

DRAFT ASSET MANAGEMENT REPORT

Presented to

OAKLAND UNIFIED SCHOOL DISTRICT

September 2021



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EXECUTIVE SUMMARY

DCG Strategies, Inc. (“DCG”) was engaged by The Oakland Unified School District to provide asset management and real property consulting services. At the direction of the District, DCG has completed a strategic real estate analysis on the following properties.

- **Former Administrative Building:** 1025 2nd Avenue, Oakland, CA 94606
- **Washington Childhood Development Center:** 581 61st Street, Oakland, CA 94609
- **Golden Gate Childhood Development Center:** 6232 Herzog Street, Oakland, CA 94608
- **Bond Street Annex School:** 1710 45th Avenue, Oakland, CA 94601
- **Vacant Land:** 4529 Foothill Avenue, Oakland, CA 94601
- **Hillsdale Academy:** 2369 84th Avenue, Oakland, CA 94605

In an effort to think more strategically about their real property assets to ultimately achieve and advance academic outcomes, the District engaged DCG to provide a review of each site from a real estate and zoning perspective.

We applaud Oakland Unified School District for taking this first step: a high-level review of underutilized sites. Our hope is that this real property review will aid in informing greater strategic discussions surrounding the properties and the District can effectively utilize each site for the betterment of students and the greater community as a whole.

A high-level review of underutilized sites affords the District the opportunity to think strategically about its assets. With this, our intent is to provide the District with the necessary data to determine which sites to further analyze based on those that have the greatest opportunity to generate the best opportunities. This allows the District to spend time and resources on properties we are confident will have the greatest social and economic return.

OAKLAND MARKET ANALYSIS

With a population of 433,031 as of 2019, Oakland is the largest city in the East Bay and the third largest in the San Francisco Bay Area. Oakland’s location in the Bay Area allows the city to benefit from being rooted in a stable economy, with many corporate employers in a variety of sectors such as healthcare, public service, and transportation.

Oakland has numerous higher education institutions: two community colleges, Merritt College and Laney College; a registered nurse college, Samuel Merritt College; and Mills College, with undergraduate and graduate degree programs. This range of education opportunities within Oakland further helps diversify its economy and educate its existing workforce. As of March 2021, the unemployment rate for the Oakland-Hayward-Berkeley area was 6.6 percent. This unusually high unemployment rate is likely due to the impacts of Covid-19 as between February 2019 to February 2020, the unemployment rate ranged from 2.7 percent to 3.6 percent, with a high of 14.8 percent in April 2020. This compares with a similar trend in California overall where there was an unemployment peak of 16 percent in April 2020 and current rates at 8.3 percent as of March 2021.

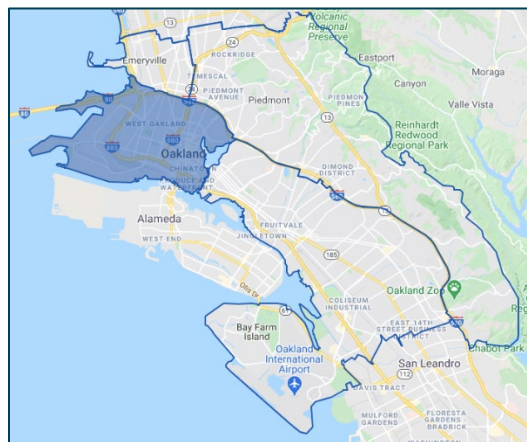
Oakland and its surrounding cities have seen stable population growth, an increase of businesses, and increased residential development activity. In March 2021, Oakland home prices were up 5.4 percent compared to last year, with a median home sales price of \$830,000. On average, homes in Oakland sell after 13 days on the market compared to 15 days last year. Additionally, the median home value in Oakland is \$891,893.

The homeownership rate in Oakland is 40.7 percent, which is lower than the California average of 54.8 percent. As of March 2021, the average rent for an apartment in Oakland was \$2,661, a 9% decrease from the previous year, likely due to the impacts of Covid-19. The average size for an Oakland apartment is 781 square feet, which varies greatly depending on unit type, with cheap and luxury alternatives for houses and apartments alike. Studio apartments are the smallest and most affordable, 1-bedroom apartments are closer to the average, while 2-bedroom apartments and 3-bedroom apartments offer a more generous square footage.

OAKLAND MULTI-FAMILY MARKET

DOWNTOWN OAKLAND MULTI-FAMILY SUBMARKET

The Downtown Oakland Submarket is currently experiencing a development wave that is likely to continue over the next several years. Downtown Oakland saw demand slow as a result of the pandemic and renters looking for living arrangements that would limit the number of people they come in contact with. The new complexes in the area were designed to appeal to well-paid employees looking to live near their work in Oakland, for quick commutes to Downtown San Francisco, or other BART-accessible employment hubs in the Bay Area. The submarket is serviced by 3 BART stations.



Vacancy

The vacancy rate has been rising for several years, and is currently approximately 18%, due to supply

pressure. A closed downtown area and expanded remote working trends have significantly reduced the demand for expensive/luxury apartments near transit, which comprise the bulk of new construction in the submarket. In total, the current construction pipeline and projects delivered over the past several years will yield an approximate 60% increase in inventory. This is expected to keep vacancies elevated until the majority of new supply in the coming years can be absorbed. A factor in the vacancy rate will be Downtown Oakland's ability to attract larger corporations who employees would then be more likely to move into the area. Square signed a lease for all of CIM Group's recently completed Uptown Station redevelopment project, and Credit Karma signed a significant lease at the new 1100 Broadway project. Additionally, PG&E announced plans to move its headquarters from San Francisco to Downtown Oakland by 2022.

Rent

The significant development activity combined with the pandemic has been placing downward pressure on rental rate growth. Rent growth will continue to be challenged as a weaker economy, slower demand, and supply pressure make it more difficult for landlords in the area to raise rent. The average asking rent in the Downtown Oakland submarket is currently \$2,360/month. This is well above the East Bay average as a whole, but below Emeryville, and still well behind San Francisco. Rents can vary significantly by location in the Downtown Oakland submarket. A 3-star property in Adams Point near Lake Merritt has a rental rate about 30% higher than a similar 3-star property in West Oakland. West Oakland struggles with several issues and is hemmed in by freeways that cut off the area from Downtown Oakland and Emeryville, preventing the kind of cross-traffic that might make the area more vibrant and attractive.

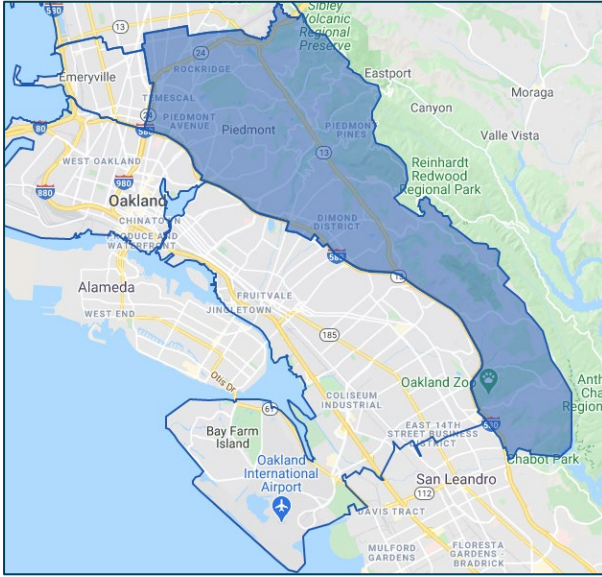
Construction

There have been over 4,500 units delivered to the submarket since the beginning of 2015. In addition, there are currently 2,400 units under construction. This will represent a significant increase in total inventory of around 60%. There are more than 15 projects with over 200 units, mostly along Broadway and the City's downtown core. Previously, developers communicated uncertainty over zoning and building height restrictions as impediments to building in the area. The City has ushered in an increase to new mixed-use retail, office, and multifamily projects through specific area plans like the Broadway/Valdez District Specific Plan, Lake Merritt Station Area Plan, the West Oakland Specific Plan, and the in process Downtown Oakland Specific Plan. The largest project under construction in the submarket is Holland Partner Group's VESPR high rise on 27th Street. It is an 18-story mixed use-project with 437 units. Another significant project is the 333-unit mid-rise Webster Eleven project on 12th Street being developed by The Martin Group.

Sales Transactions

The Downtown Oakland submarket has seen consistent investment interest averaging over \$150 million in annual sales volume of the past five years. Even with the pandemic, deal volume held up well at around \$200 million. This is a positive sign that investors may have long-term optimism for the submarket. The average price per unit is approximately \$470,000. There were several large deals in the area during 2020. Global Asset Capital Inc. purchased the new 140-unit Lantan Uptown from Wood Partners in June 2020 for almost \$77.9 million (\$556,000/unit). The property sold while still under construction and was completed several months later. In October 2020, Watt Companies Inc. purchased an 8-story property portfolio totaling 257 units for \$79.9 million (\$310,000/unit) from Mosser Companies.

OAKLAND HILLS MULTI-FAMILY SUBMARKET



The Oakland Hills Multi-Family Submarket encompasses the northeastern portion of Oakland and includes the wealthy enclaves such as Piedmont, Rockridge, and Montclair. It consists of primarily single family-housing neighborhoods along with small apartment buildings. The Rockridge and MacArthur BART stations service the area along with various popular retail districts along Telegraph Avenue, College Avenue, Piedmont, and Montclair. The majority of the apartment inventory is located in smaller, older buildings constructed pre-1970.

Vacancy

Historically, demand has remained consistent, although not robust, and vacant units tend to be rare.

But the pandemic has negatively affected the apartment demand, with the slowdown in demand coinciding with continued supply pressure. Pre-pandemic, the limited new construction kept vacancies low. The combination of slower demand and new supply deliveries has caused the vacancy rate to increase above 14%. The vacancy rate could remain elevated for an extended period, as new projects face longer lease-up times than previously anticipated. Before the pandemic, the new projects were leased up quickly, which showcased the strong demand for transit-oriented apartment complexes. While access to transit should continue to be a long-term demand driver, in the short term, working from home due to the pandemic is likely to reduce the premium renters had been willing to pay.

