

Recommendation to Proceed with a New Development Strategy for the Enterprise District (Formerly Site B) at Alameda Point. (Base Reuse 819099)

To: Honorable Mayor and Members of the City Council

From: Elizabeth D. Warmerdam, Interim City Manager

Re: Recommendation to Proceed with a New Development Strategy for the Enterprise District (Formerly Site B) at Alameda Point

BACKGROUND

In April 2014, at the same time that the City Council directed staff to issue a Request for Qualifications (RFQ) from developers for the 68-acre mixed-use Site A project, it also authorized the issuance of an RFQ from developers for an 82-acre commercial development site within the Enterprise District at Alameda Point, previously referred to as Site B (Exhibit 1). The City received four complete qualified responses from developers to the Site B RFQ and on September 16, 2014, the City Council directed staff to negotiate key business and financial terms with two developer finalists. During these negotiations, the developers were not willing to commit to upfront infrastructure, land payments or a milestone schedule for implementing development due to the uncertainty of the commercial market in Alameda and the high cost of infrastructure. As a result, in December 2014, the City Council approved postponing any decision on Site B until 2015 when there would be more certainty about the Site A development and the timing of its infrastructure development, which has the potential to significantly benefit commercial development sites.

In July 2015 the City Council approved the 68-acre mixed-use Site A project at Alameda Point consisting of 800 housing units and 600,000 square feet of commercial space. The first phase of the Site A project is in the design phase and is comprised of major infrastructure investment, including a new upgraded sewer line from the pump station at the northern boundary of Alameda Point, the “gateway” extension of Ralph Appezzato Memorial Parkway, waterfront park and retail amenities, and a significant contribution towards a new ferry terminal in the Seaplane Lagoon. A key issue raised as part of the Site A planning process was the strong desire by the City Council and community to attract new jobs to Alameda Point to balance the housing units being proposed at the former base and elsewhere in the City. Now that there is more certainty about Site A, including its schedule and commitment towards key infrastructure improvements, staff is recommending proceeding with a new development strategy for the Enterprise District at Alameda Point.

DISCUSSION

Upon approval of Site A, an inter-departmental team of City staff, in concert with its leasing and technical advisors, discussed and evaluated potential options for a renewed effort to attract commercial development to the Enterprise District. These options include:

(1) re-issuance of an RFQ from developers for the Enterprise District (formerly Site B); (2) re-initiation of negotiations with one or both of the two Site B developer finalists; and (3) a new development strategy that focuses on attracting a major commercial business or “end user,” instead of commercial developers, by leveraging its existing leasing agent relationship with Cushman & Wakefield, an international full-service real estate brokerage house. Staff recommends proceeding with the new development strategy focused on end users that would consist of three phases tied to the progress being made during Site A development over the next 24 to 36 months (Exhibit 2). Staff recommends this approach for the following reasons:

- **New Approach.** Re-issuing the RFQ has the potential to stigmatize the Enterprise District more than renew interest in the site since developers and users less familiar with the reasons to postpone the first Site B process may perceive the Enterprise District as inherently “flawed” or less desirable. Also, a new approach less focused on developers and more focused on “end users” has the potential to cast a wider net without foreclosing any opportunities. If an interested commercial user needs help identifying a qualified developer, the City could re-engage one or both of the Site B developer finalists or other developers, and help facilitate a development relationship. This new approach does not preclude re-engaging the developer finalists in the future, if appropriate.
- **Cost-efficiency.** The new strategy would leverage the City’s existing listing agreement and commission structure with Cushman & Wakefield at Alameda Point and require very little upfront costs from the City. While Cushman & Wakefield would use their resources to prepare much of the marketing material, there may be instances, however, that the City would decide to strategically invest additional funds in enhanced marketing materials as the development strategy evolves. Cushman & Wakefield is highly qualified, maintains relationships throughout the Bay Area and country with numerous commercial brokers, developers, and users, and specializes in marketing and brokering large-scale commercial land and development transactions, such as the VF Outdoor Campus in Harbor Bay in Alameda.
- **Flexibility.** This approach does not require that the City enter into an exclusive negotiation agreement or disposition and development agreement with long-term rights to a developer for the Enterprise District land; therefore, it would not foreclose potential interest from end users that already have relationships with a preferred developer or contractor or any other interested developer. The City would maintain flexibility in marketing and use of the site until an interested commercial user or developer suitable to the City was obtained.

The following provides a summary of the three phases of the proposed new strategy described in greater detail in Exhibit 2:

- **Awareness Phase.** This phase would occur immediately and focus on raising awareness of the Enterprise District opportunity, including developing a marketing

brochure, refreshing and re-launching a marketing and outreach campaign with a focus on the commercial brokerage community, and identifying initial corporate or institutional users that may be an appropriate fit for the Enterprise District. This phase would correspond to the Pre-Infrastructure Phase of the Site A development.

