsustainable demands on City services, to provide, as soon as possible, a navigation center or other facility that will provide wraparound services leading to permanent housing. Unfortunately, the City does not currently own any property suitable for this purpose.

C. The real property at 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street constitutes a rare opportunity to acquire property that would work for an interim navigation center or other facility to provide shelter and services to homeless residents. This property has only recently become available at a favorable price, and is already the subject of competing offers. This requires that the City act promptly in order to be able to acquire the property.

Section 3. Exemption from Environmental Review Pursuant to the California Environmental Quality Act ("CEQA"; Public Resources Code §21000 et seq.) and City Council findings that the project described herein is exempt from environmental review pursuant to Title 14. California Code of Regulations, Article 5. *Review for Exemption*, Section 15061 (b)(3) and Article 19. *Categorical Exemptions*, Sections 15301 and/or 15332.

Section 4. Acquisition of Property. The City Manager is hereby authorized to acquire on behalf of the City of Berkeley, the real property located at 1001,1007, and 1011 University Avenue, and 1925 Ninth Street, (APNs 057-208901401, 057-208901201, and 057-208901500), for the price of \$6,650,000, and to execute all contracts and other documents necessary to complete the acquisition. Payment will be made from the Workers' Compensations Fund. Repayment to the Workers' Compensation Fund will be made from the excess Property Transfer Tax for the portion of the building utilized for City Council chambers as long as the function remains there and from other appropriate revenue sources once the final uses of the site are determined and after consultation with HAC. made with revenue generated from a combination of the Business License Tax of 5 or more units (U1) and excess Property Transfer Tax.

Section 5. Vote Required – Immediately Effective. Based on the findings and evidence in Section 2 of this Urgency Ordinance, the City Council determines that this Ordinance is necessary for the immediate preservation of the public health, peace and safety in accordance with Article XIV Section 93 of the Charter of the City of Berkeley and must therefore go into effect immediately. This ordinance shall go into effect immediately upon a seven-ninths vote of the City Council, in satisfaction of the Charter of the City of Berkeley.

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C. The real property at 1001, 1007, and 1011 University Avenue, and 1925 Ninth Street constitutes a rare opportunity to acquire property that can be used for an interim navigation center or other facility to provide shelter and services to homeless residents.

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Section 4. Posting. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of Old City Hall, 2134 Martin Luther King Jr. Way. Within fifteen days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.