Rent

Average asking rent is currently approximately \$2,150/month which is near the metro average, but well below Downtown Oakland. Rent growth trends have reversed sharply lower since the onset of the pandemic, as demand and population flows have turned against more urban areas and away from expensive transit-oriented projects. 3-bedroom units in the area have seen rental decreases over 8% since the start of the pandemic. Asking rents in the newer product that has been delivered recently is commanding a healthy premium over the rest of the submarket. Asking rent in 4- & 5-Star buildings is averaging around \$2,700/month.

Construction

After years of no new supply in the Oakland Hills Submarket, new units began to deliver in 2014. Since that time, over 1,300 new units have been delivered to the submarket, an increase of over 10%. Nearly all of the new and under-construction units are located in the western portion of the submarket along Telegraph Avenue and Broadway, near the two submarket BART stations. Two of the largest projects to deliver recently are located across the street from each other at the MacArthur BART Station. The 385-unit MacArthur Commons became the largest building in the submarket when it was completed at the end of 2018. MacArthur Commons only held that designation for a brief time. The Skyline at Temescal, a 24-story, 402-unit high-rise developed by Boston Properties completed construction in 2020, becoming the largest complex in the submarket.

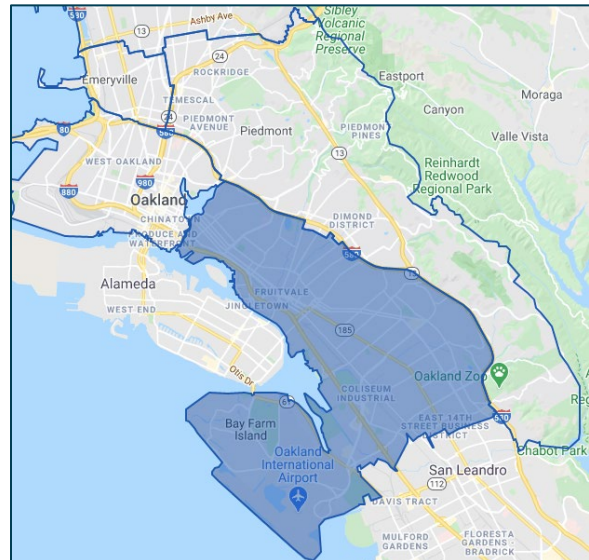
DCG STRATEGIES | OAKLAND MARKET ANALYSIS

Sales Transactions

Overall sales volume in the Oakland Hills submarket has been approximately \$100 million over the past five years. Average asset pricing in the submarket currently measures approximately \$370,000/unit. Deal sizes usually average around \$3 million. The pandemic has caused a significant slowdown in the number of transactions, with 2020's total being the lowest in almost a decade. In recent years, total sales volumes have been elevated due to a few transactions including larger complexes. In March 2020, a private local buyer purchased the Baxter on Broadway for almost \$81 million (\$623,000/unit). The 130-unit property was a new build which had been completed in 2018. Similarly, 2019, saw several significant deals inflate sales volume. Based out of Austin, Texas, Cypress Real Estate purchased 4801 Shattuck from the developer, Westbrook Partners, in March 2019 for \$20.5 million (\$476,000/unit). The property's construction had recently been completed in 2017. In May of 2019, Bir Sing & Harrison Dhilion, purchased the Amador from Presidio Bay Ventures for \$19.4 million (\$776,000/unit). The 25-unit complex had completed construction a year prior to the sale.

EAST OAKLAND MULTI-FAMILY SUBMARKET

The East Oakland Multi-Family Submarket has some of the lowest rents in the East Bay, despite constantly registering some of the lowest vacancy rates in the Bay Area. The submarket's usually steady fundamentals are under pressure as the pandemic's effects and the related economic uncertainty weigh on occupancy rates and rent growth. Remote working has changed apartment demand patterns, but East Oakland has been more stable than many other submarkets. The submarket's connectivity to the rest of the Bay Area through public transit continues to be a strong draw. Transit-oriented developments around the Fruitvale BART station are adding appeal to the area.



Vacancy

Low vacancy rates in East Oakland can be attributed to the submarket's affordability and minimal development of market-rate units. There are fewer places in the Bay Area with more affordable housing than East Oakland. With few options, persistent demand has kept volatility to a minimum. But recent negative trends in demand caused by the pandemic have created an increase in the vacancy rate to just under 6%. With the expected supply increases over the next several years through current and planned construction, the vacancy rate has the possibility of increasing further.

Rent

Weaker demand, aging complexes, and renters with limited incomes have resulted in rents lower than other parts of the East Bay. The submarket's average asking rent of \$1,620/month trails the metro average by around \$600/month. The lack of new construction and population growth has kept the vacancy rate low and allowed for moderate rent appreciation. But rent growth lagged behind the metro average throughout the recent economic expansion period, posting one of the lowest cumulative rent growth totals in the East Bay. A factor in the lower total rent growth is due to the lower quality inventory and muted tenant demand in the less well-connected parts of East Oakland which also lack complimentary retail and commercial uses.

Construction

There have been few large market-rate projects started or completed in East Oakland over the recent years.

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However, developers are becoming more active in certain parts of East Oakland. Most new units added to the submarket over the past decade have been rent-restricted or rent-subsidized affordable housing complexes. Exceptions to this general trend included the 241-unit Orion Apartments, the first phase of the Brooklyn Basin Development, the 110-unit Coliseum connection complex, and the 60-unit adaptive reuse of a church, The Rose on Bond. There are currently over 250 units under construction in East Oakland and a number of proposed projects which are largely centered around Lake Merritt and Jack London Square. The Brooklyn Basin development, scheduled for 2027 completion, is planned across four phases for 3,100 housing units, of which 465 will be affordable housing.

Sales Transactions

As one of the largest submarkets by total unit count, East Oakland typically experiences a relatively high volume of transactions each year. Between 2013 and 2018, over 100 deals were completed annually. There was a sizeable pull back in transaction volume in 2019 which was accelerated greatly by the pandemic throughout 2020. The Overall sales volume, statistically, was relatively normal based on a few large sized portfolio deals. For example, Wyatt Companies Inc. purchased a portfolio of 257 units in October 2020 for roughly \$80 million or \$310,000 per unit. The average transaction size in East Oakland historically is relatively small, under \$2 million. This is due to the relative lower quality and age of most of existing buildings. The average per unit sales price is approximately \$270,000 per unit which is one of the lowest in the metro.

OAKLAND OFFICE MARKET

DOWNTOWN OAKLAND OFFICE SUBMARKET

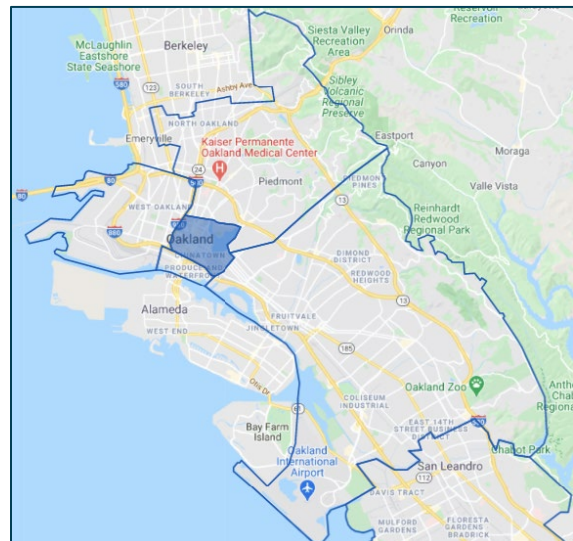
The Downtown Oakland submarket is the largest office submarket in the East Bay and is at the center of the East Bay's freeway and transit network. Downtown Oakland has been one of the biggest beneficiaries of the growth of the rental market in San Francisco. With such a wide rental gap, there's a continued incentive for Tenants to look to Downtown Oakland as their leases expire. The submarket is serviced by two BART stations, has easy freeway access, and a large inventory of multifamily projects existing and currently under construction or proposed.

Vacancy

Net absorption trends have been mixed for several years. The pandemic has caused leasing activity to decline significantly as many are still working from home. The vacancy rate in Downtown Oakland currently measures around 15%. This is up from lows of around 6% in 2016. Some contributors to the vacancy rate are recently completed buildings. In 2019, the Shorenstein's 601 City Center became the first major office project delivered since 2008. The project was 50% preleased, with Blue Shield taking roughly 225,000SF. But most of the remaining space in the project has remained available.

Rent

The submarket commands the highest average rents in the East Bay at around \$4.50/SF. The outlook for rent growth is uncertain due to the pandemic and the unknown aftermath affects. Expectations are that the



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submarket will keep its appeal but will experience a trend of negative rent growth. Currently the year over year rent growth is around -2%.

Sales Transactions

The pandemic sharply reversed transaction activity over the past several years. A few substantial transactions have contributed to the majority of recent volume. Average pricing for the submarket has been in the \$430/SF range. Sales volume was \$600 million in 2018 and over \$970 million in 2019. Portfolio and large sized transactions have contributed to the overall sales volume. Uptown Station was acquired in March 2021 for \$420 million (\$1,058/SF) by Singapore-based Mapletree Investments. The seller had completed a renovation in 2019. Blackstone was slated to purchase the property for \$405 million in 2020, but due to the pandemic they backed out leaving their \$20 million deposit.

NORTH OAKLAND OFFICE SUBMARKET



Located north of the Oakland Downtown submarket, North Oakland is a relatively small submarket. It's comprised of primarily residential areas and is serviced by two BART stations (Rockridge and MacArthur). Similar to other parts of the East Bay, the submarket has lacked a significant amount of new office building supply over the last couple of years.

Vacancy

The vacancy rate has been rising in the submarket, as office leasing has slowed, and businesses have been under continual pressure from the pandemic. Overall, vacancies in the submarket are relatively low at about 6.5% which is still among the lowest of any submarkets of the East Bay. Prior to the pandemic, tenant expansions

over the last several years had driven the vacancy to near all-time lows.

