



Office of the City Manager

CONSENT CALENDAR  
July 24, 2018

To: Honorable Mayor and Members of the City Council  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: Phillip L. Harrington, Director, Public Works  
 Subject: Interim Use Agreements for University Avenue Center

RECOMMENDATION

Authorize the City Manager to negotiate lease terms and execute leases for occupancy of available space at University Avenue Center located at 1001 and 1011 University Avenue, Berkeley, CA 94710.

FISCAL IMPACTS OF RECOMMENDATION

The City Council's direction on this item will authorize the City Manager to negotiate lease terms with qualified respondents to the City's Request for Proposal (RFP).

CURRENT SITUATION AND ITS EFFECTS

The University Avenue Center properties were acquired by the City of Berkeley on March 28, 2017. The ultimate goal of the purchase is to redevelop the site as substantially below market rate housing once funding, design and permitting for the new development is complete. Until that time, the properties will be best served by having tenants occupy them. One of the three buildings and the parking lot are leased through 2021 with possible extensions through 2031 to Bauman College. Since its purchase, several types of organizations have expressed interest in using the remaining space which resulted in the City's decision to issue an RFP. The RFP was open to a broad range of potential tenants. Funds collected from the leases will be used to ensure the properties are maintained and operated to City standards with remaining funds used to offset acquisition costs. Any new lease agreements resulting from the City Manager's negotiations will be authorized by future Ordinance(s).

BACKGROUND

The City's primary interest in acquiring the properties located 1001, 1007 and 1011 University Avenue and 1925 Ninth Street in Berkeley, 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 attractive to a diverse population.

Funding, design, and permitting for the future housing project has the potential to take from three (3) to ten (10) or more years. Upon approval from City Council to purchase the properties, staff began evaluating interim uses for the existing buildings. Current uses and considerations include the following:

- 1007 University Avenue, a historic building, and 1925 Ninth Street parking lot are leased to Bauman College: Holistic Nutrition and Culinary Arts, a 501(c)3 non-profit school, through 2021 and has the option to extend the term for two (2) five year periods.
- 1001 University Avenue, a warehouse formerly used as a wine storage and distribution center with limited supporting office space, began operation as a temporary emergency shelter in December 2017. The shelter has been extended through August 31, 2018. The shelter is managed by the City of Berkeley's Department of Health, Housing and Community Services with funding allocated by City Council;
- 1011 University Avenue, a retail commercial office building, is currently unoccupied. The building was initially considered as a potential location for temporary City Council Chambers.

Since the purchase of the properties was completed, nonprofit and for-profit organizations as well as City Departments have toured and expressed interest in leasing space in 1001 and 1011 University.

Because the City's ultimate goal is to use the land to develop substantially below market rate housing, it is important that repayment of all associated debt be completed. This will ensure the land is a viable commodity in negotiations with a wide range of potential housing developers. and able to attract federal and other funding for the project. In order to ensure repayment of the debt, the City determined that offering the space for lease in the interim is necessary. A Request for Proposal (RFP) open to all interested parties (nonprofit, for profit, governmental, nongovernmental, etc.) and available at fair market rate with additional questions for those seeking below market lease rates.

The RFP received three responses, two from nonprofit organizations (BCM and Berkeley Food Network) and one internal department; all seek below market lease rates. All applicants are agreeable to flexible terms (as few as three (3) and potentially as many as fifteen years of occupancy) with as few as 90 days' notice to vacate once the construction start of the future housing project is determined or the lease agreement terminates, whichever comes first. If authorized by City Council, the City Manager will negotiate lease/license/agreement terms with all applicants.

#### ENVIRONMENTAL SUSTAINABILITY

City Council's approval of this recommendation have no specific environmental sustainability effects or impacts.

RATIONALE FOR RECOMMENDATION

The City does not currently own enough property suitable for the development for substantially below market rate housing. The purchase of the properties was predicated on the desire to use the space to meet various interim space needs until funding, design and permitting are in place to develop housing. Leasing space to qualified organizations willing to adhere to flexible terms provides a fiscally responsible means to ensure repayment of Fund 875 and to ensure the properties' operation costs are paid in the interim and maintained to Public Works facility maintenance standards.

ALTERNATIVE ACTIONS CONSIDERED

No alternative actions have been identified.

CONTACT PERSON

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