- **Connection Phase.** Once the City transfers ownership of the first phase of the Site A project to the Site A developer and the developer commences construction on infrastructure, the second phase of the Enterprise District development strategy would commence: the Connection Phase. This phase would take advantage of “the buzz” and any media coverage of the Site A ground-breaking to intensify its marketing efforts by creating an Enterprise District Newsletter, providing streaming video of the Site A construction process, hosting a targeted broker event, creating a social media campaign, expanding its contact list to include more end users and developers, and enhancing the connections made with potential leads through personal visits, direct mail, phone canvassing and email.
- **Delivery Phase.** Once key Site A infrastructure improvements are near completion and there is much greater certainty about the timing of delivering land that can be developed for a commercial use, outreach will intensify, highlighting the expedited delivery of this development opportunity and focusing on executing a transaction with a corporate user. Again, this phase will kick-off with an on-site celebration of infrastructure completion, including possibly a BBQ for tenants and prospective users and developers. Other marketing efforts will include expanding the target list to smaller developers and owner/users, intensifying the social media and public relations campaign, and continuing the personal visits, direct mail, phone canvassing and emails with potential users, developers, and brokers.

In sum, City staff recommends that the City Council provide direction this evening to proceed with a new development strategy for the Enterprise District (formerly Site B), as described above.

FINANCIAL IMPACT

There is no financial impact to the City’s General Fund or Base Reuse Department budgets (Fund 858) related to proceeding with a new development strategy for Site B at Alameda Point.

ENVIRONMENTAL REVIEW

No environmental review is required as proceeding with a new development strategy for Site B is not a project as defined under CEQA. CEQA Guidelines, section 15378(a).

RECOMMENDATION

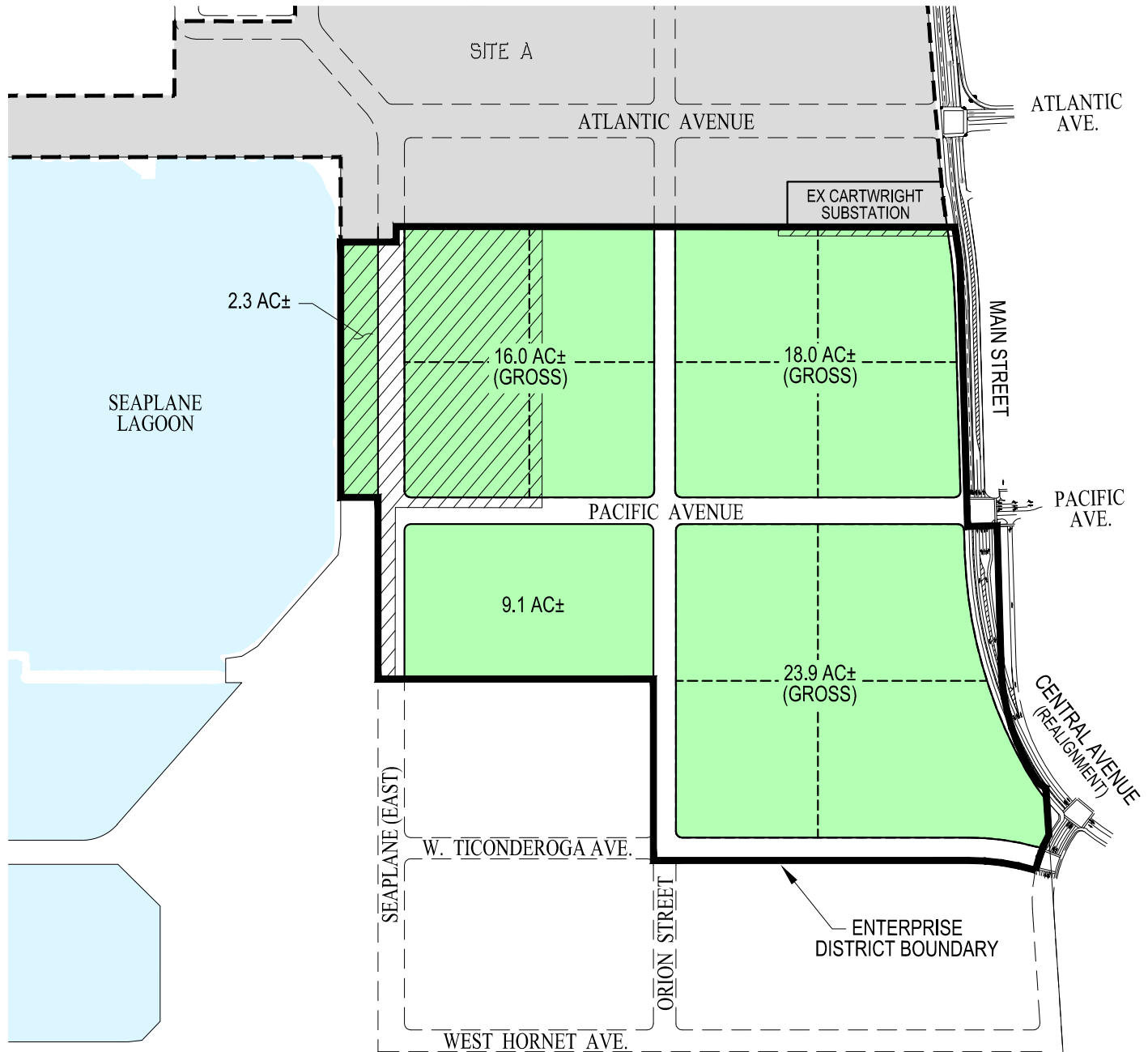
Proceed with a new development strategy for the Enterprise District (formerly Site B) at Alameda Point.