Rent

Rent growth had been slowing for several years heading in 2020. The pandemic has accelerated that trend as demand for office space lessens. Asking rent growth benefited from the submarket's low vacancy rate and strong demand for office space near Downtown Oakland during the recent economic expansion. Year over year rent growth in North Oakland outpaced the metro for much of the past decade, peaking in 2016 at close to 20%. Demand for office space is expected to be muted due to the pandemic. The aftermath is likely to lead to lower demand and slowdowns in rent growth and a decline in asking rental rates.

Sales Transactions

Typically, sales activity in the submarket is minimal given the smaller and aged character of most office assets in the submarket. On occasion, larger assets do trade, increasing the overall transaction volume. Most sales are under \$5 million. Investment activity is likely to slow considerably over the coming quarters. A recent example of a large transaction was the sale of the Dryer's Corporate Center at 5901 – 5937 College Avenue for \$30.6 million (\$620/SF) in December 2019. The sale was a part of a broader portfolio transaction including another small office property and four land parcels. It's likely the buyer is planning a redevelopment sometime in the future. The rise in rental rates has led to average sales pricing in the submarket to be around \$370/SF.

WEST OAKLAND OFFICE SUBMARKET

The West Oakland submarket is a small submarket and contains around 820,000SF of office space.

Vacancy

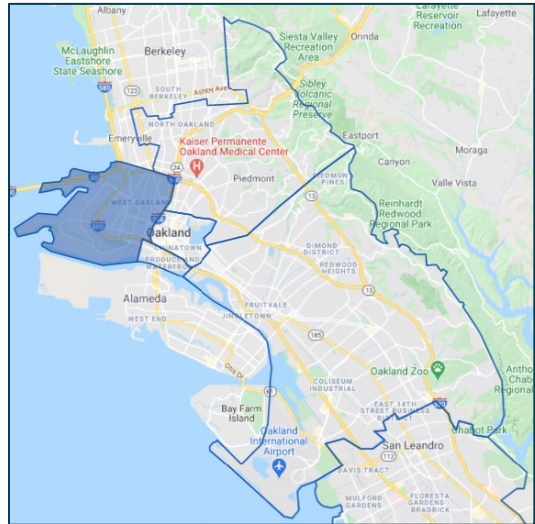
The vacancy rate has fallen somewhat over the past year, but at 10%, the rate was above the long-term average as of 2021. There are minimal supply-side pressures on vacancy with no notable construction underway and none over the past three years.

Rent

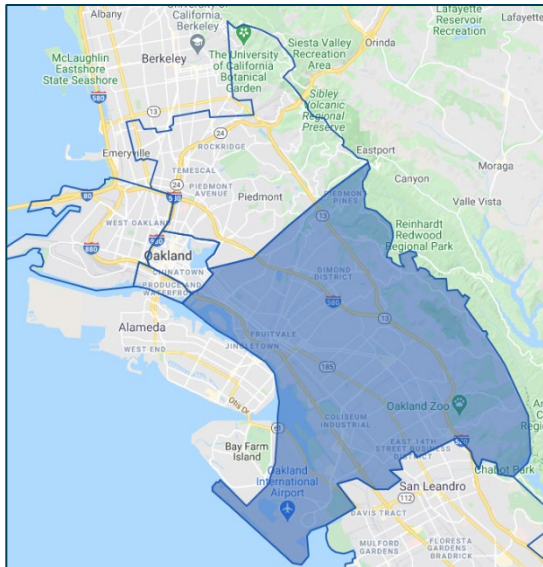
Net absorption over the past year was approximately 10,000SF. That's a positive after multiple years of negative net absorption. Over the past five years, the submarket has posted negative net absorption of -9,200SF per year on average. Over the past year rents fell modestly by 1.6%. Over the past decade, rents had increased quickly at about 8% annually.

Sales Transactions

The West Oakland submarket has seen about two sales over the past year, which is a little below the typical deal activity in prior years. The pandemic remains a major disrupter and is continuing to create uncertainty. The effects of the pandemic have the potential to redefine the use of office space. West Oakland as a submarket continually has investors looking to adaptively reuse space which may aid the sales activity in the coming quarters.



EAST OAKLAND OFFICE SUBMARKET



The East Oakland office submarket is moderately sized. The area around the airport consists of primarily industrial inventory, with office inventory consisting of a handful of sizeable office buildings mixed with a majority of older, small to medium-sized office buildings. The eastern portion of the submarket has small office buildings spread throughout the single family and multi-family residential uses. Overall, out of a total office inventory of nearly 5 million SF, only about 3% of the office space is located in 4- & 5-Star buildings.

Vacancy

The submarket took an extended length of time to recover from the great recession, but the vacancy rate began to compress rapidly in 2015. Similar to the rest of the East Bay metro, remote working and the fallout from the pandemic are expected to put pressure on the marketplace and future leasing. The submarkets current vacancy rate of 5.4% is well below the market vacancy rate which is above 12%. New office leases and existing renewals are expected to slow down as Tenants reassess space needs until the public health outlook can improve and employees can return to the office buildings. This slack in office demand will cut into rent growth trends and cause a further slowdown in asking rental rates in the coming quarters.

Rent

Year-over-Year rent growth in the submarket is measuring at almost -3% contracting quickly throughout 2020. Substantial rent gains in recent years, however, have not significantly narrowed the gap between the submarket and metro. Asking rents in East Oakland remain comfortably below those of most other East Bay submarkets.

Sales Transactions

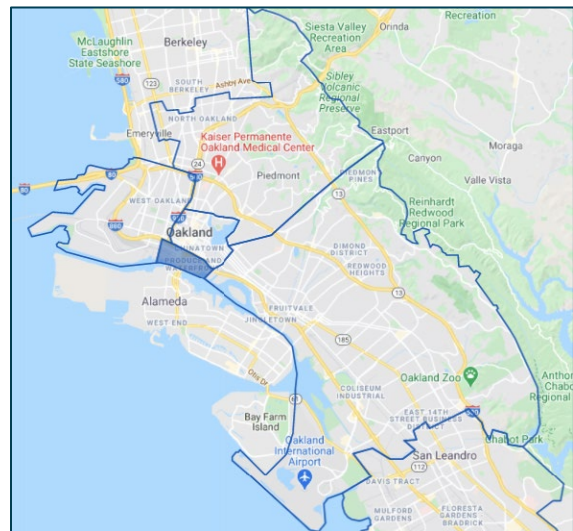
Investment activity is typically slow, and the last few years have followed that trend as only a handful of small properties have traded. Outside of the East Bay Regional Park District's 2019 purchase of 2955 Peralta Oaks Court for \$14.4 million (\$217/SF) there are few notable transactions over the last couple years.

OAKLAND-PORT/JACK LONDON OFFICE SUBMARKET

The Oakland-Port/Jack London Office submarket is serviced by the Lake Merritt BART Station as well as the ferry port connecting Oakland to Alameda, San Francisco's Pier 41, and Oyster Point. The submarket is also home to the commercial Port of Oakland office, the Oakland A's headquarters, and shipping logistics company Navis.

Vacancy

The vacancy rate has fluctuated in recent years, with current negative absorption pushing the submarket vacancy rate near 9%. The positive momentum experienced during the past several years has been offset by the pandemic's economic impact. Submarket vacancy rates are susceptible to further volatility as companies reassess future office space needs and potentially vacate surplus office space. Prior to the pandemic, positive absorption led the vacancy rate to lows closer to the most recent economic expansion.



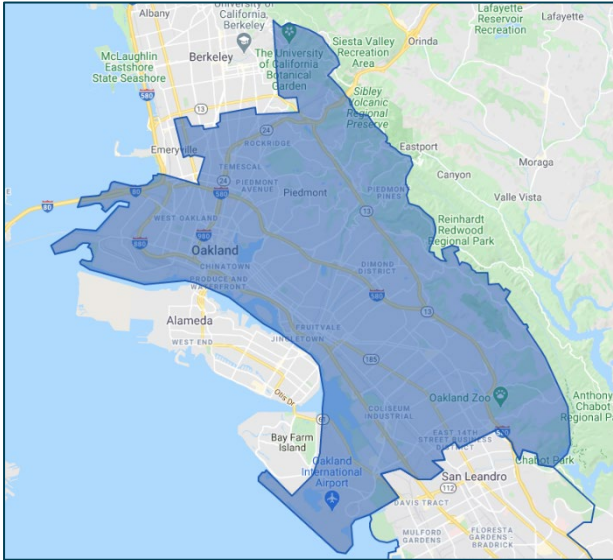
Rent

Even with fluctuations in the vacancy rate, rent growth has mostly outpaced the metro average since early 2015, likely benefiting from the proximity to the Downtown Oakland submarket. Similar to much of Oakland in various submarkets and property classes, the Port/Jack London submarket benefits from the continued price increases in San Francisco. The strong rental growth during the economic expansion has pushed rents in the submarket up to \$4/SF. But due to the impact of the pandemic, it's expected that rental prices will dip for multiple quarters.

Sales Transactions

The limited amount of inventory and construction also means that only a handful of sales have an opportunity of taking place each year.

OAKLAND INDUSTRIAL MARKET



Oakland is home to the East Bay region's two main drivers of industrial space, Port of Oakland and Oakland International Airport. Consisting of approximately 36 million SF, Oakland is one of the largest submarkets within the East Bay. Industrial inventory is primarily situated along I-880 near the Port of Oakland and Oakland International Airport, which are the main demand drivers. Interstate 880, 80, and 580, create robust connectivity through the rest of the Bay Area.

