

AGENDA REPORT

Resolution: Approve and Authorize the Executive Director to Execute an Assignment of an Existing Ground Lease and Related Agreements from 10 Clay Street, LLC to Oakland Clay Partners, LLC for Property Located at 10 Clay Street, Oakland. **(CRE)**

MEETING DATE: 9/13/2018

AMOUNT: N/A
Choose an item.

PARTIES INVOLVED: 10 Clay Street LLC, Oakland, CA
Matthew Semansky, Principal

Oakland Clay Partners, LLC, San Francisco, CA
Alexander J Dean, Jr., Authorized Person

Oakland Athletics, Oakland, CA
Dave Kaval, President

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

This matter is a request for approval of the assignment of an existing ground lease and related property agreements located at 10 Clay Street from 10 Clay Street, LLC (“Lessee”) to Oakland Clay Partners, LLC (“Assignee”), an affiliate of the Oakland Athletics. Upon review of the information provided by the Lessee and proposed Assignee, staff believes that the Assignee has the operational experience and financial wherewithal necessary to perform all of the obligations required of the ground lease requested for assignment, and currently owns or manages similar properties within Oakland, San Francisco, and the greater Bay Area region.

BACKGROUND

The Lessee currently owns an existing two-story building containing approximately 30,000 square feet on Port owned property subject to a ground lease located at 10 Clay Street, adjacent to the Port administrative headquarters building within Jack London Square. The Lessee submitted a request on July 13, 2018 for Port approval to assign their (1) ground lease interest, as well as their (2) interest in the related Operating Agreement which establishes the Lessee’s obligations for Common Area maintenance costs, and (3) the

Agreement for the Acquisition of Ground Lease Interests, which has relatively few surviving obligations related to the Jack London Square property, and (4) a Property Rental Agreement related to two parking spaces used by the Lessee located on Clay Street. Pursuant to the terms of Section 25 of the 10 Clay Street ground lease, the Port must make a determination on a proposed assignment, subject to certain limitations, within 60 days from the submittal of a complete assignment request. The Port may object to an assignment of the ground lease in the following circumstances: 1) an assignment to the identified assignee would violate an existing policy adopted by the Board; or 2) the proposed assignee is not capable, financially or otherwise, of performing the obligations under the ground lease and any other documents to be assigned. A site plan indicating the location of the 10 Clay Street ground lease is included as an attachment to this report for reference.

ANALYSIS

As part of the assignment request, the Lessee submitted various documents to the Port, including information related to the financial wherewithal of the proposed Assignee, the operational and business experience of the Assignee, and copies of the proposed transaction documents. Port staff has reviewed these documents and has met representatives from the Assignee as part of the Port's due diligence for this matter.

The proposed Assignee is a newly formed limited liability company which is an affiliate of the Oakland Athletics. The Oakland Athletics and their related companies, own, manage and have developed several properties throughout the Bay Area region, including the recent construction of 350,000 square feet of Class A office space in San Jose, ownership and operation of 250,000 square feet of Class A office space in San Francisco, as well as ownership of 300,000 square feet of Class B office space for more than ten years that has since been demolished in anticipation of being redeveloped into 1500 new housing units in Santa Clara. The Oakland Athletics recently relocated their company headquarters to the third floor of 55 Harrison Street in Jack London Square, four blocks from the 10 Clay Street site, where they employ approximately 200 employees. The proposed Assignee, and their affiliate the Oakland Athletics, have substantial financial wherewithal as evidenced in the submittal documentation to the Port.

Port staff provided notice of the proposed assignment to the State Lands Commission ("SLC") on July 18, 2018, as required by the Stipulated Judgment for the Jack London Square Project that was executed in 2005. The SLC has 30 days to provide any comments or feedback on the requested assignment prior to the Port approving any such request. On July 26, 2018, SLC indicated in writing to the Port that they do not object to the proposed assignment request.

Based upon the analysis above and in the information submitted as part of the assignment request, staff believes that the proposed Assignee has the financial wherewithal and operational experience to meet the requirements for approval of an assignment of the subject ground lease and related property agreements, and recommends approval of this assignment request.

BUDGET & STAFFING

The proposed assignment of the subject ground lease and related agreements will have no impact to the approved budget as there are no modifications to any of the financial terms of the existing agreements being assigned. The proposed assignment will not have any impact on staffing as the current ground lease is managed by existing Commercial Real Estate Division staff.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

- Goal: Grow Net Revenues

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to this matter because tenancies outside of the Aviation and Maritime areas with entities that do not principally provide aviation or maritime services are excluded from the Living Wage Regulations.

SUSTAINABILITY

Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that present sustainability opportunities.

ENVIRONMENTAL

CEQA Determination

Execution of the proposed assignment of the 10 Clay Ground Lease in Jack London Square is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 "Existing Facilities" of the CEQA Guidelines which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. Approval of the proposed assignment of the existing lease falls within this class

of exemptions. No additional environmental review is required to take the action recommended in this Agenda Report.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

- Approve the requested assignment of the subject ground lease and related agreements from 10 Clay Street, LLC to Oakland Clay Partners, LLC. This is the recommended action.
- Do not approve the requested assignment of the subject ground lease and related agreements from 10 Clay Street, LLC to Oakland Clay Partners, LLC. In order to pursue this option, the Port will need to determine that the assignment would violate an existing policy adopted by the Board or that the proposed assignee is not capable, financially or otherwise, of performing the obligations under the ground lease and related agreements to be assigned.

RECOMMENDATION

Adopt a resolution to approve and authorize the Executive Director to execute an assignment of an existing ground lease and related agreements from 10 Clay Street, LLC to Oakland Clay Partners, LLC, for property located at 10 Clay Street within Jack London Square, and any related documents or agreements to effectuate this transaction, subject to the approval as to the form and legality of those documents by the Port Attorney. Furthermore, if the subject assignment is not fully effective within 60 days after Board approval, this approval shall be null and void, unless extended at the sole and absolute discretion of the Executive Director or his designee.

Attachment: Site Map of 10 Clay Street