Respectfully submitted,
Jennifer Ott, Chief Operating Officer – Alameda Point

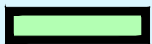


Financial Impact section reviewed,
Elena Adair, Finance Director

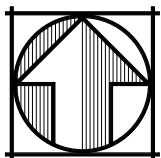
Exhibits:

1. Map of Site B
2. Summary of Site B Development Strategy



LEGEND

-  ENTERPRISE DISTRICT (FORMERLY SITE B) – 69.3 AC±
-  DEVELOPMENT AREAS WITHIN TOWN CENTER AND WATERFRONT PRECISE PLAN
-  SITE A



ALAMEDA POINT ENTERPRISE DISTRICT

CITY OF ALAMEDA ALAMEDA COUNTY CALIFORNIA
 DATE: SEPTEMBER 10, 2015 SCALE: 1" = 500'



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Alameda Point :: Enterprise District Development Strategy



AWARENESS PHASE Site A Pre-Infrastructure Phase

- ▶ Develop Strong Statement of Market Position
- ▶ Re-brand the Site
 - “Site B” connotes second class status
 - Recommend “Enterprise District”
- ▶ Identify Initial Targets
 - Corporate campus users
 - Tenant representation brokers, Bay Area wide
- ▶ Refresh and Re-Launch Marketing Program
 - New Collateral
 - Revised Marketing Brochure
 - Utilize images from master plan
 - Updated site map and conceptual parcel opportunities
 - Macro focused content – details on desired users, potential development capacity, what is Alameda Point
 - Integrate content within current website
 - Broker Office Visits
 - Roadshow to visit weekly office meeting of cooperating brokerage houses
 - Build excitement and present opportunity
 - Renewed Occupier Contact Campaign
 - Personal visits to perspectives
 - Direct mail campaign utilizing new collateral
 - Phone canvassing
 - Email
 - Public Relations Campaign



CONNECTION PHASE Site A Infrastructure Work Begins

- ▶ Streaming Video of Infrastructure Work for Website
 - Periodic email updates to highlight progress/benchmarks
- ▶ Renewed Publicity Over Work Commencement
 - Capture media attention both print/broadcast
- ▶ First Issue of “Enterprise Newsletter”
 - Highlight existing projects
 - Define vision
 - Tenants of note
- ▶ On-Site Broker Event for Enterprise District
 - Bus tour of project
 - Lunch and raffle to follow
- ▶ Expand Target List
 - Developers
 - Owner/Users
- ▶ Ongoing Social Media
- ▶ Ongoing User & Developer Contact
 - Personal visits
 - Direct mail
 - Phone canvassing
 - Email



DELIVERY PHASE Site A Infrastructure Complete

- ▶ On-Site Celebration
 - Media event- ribbon cutting
 - Tenant BBQ
- ▶ Expand Target List
 - Owner/Smaller Users
 - Small Developers
- ▶ Ongoing PR & Social Media
- ▶ Ongoing User & Developer Contact
 - Personal visits
 - Direct mail
 - Phone canvassing
 - Email
- ▶ Commence Negotiations as Appropriate