Vacancy

Since hitting cyclical low vacancy rates near 2% in 2016, there has been an increase over the last couple of years. The vacancy rate is currently just under 6%. The increased vacancy has been due to

increase in new construction and availability in existing buildings. Net absorption has been negative for the last three years, with most of it being concentrated in buildings built before 1980. This signals that the older buildings may not be suited to the more modernized industrial market. With a combination of older obsolete buildings and limited new construction, vacancies have a solid chance of staying in line with the greater metro. Also, robust rent growth over the past years likely weights on more cost-sensitive tenants with tighter profit margins. Leasing in 2020 was concentrated in some of the City's larger existing buildings. Quick Pick Express leased 130,000 SF and United Cold Storage leased 123,000 SF. Oakland is also known for having a considerable number of owner/users occupying industrial space. Owens Illinois, which specializes in glass container products, owns and operates a 450,000SF facility. Public shipping company Matson owns and operates a 400,000SF building on San Leandro Street.

Rent

Rent growth has been on the decline since 2016, following a similar trend seen across the broader East Bay market. The current economic downturn caused by the pandemic has further dampened growth, as leasing activity has slowed and vacancies have risen. While rent does remain positive at a little over 1% year over year growth, there's a feeling within the marketplace that rents could pullback over the following quarters. Average asking rent is approximately \$15/SF. As one of the larger submarkets in the metro, and with a mostly aging industrial inventory, asking rents do not rank highly in comparison to other submarkets in the metro.

Construction

New construction has been moderate over the past decade, with Oakland adding over 1.8 million SF since 2010, around a 5% of the City's inventory. Recent development activity has mostly been centered either near the Port of Oakland or Oakland International Airport with a single project planned in East Oakland along International Boulevard. Around the port, the Prologis Oakland Global Logistics building park will eventually include three buildings totaling 678,000SF. Two of the buildings were completed in 2017 and 2019. CenterPoint Properties is developing CenterPoint Landing, a planned 3-phase development on 123 acres at the Port of Oakland. The innovative Coll Port Oakland development was a build-to-suit collaboration between warehousing and logistics specialists along with the Port of Oakland. The facility will serve as a hub for temperature-controlled cargo moving through the port into Northern California. At 5441 International Boulevard, Bridge Development Partners purchased a 23-acre site from GE with the intent of constructing

DCG STRATEGIES | OAKLAND MARKET ANALYSIS

a 530,000 SF facility to be opened in the year 2022.

Sales Transactions

Investors have increased their activity in Oakland in recent years, averaging over \$180 million annually in sales over the past five years. Times of economic uncertainty typically led to a pullback in investment activity. However, overall volume didn't decline as much as what was likely expected in 2020, with several large transactions driving up the annual total in 2020. The number of deals completed in 2020 did decline though, registering the lowest total since 2010. But average led pricing has risen considerably since 2010, up to \$210/SF, still below the metro average by about 10%. One of the larger transactions in 2020 was Duke Realty Corporations' purchase of a two-building portfolio just off I-880. The two properties, 955 Kennedy Street and 1901-1991 Dennison Street, were fully leased at the time of sale. The purchase price was reported to be \$53 million (\$184/SF).

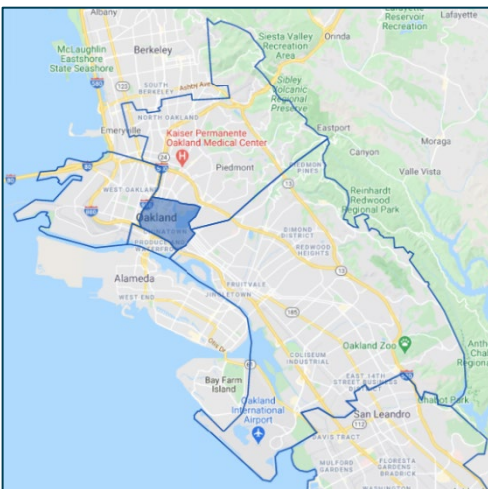
OAKLAND RETAIL MARKET

NORTH OAKLAND RETAIL SUBMARKET

Retail vacancies were slightly elevated at 4% relative to the five-year average during Q2, and trended upwards over the last year. The rental rate of \$2.85/SF is down almost 4% over the past year. Construction has been minimal with relatively little supply increase over the past several years. The North Oakland retail submarket is considered a fluid market with consistent trading over the past several years until the pandemic. Sales pricing of around \$370/SF is above the general pricing for the region.



DOWNTOWN OAKLAND RETAIL SUBMARKET

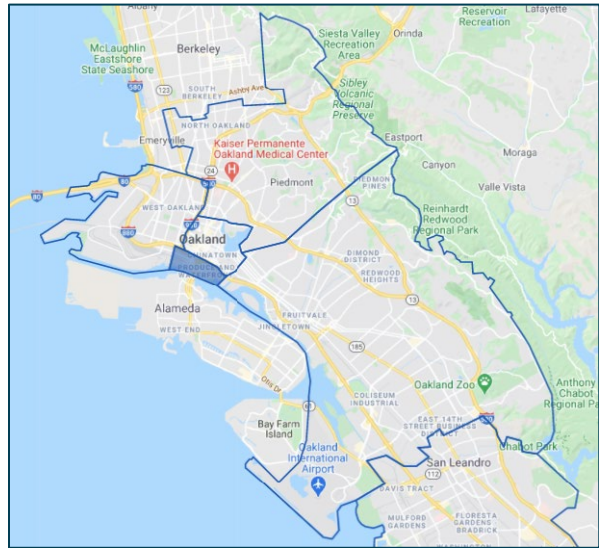


Retail vacancies in the submarket were above the five-year average during Q2, and has trended upwards in the past year. The vacancy rate of almost 7.5% also sits above the overall market's average around 5%. Retail rents have fallen year-over-year by -1.7% to \$2.75/SF. Rental rates are above the metro market average. Regarding construction, developers have not been eager to add supply over the past couple years. Inventory has contracted with various retail buildings being purchased for redevelopment. Properties trade with some regularity but the pandemic slowed deal flow over the past years. Current sales pricing is just under \$300/SF.

DCG STRATEGIES | OAKLAND MARKET ANALYSIS

OAKLAND PORT/JACK LONDON RETAIL MARKET

Retail vacancies in the submarket were above the five-year average during Q2, and have jumped significantly in the recent year. Retail rents have fallen year over year by about -2.4% and are sitting just over \$2/SF. Construction in the submarket does not appear to be applying any supply side pressure due to a relatively empty construction pipeline. The retail investment market in this submarket is not overly dynamic. Retail properties in the area trade with little regularity with the pandemic slowing that pace to a crawl. Most updated pricing has sales at roughly \$250/SF.



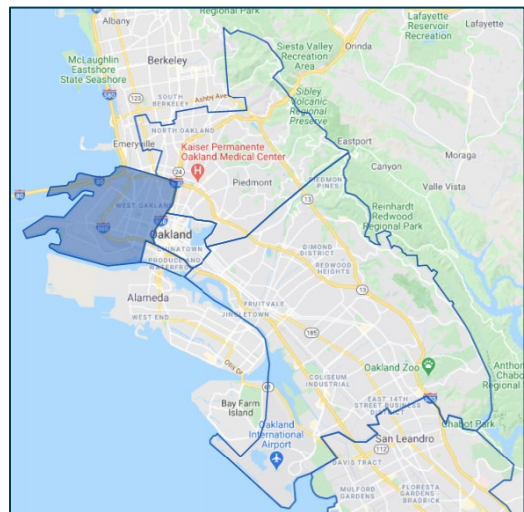
EAST OAKLAND RETAIL SUBMARKET



Retail vacancies in East Oakland were roughly in line with the five-year average during Q2, and they were mostly unchanged from the time a year ago. The rate also comes in below the region's average. Meanwhile, rents have collapsed in the past year by approximately 4.5%. After a downward trend in new supply, construction is beginning to pick up. East Oakland retail submarket is a liquid investment market with consistent sales. Rental rates are generally below \$2/SF which is below the larger metro. Also below the larger metro is the submarkets average sales pricing of \$253/ SF. The pandemic's positive impacts on e-commerce are likely to lead to slow growth in the East Oakland submarket.

WEST OAKLAND RETAIL SUBMARKET

Retail vacancies in the submarket were above the five-year average during Q2, and have increased to over 4.5% in the past year. The construction pipeline is relatively empty leading to no supply pressure. Rents are hovering around \$2.40/SF which is a year-over-year decrease of about -1%. Retail investors are relatively active in the submarket, but the pandemic cooled the market over the past years. Sales pricing is around \$250/SF on retail properties that are sold.



OAKLAND ZONING & GENERAL PLAN

In local governments, the General Plan sets forth long-term policies that guide future development and the Zoning Ordinance implements general plan policies via detailed development regulations, such as specific use types and building standards. To illustrate its importance, all subdivisions, public works projects, and zoning decisions must be consistent with the general plan. As such, a general plan serves as a city's "blueprint" for future development.

As a policy document, the purpose of a general plan is to establish a citywide vision and consistent direction for future development. It reflects community priorities, values, and includes supporting goals, policies, and implementation measures to achieve the community's vision. The General Plan is an overarching visioning document that governs the philosophy of land use.

Furthermore, California law requires specific topics, also called elements, to be covered in a general plan (Gov. Code § 65302). Required elements include land use, circulation, housing, conservation, open space, noise, and safety. State law allows a jurisdiction to include within its General Plan any other element(s) that it sees fit.

The City of Oakland is currently in the process of updating its General Plan. The current General Plan has not been comprehensively updated in over 20 years; however, specific elements have been added and/or updated throughout the years. As the City is in the beginning stages of the update, review and adoption of the final plan is expected mid-2025.

The General Plan update is a once-in-a-generation opportunity for Oaklanders to work together to create a visionary blueprint for Oakland's future over the next two decades. The update will occur in two phases, guided by a set of core principles rooted in equity. At minimum, the District should participate in this process to ensure it influences future land use policy for all of its sites. Should the District be absent from this process, the community will make the decisions for the District leaving the potential for future uses to be in conflict with Districts plans and policies.

In addition to the General Plan, zoning laws help to ensure that a community is laid out in the most convenient and efficient manner and that areas reserved for related and complimentary uses are located in close proximity.

Furthermore, Oakland has adopted Area Plans. Also known as community or neighborhood plans, Area Plans serve to guide decisions about the physical development of a given community or district. These plans allow for specific, local application of the more broad-based policies contained in the City General Plan. Area plans provide additional specific regulations that must be adhered to.

The City of Oakland has nine Neighborhood and Specific Plans that influence land use policy for those designated areas.

- Broadway Valdez District Specific Plan
- Central Estuary Area Plan
- Coliseum Area Specific Plan
- Downtown Oakland Specific Plan (Downtown Plan)
- Lake Merritt Station Area Plan
- North Oakland Hill Area Specific Plan
- West Oakland Specific Plan
- East Oakland Neighborhoods Initiative

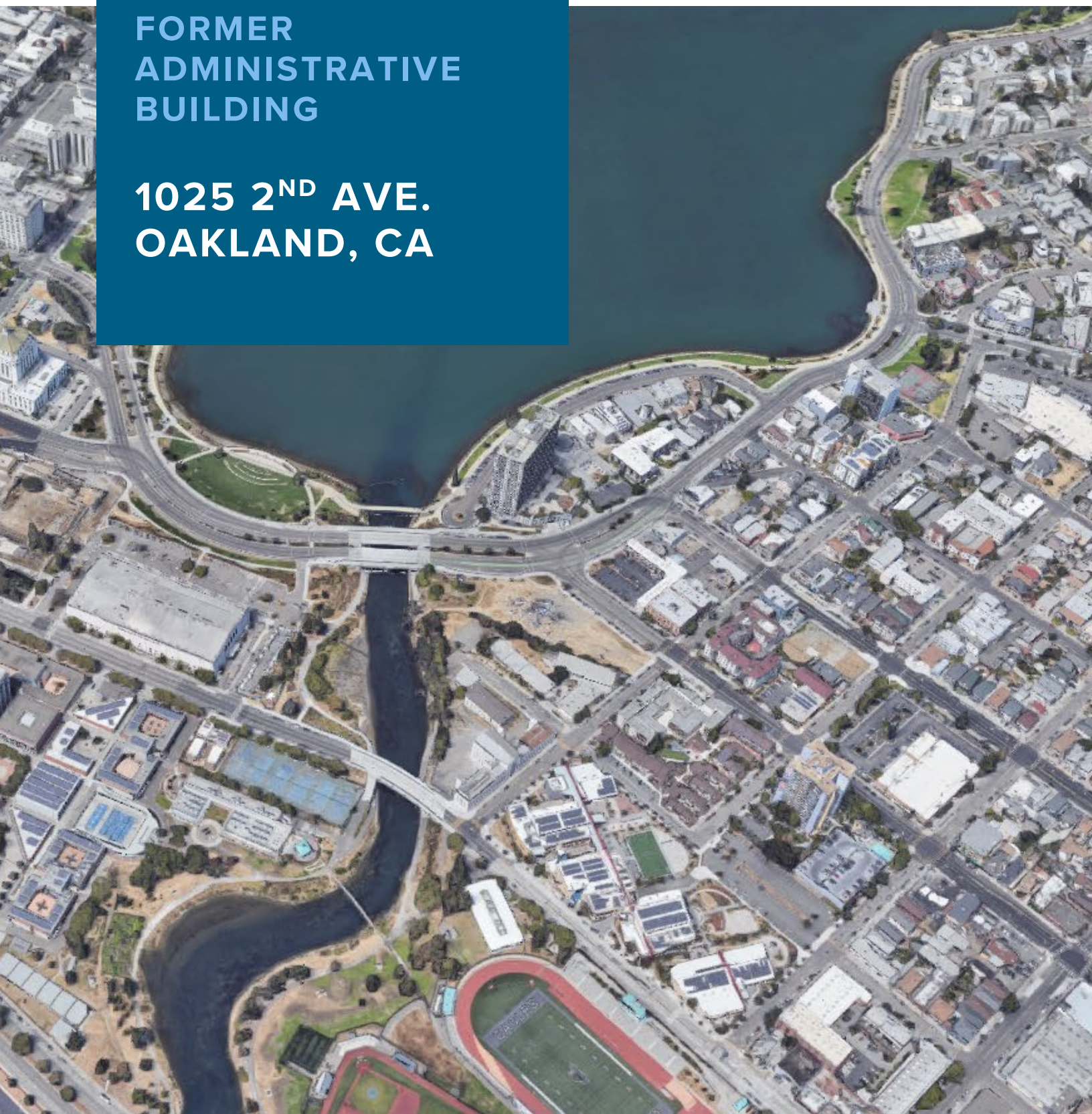
DCG STRATEGIES | OAKLAND MARKET ANALYSIS

- Gateway Industrial District (portion of former Oakland Army Base)

Of the sites reviewed in this current scope of work, only the former administrative building at 1025 2nd Avenue is located within a specific area plan. This site is located within the Lake Merritt Station Specific Plan and is a part of the “Eastlake Gateway Zone” of the plan. The specifics of the area plan are further detailed in the site findings on the following pages.

**FORMER
ADMINISTRATIVE
BUILDING**

**1025 2ND AVE.
OAKLAND, CA**



FORMER ADMINISTRATIVE BUILDING

Location:
1025 2nd Avenue
Oakland, CA 94606

Assessor's Parcel Number:
19-25-2-5

Zoning:
D-LM-1: Lake Merritt Station Area
District Mixed - 1 Residential Zone

Property Class:
Commercial

Size of Study Area:
65,484 SF (1.5 acres)

General Plan:
Urban Residential

Current Use:
Vacant

Opportunity Zone:
Yes



PROPERTY DESCRIPTION

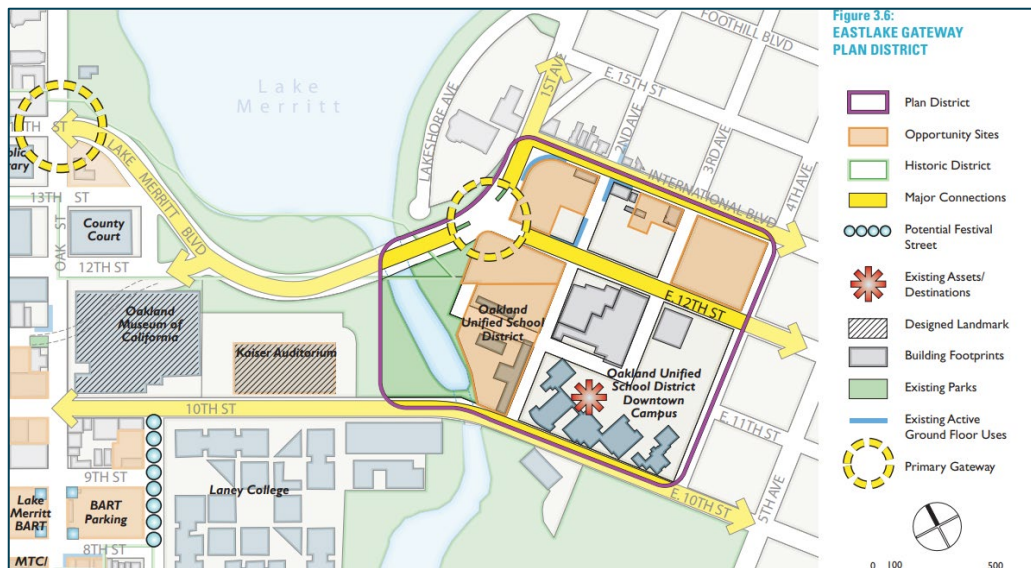
The property is located at 1025 2nd Avenue and rests in the Merritt neighborhood in the City of Oakland. The site is a 1.5-acre, irregularly-shaped parcel containing three building improvements which served as the district’s former administrative office. The vacant site has direct accessibility via E 10th Street, 2nd Avenue, and E 11th Street.

The site is bordered by educational facilities at all directions, with the exception of the Lake Merritt Channel on the north and northwest. There are a range of surrounding amenities such as restaurants, hair salons and more within a block of the property. Per LandVision, title to the parcel is vested in Oakland Unified School District.

GENERAL PLAN

The parcel is designated as Urban Residential, per the City of Oakland’s General Plan. The Urban Residential District is intended to be an area appropriate for multi-unit, mid-rise or high-rise residential structures in locations with good access to transportation and other services. This residentially focused area also allows a variety of ground floor uses that are compatible with a residential area.

AREA PLAN – EASTLAKE GATEWAY



The property is located within the Lake Merritt Station Specific Plan and is a part of the “Eastlake Gateway Zone” of the Specific Plan. According to the City of Oakland, The Lake Merritt Plan, adopted in December 2014, envisions a high-intensity neighborhood around a rejuvenated Lake Merritt BART station. Its goal is to maintain, combine, and encourage the cultural and recreational resources that make the area around the transit station unique.

The vision for the Eastlake Gateway seeks to balance increased vitality and safety resulting from new residential and retail development with new public amenities. These include more open space and improved access and linkages to existing and planned community resources and open spaces. The Plan seeks to ensure new development in this district creates a distinctive, welcoming, and landmark quality gateway.

The following Land Use Policies apply to guide potential development within the Eastlake Gateway District:

LU-35 Urban residential and neighborhood commercial. Promote development in the Eastlake Gateway Plan District that is mixed use, with retail and other active uses at the ground floor and primarily high-density residential uses above.

LU-36 Building height transitions. Allow building heights that step down from the tallest buildings along the Lake Merritt Channel, creating a transition to the lower-rise development in the Eastlake neighborhood.

LU-37 New residential, retail, and community resources. Balance increased vitality and safety resulting from new residential and retail development with new public benefits that serve the existing and new population, such as more open space, community resources, and improved access and linkages.