Recommended Approach Enterprise District – Alameda Point

City Council
October 20, 2015



Enterprise District Planning Vision

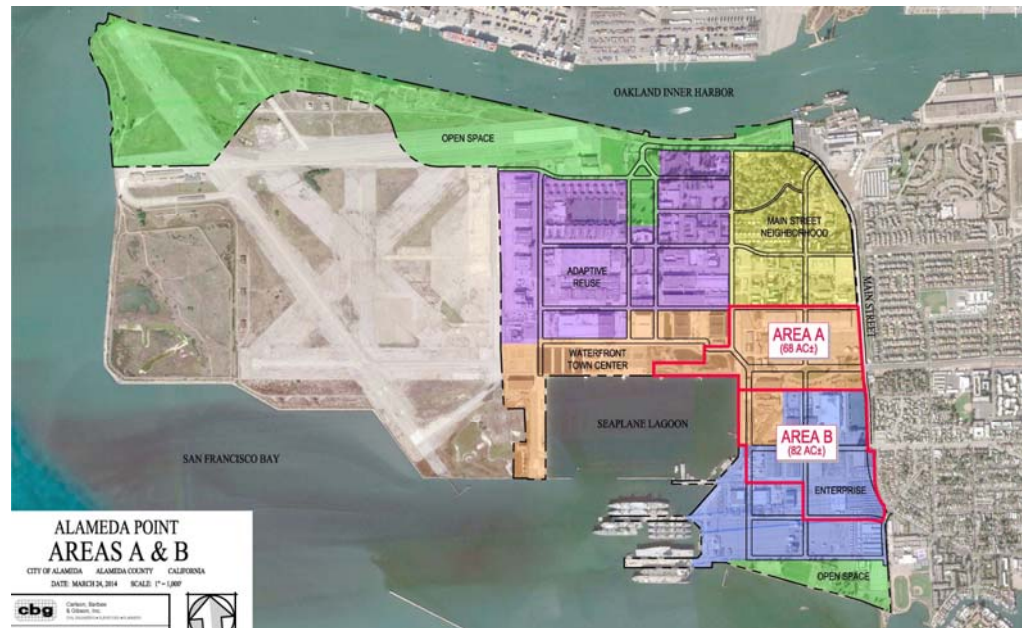
- Strategic land use planning for Enterprise District as part of 2014 zoning amendment
 - Catalytic commercial uses with spin-off potential
 - Job creation
 - Working waterfront
 - Minimize impacts in transition areas
- Four sub-districts within Enterprise Area created to address vision



SLIDE #1

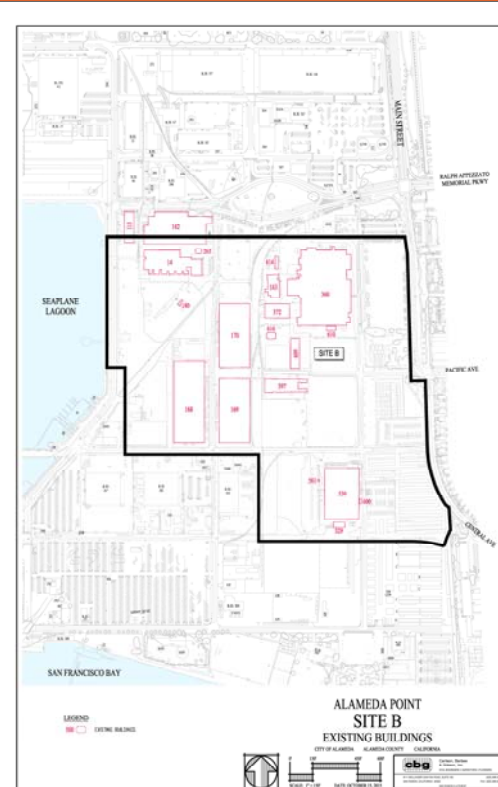
Recommended Approach

1. Use existing contract with Cushman & Wakefield
2. Link marketing phases to Site A progress
3. 6-month updates to evaluate approach and pivot, if necessary



Benefits of Approach

1. New approach with primary focus on end users, not developers and avoids stigma
2. Cost efficient by using existing commission structure
3. Flexible approach that can evolve easily and avoid premature ENA or DDA



Proposed Development Strategy

- **Awareness Phase:**
 - Site A Pre-Infrastructure/
Phase 1 Closing
 - 9-14 Months
- **Connection Phase:**
 - Site A Phase 1 Infrastructure Begins
 - 10-36 Months
- **Delivery Phase:**
 - Site A Phase I Infrastructure
Completed
 - 18-48 Months



SLIDE #4

Roles & Responsibilities

- **City of Alameda**
 - Provide ongoing oversight of effort
 - Participate in key user and developer meetings
 - Lead transactional negotiations
 - Evaluate progress and recommend changes and improvements to approach
- **Cushman & Wakefield**
 - Execute marketing and outreach strategy
 - Frontline point of contact for new interest
 - Participate in transactional negotiations, when appropriate
 - Provide input to changes to approach



Q & A



SLIDE #6