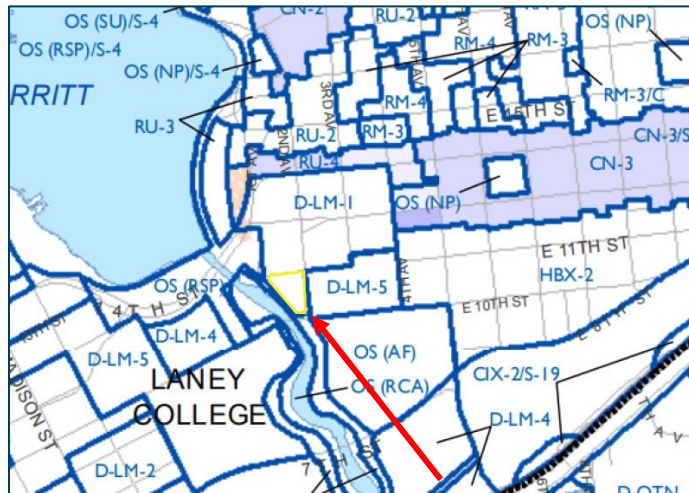
LU-38 Gateway. Create a distinctive, welcoming, active and landmark quality gateway, through the following:

- Public realm improvements including new open spaces along the channel and streetscape improvements.
- Ensuring high quality building design.
- Active ground floor uses along East 12th Street at 1st Avenue.

LU-39 New Lake Merritt Channel improvements. Establish an improved greenway along the Lake Merritt Channel, in part by obtaining public easements and requiring new buildings to be set back from the Channel edge in order to establish public access along the eastern edge of the Lake Merritt Channel.

LU-40 City-owned remainder site. Redevelop the City-owned remainder site on Lake Merritt Boulevard with landmark quality design, high density residential, and active ground floor uses that complement the waterfront.

ZONING



The parcel is located in the D-LM-1 Lake Merritt Station Area District Mixed Residential Zone which allows for the development of multifamily and two-family dwellings. The intent of the D-LM-1 Lake Merritt Station Area District Mixed Residential Zone “is to create, maintain, and enhance areas of the Lake Merritt Station Area Plan District appropriate for high-density residential development with compatible Commercial Activities.”

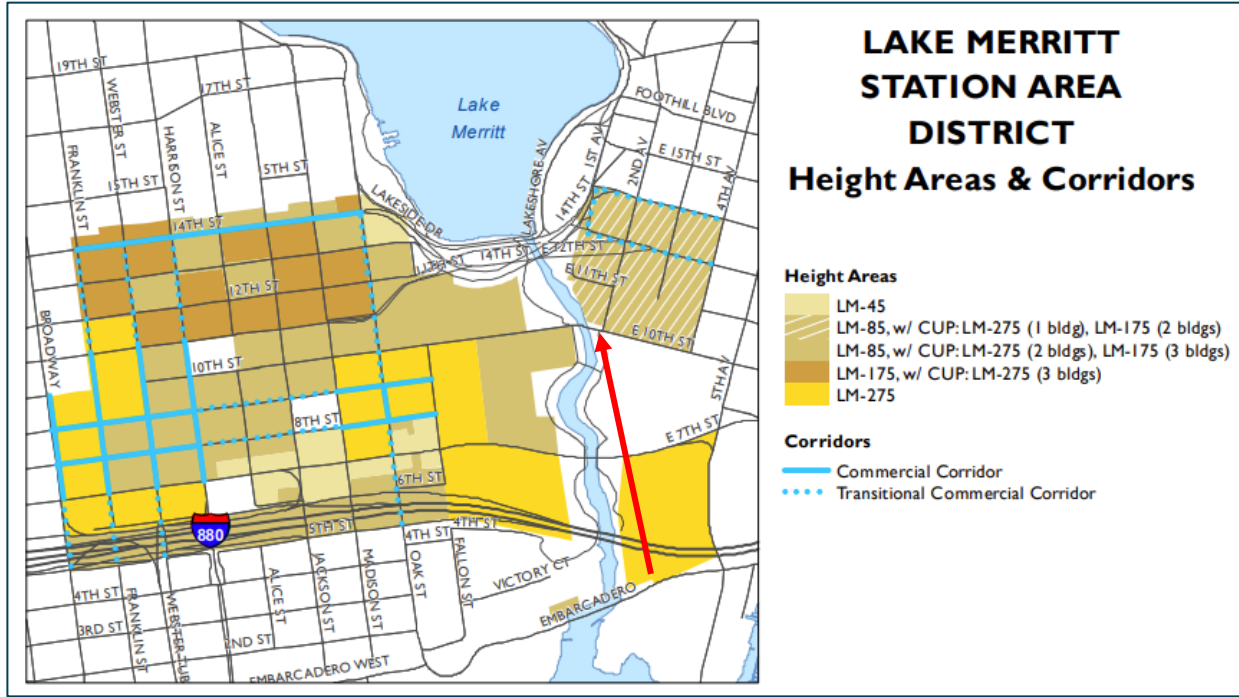
The following are permitted uses allowed in the D-LM-1 zone:

Two-family residential, multi-unit residential, residential care, supportive housing, transitional housing, bed and breakfast, rooming house, limited childcare services, community assembly, recreational assembly, community education, non-assembly cultural, general food sales, restaurants, medical service, general retail sales, consumer service, consultative and financial services, consumer cleaning and repair service, limited agriculture, business, communication, and media services, personal instruction and improvement services.

The following are conditionally permitted uses allowed in the D-LM-1 zone:

Emergency Shelter, Semi-Transient, health care, automotive, free parking, convenience markets, and more.

ADDITIONAL ZONING CONSIDERATIONS

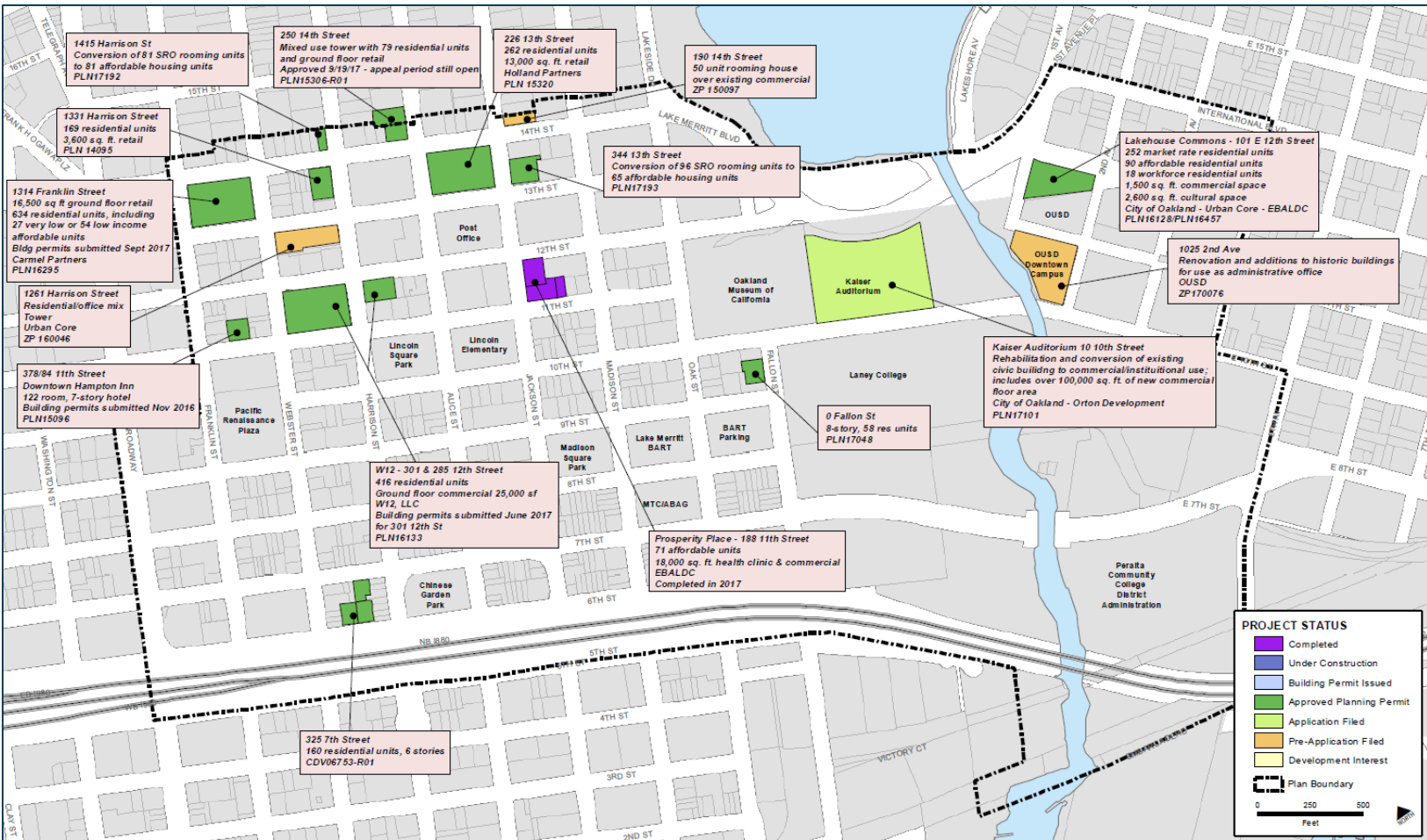


LM-85: The Property is further zoned in the LM-85 height area, which specifies a maximum building height of 85 feet. Exceptions to the 85' height limit can be awarded within this zone— with a maximum of two buildings being awarded a height limit of 175' (LM-175 Zoning) and one building being awarded a 275' height limit (LM-275 Zoning). Conditions are granted subject to Planning Commission and City Council action. It should be noted that if the project seeks a conditional use approval, the entitlement process is open to public review and at the discretion of the Planning Commission.

SURROUNDING NEIGHBORHOOD

The property benefits from its surrounding location within a walkable community, surrounding multifamily residential development, and its proximity to Lake Merritt. Further benefits of the property include its proximity to amenities such as Lake Merritt Bart Station, the Oakland Museum, a variety of education facilities from pre-school to community college, parks, convenient access to AC Transit, and major commute arterials.

SURROUNDING DEVELOPMENT



Located in the Lake Merritt Station Area Plan, the property is surrounded by current and future development projects. Most notably, it is within walking distance to the highly anticipated, 215,000 square foot Henry J. Kaiser Auditorium rehabilitation and redevelopment, consisting of a mix of commercial and institutional use. The above project status update highlights the development projects in the area plan and their status as of September 2017.

WASHINGTON CDC

581 61ST ST.
OAKLAND, CA



WASHINGTON CDC

Location:
581 61ST Street
Oakland, CA 94609

Assessor's Parcel Number:
15-1375-1

Zoning:
RM-2 Mixed Housing Type
Residential

Property Class:
Commercial

Size of Study Area:
~15,800 SF (0.36 acres)
(Partial site measured via Google Earth)

General Plan:
Institutional

Current Use:
Vacant

Opportunity Zone:
No

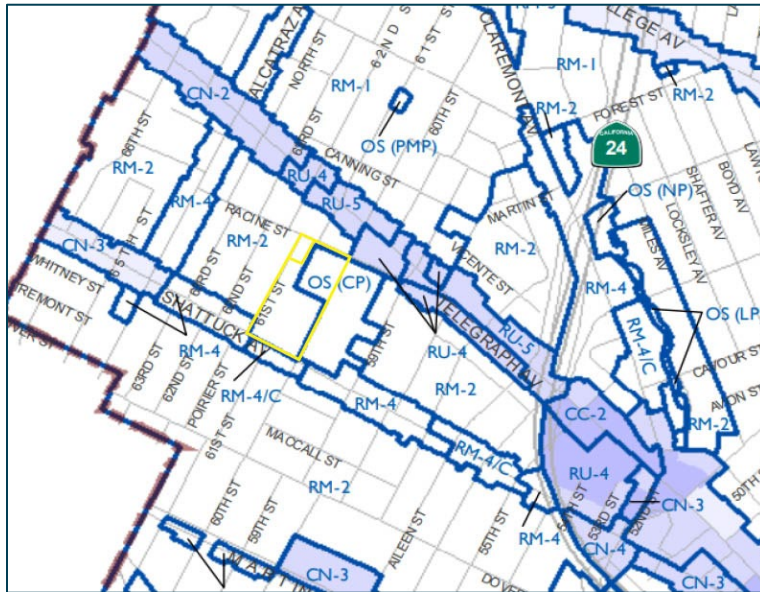


PROPERTY DESCRIPTION

The property is located in the Bushrod neighborhood of Oakland. The study area is an approximately 0.36-acre portion of a larger 7.8-acre parcel with building improvements. The study area has direct access via 61st Street and Racine Street.

The study area is bordered by a field to the south, a parking lot to the west, and single-family homes to the north and east. While the site is located in a primarily residential area, it is a block away from Telegraph Avenue which has a plethora of retail, restaurants, markets and more. Per LandVision, title to the parcel is vested in Oakland Unified School District.

ZONING



The study area is located in the RM-2 Mixed Housing Type Residential Zone. The intent of this zoning is to “create, maintain, and enhance residential areas characterized by a mix of single-family homes, duplexes, townhouses, small multi-unit buildings, and neighborhood businesses where appropriate.”

The following are permitted residential uses allowed in the RM-2 zone:

Single family homes (including with additional dwelling units), two-family residential, residential care, permanent housing, emergency shelter, supportive housing, and

transitional housing. Multi-unit residential housing would require a conditional use permit. Permitted activities in the RM-2 zone include: limited childcare services, essential service, administrative, limited agriculture, and enclosed and open nonresidential facilities.

The following are conditionally permitted uses allowed in the RM-2 zone:

Personal instruction and improvement services, multi-unit residential, community education, recreational assembly, non-assembly cultural, medical services, health care, community assembly, general retail sales, restaurants, group assembly and more.

SURROUNDING NEIGHBORHOOD

While at first glance the property appears to be in a completely residential neighborhood, there are a number of amenities a block away on Telegraph Avenue where you can find assorted businesses for a variety of lifestyles. An added bonus is its close proximity to the Temescal neighborhood; an Oakland hotspot filled with a variety of restaurants, schools, Children’s Hospital and more. Highway 24 is minutes away and provides direct access points to Interstate 580, Interstate 980, and Highway 13.

GOLDEN GATE CDC

**6232 HERZOG ST.
OAKLAND, CA**



GOLDEN GATE CDC

Location:
6232 Herzog Street
Oakland, CA 94608

Property Class:
Commercial

Current Use:
Vacant

Assessor's Parcel Numbers:

- Parcel 1:** 16-1444-30
- Parcel 2:** 16-1444-29
- Parcel 3:** 16-1444-28
- Parcel 4:** 16-1444-27
- Parcel 5:** 16-1444-26

Size of Study Area:

- Parcel 1:** 5,126 SF (0.12 acres)
- Parcel 2:** 3,537 SF (0.08 acres)
- Parcel 3:** 3,779 SF (0.09 acres)
- Parcel 4:** 7,123 SF (0.16 acres)
- Parcel 5:** 5,966 SF (0.14 acres)
- Total:** 25,531 (0.59 acres)

Opportunity Zone:

No

Zoning:

RM-3 Mixed Housing Type
Residential

General Plan:

Mixed Housing Type Residential



**BOND STREET
ANNEX SCHOOL**

**1710 45TH AVE.
OAKLAND, CA**



BOND STREET ANNEX

Location:
1710 45th Avenue
Oakland, CA 94601

Assessor's Parcel Number:
35-2401-8

Zoning:
RU-1 Urban Residential

Property Class:
Commercial

Size of Study Area:
6,028 SF (0.14 acres)

General Plan:
Urban Residential

Current Use:
High School

Opportunity Zone:
No

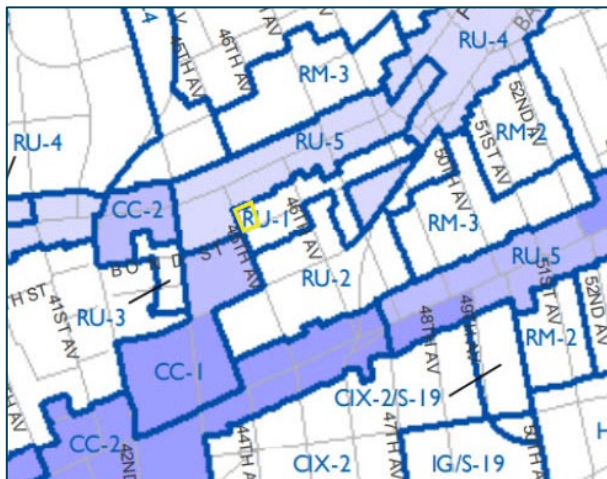


PROPERTY DESCRIPTION

The property is located in the Fremont Neighborhood of Oakland and consists of a 0.14-acre rectangular-shaped parcel. The property contains one building improvement and is currently vacant. The property has direct accessibility via 45th Avenue and Bond Street.

The site is bordered to the north by a restaurant and its parking lot, to the east and south by single family residential, and across the street to the west by a parking lot and retail center. There are a range of surrounding amenities from grocery stores, gas stations, restaurants, retail and more. Per LandVision, title to the parcel is vested in Oakland Unified School District.

ZONING



The parcel is located in the RU-1 Urban Residential Zone. The intent of this zoning is to “create, maintain, and enhance areas of the City that are appropriate for multi-unit, low-rise residential structures and neighborhood businesses where appropriate in locations with good access to transportation and other services.”

The following are permitted residential uses allowed in the RU-1 zone:

Single family homes (including with additional dwelling units), two-family residential, multi-unit residential, residential care, permanent housing, supportive housing, and transitional housing.

Permitted activities in the RU-1 zone include: personal instruction and improvement services, limited childcare services, essential service, recreational assembly, non-assembly cultural, medical services, general retail sales, limited agriculture, consultative and financial services, consumer cleaning and repair service, and business, communication and media services.

The following are conditionally permitted uses allowed in the RU-1 zone:

Community education, consumer service, administrative services, health care, community assembly, extensive impact, utility and vehicular, general food sales, restaurants, consumer services, extensive agriculture, accessory off-street parking serving prohibited activities, and activities that are listed as prohibited, but are permitted or conditionally permitted on nearby lots in an adjacent zone.

SURROUNDING NEIGHBORHOOD

The property benefits from its location within a high traffic area and great access to public transportation. The site is located within close proximity to AC Transit bus lines and Fruitvale Bart Station being approximately 1 mile away. Additionally, the property has convenient access to Interstate 880.

While much of the neighborhood is commercial retail, the site rests in a community with primarily single-family residential housing and multifamily developments, making it a true mixed-use community. Further benefits of the property include its proximity to amenities, with an abundance of retail and food services nearby on High Street.

VACANT LAND

4529 FOOTHILL
BLVD.
OAKLAND, CA



VACANT LAND

Location:
4529 Foothill Boulevard
Oakland, CA 94601

Assessor's Parcel Number:
35-2401-1-1

Zoning:
RU-5 Urban Residential – 5

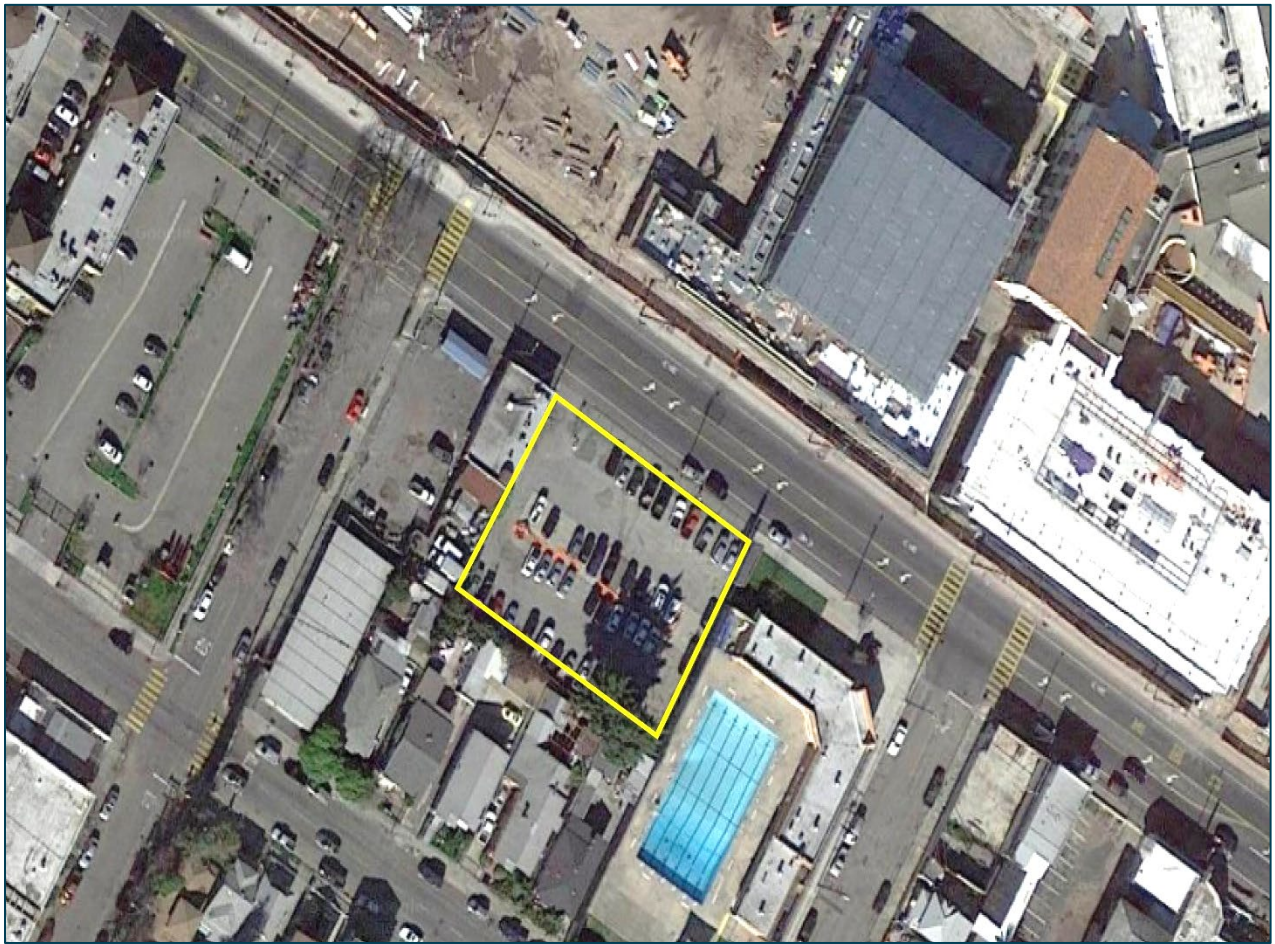
Property Class:
Commercial

Size of Study Area:
19,680 SF (0.45 acres)

General Plan:
Urban Residential

Current Use:
Vacant

Opportunity Zone:
No

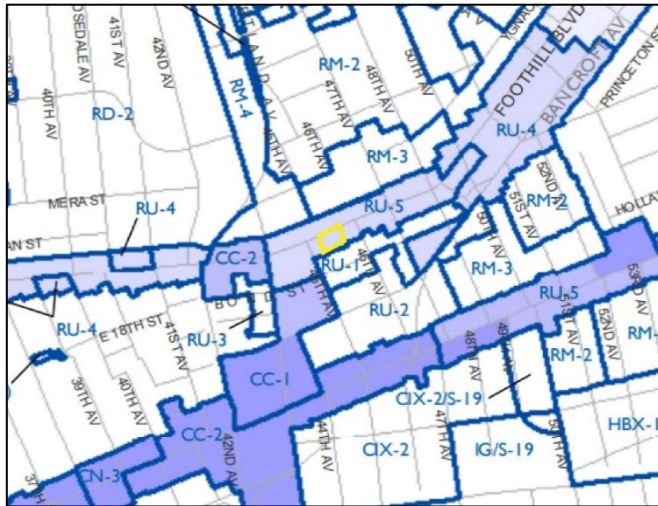


PROPERTY DESCRIPTION

The property is located in the Fremont Neighborhood of Oakland and consists of a rectangular shaped parcel, 0.45 acres in size with no building improvements. The property is currently vacant and has been previously rented as a parking lot. The property has direct accessibility via Foothill Boulevard.

The site is bordered to the north by Fremont High School, to the east by a public pool, to the south by single family residential units, and the west by a retail shopping center. Per LandVision, title to the parcel is vested in Oakland Unified School District.

ZONING



The parcel is located in the RU-5 Urban Residential Zone. The intent of this zoning is to “create, maintain, and enhance areas of the City that are appropriate for multi-unit, mid-rise, and high-rise residential structures and ground floor neighborhood businesses on the City's major corridors.”

The following are permitted residential uses allowed in the RU-5 zone:

Two-family residential, multi-unit residential, residential care, permanent housing, emergency shelter, supportive housing, rooming house, and transitional housing.

Permitted activities in the RU-5 zone include: personal instruction and improvement services, limited childcare services, essential services, community education, full and limited-service restaurants, general food sales, administrative services, health care, recreational assembly, non-assembly cultural, medical services, general retail sales, consumer service, consultative and financial services, consumer cleaning and repair service, business, communication and media services, research services, broadcasting and recording services commercial activities.

The following are conditionally permitted uses allowed in the RU-5 zone:

Semi-transient residential, convenience markets, alcoholic beverage sales, community assembly, group assembly and more.

SURROUNDING NEIGHBORHOOD

The property benefits from its location within a high traffic area and great access to public transportation. The site is located within close proximity to AC Transit bus lines and Fruitvale Bart Station being approximately 1 mile away. Additionally, the property has convenient access to Interstate 880.

While much of the neighborhood is commercial retail, the site rests in a community with primarily single-family residential housing and multifamily developments, making it a true mixed-use community. Further benefits of the property include its proximity to amenities, with an abundance of retail and food services nearby on High Street.

**HILLSDALE
ACADEMY**

**2369 84TH AVE.
OAKLAND, CA**



HILLSDALE ACADEMY

Location:
2369 84th Avenue
Oakland, CA 94605

Assessor's Parcel Number:
43-4619-1-1

Zoning:
RM-3 Mixed Housing Type
Residential

Property Class:
Commercial

Size of Study Area:
116,290 SF (1.9 acres)
(Partial site measured via Google Earth)

General Plan:
Institutional

Current Use:
High School

Opportunity Zone:
Yes

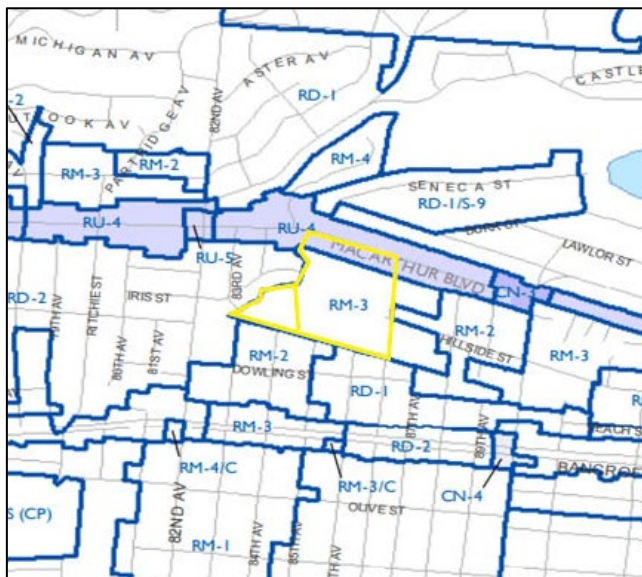


PROPERTY DESCRIPTION

The study area is located in the Castlemont Neighborhood of Oakland study area and is a part of a larger, 19.02-acre parcel. The study area is an approximately 1.9-acre portion of the parcel, measured via Google Earth. The study area consists of an irregularly shaped portion of land with multiple building improvements / portables. In addition, the parcel includes Hillside Street and various trees and hillside. As such, while the actual northern tip of the parcel measures at approximately 1.90 acres, the useable size is closer to 1.3 acres. The site has direct accessibility via 84th Avenue, and 83rd Avenue; primary frontage is on Hillside Street.

The study area is bordered to the north, east, and west by a mix of low-density multifamily and single-family residential developments. To the south is a football field, which is as a part of the same parcel. Per LandVision, title to the parcels is vested in Oakland Unified School District.

ZONING



The parcel is primarily located in the RM-3 Mixed Housing Type Residential Zone, however a small portion along MacArthur Boulevard is located in the RU-4 Urban Residential Zone. The study area, however, is solely located in the RM-3 Mixed Housing Type Residential Zone. The intent of the RM-3 zoning is to “create, maintain, and enhance residential areas characterized by a mix of single-family homes, duplexes, townhouses, small multi-unit buildings at somewhat higher densities than in RM-2, and neighborhood businesses where appropriate.”

The following are permitted residential uses allowed in the RM-3 zone:

Single family homes (including with additional dwelling units), two-family residential, residential care, permanent housing, supportive housing, and transitional housing. Multi-unit residential housing would require a conditional use permit. Permitted activities in the RM-3 zone include: limited childcare services, essential service, administrative, limited agriculture, and enclosed and open nonresidential facilities.

The following are conditionally permitted uses allowed in the RM-3 zone:

Personal instruction and improvement services, multi-unit residential, community education, recreational assembly, business, communication, and media services, non-assembly cultural, medical services, health care, community assembly, general retail sales, restaurants, group assembly and more.

SURROUNDING NEIGHBORHOOD

The property benefits from its location within a community-oriented neighborhood with many families living nearby. The site is also approximately one mile from the Eastmont Town Center, which has plethora of businesses: social services, a grocery store, retail, ATMs, fast food restaurants, and the

DCG STRATEGIES | 2369 84TH AVENUE

police station. Furthermore, public transportation is convenient to the location with an AC Transit bus stop less than half a mile from the site. The bus options go throughout different areas of Oakland and directly to the Eastmont Transit Center, which has Transbay and late-night buses. The businesses in closest proximity to the study area are churches and convenience stores.