

Three tapped for a \$200M project at BART stop

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by RYAN TATE

Aegis Equity Partners, Shea Homes and Bridge Housing Corp. have won the initial nod for a mixed-use development at MacArthur BART valued at close to \$200 million.

The three companies, which bid on the project as two separate teams, have been selected by a joint BART-City of Oakland board after agreeing to join forces. They are set to go before a City Council committee later this month, followed by the full council and the BART board in early June..

The companies are still merging their original proposals, but say the plan will likely include 500 to 600 units of housing and 50,000 to 120,000 square feet of neighborhood-serving retail. They have not yet determined how much of the housing will be rentals and how much will be for sale, but say a condominium component is essential to make the project pencil and will likely comprise at least half of the units.

"The more for-sale we can do, the better," said Deborah Castles, general counsel at Aegis and project manager for the three companies.

Not everything is up in the air. At least 20 percent of the units will have to meet the city's definition of affordable housing, and developers will have to provide at least some replacement parking for the 600-space lot they will be building on. The companies are focused on the high-density, urban-style development that has come to typify transit-oriented development.

Back on track

Oaklanders have sought a transit village around the station since at least 1992, and two prior development efforts faltered. But Aegis, Shea and Bridge think their deep pockets and extensive local and national experience -- not to mention the booming for-sale housing market -- can finally put the development on track.

"That combination never materialized before," said Castles. "Bridge, with its ability to develop an affordable project; Shea has a portfolio and an experience base that is unsurpassed in California; and we are the local ground game."

Assuming they win exclusive negotiating status with the city and BART in June, the teams expect entitling the project will take a further 18-24 months, meaning the first phase of the project is unlikely to be complete before 2007.

Two prior developers who started efforts at the site in past years, HealthSouth Corp., as represented by Jones Lang LaSalle, and Creative Housing Associates, based in the Los Angeles area, offered various combinations of medical facilities, housing, retail, office space and even a hotel. Jones Lang eventually lost interest and its onetime partner, Creative Housing Associates, launched an abortive attempt to raise the financial backing needed to go it alone.

The site also languished for years during the 1990s because housing prices did not justify the investment needed at the site, which includes not only replacement of the BART parking but acquisition of some private parcels now used for small businesses and apartments.

Walter Miles, who has an apartment near the station and heads up the Citizens Planning Committee, a community group, has been involved in the transit village push from the beginning. The impetus, he said, was to create a central gathering place for residents.

"Transit villages usually bring communities closer together," he said. "We need the village to be a place where people live and go to work. ... It all happens there."

Miles has watched as residents of Fruitvale, who started pushing for a transit village around the same time as the neighbors of the MacArthur BART station, scraped together \$65 million, largely in public financing, to complete a 47-apartment transit village with 68,000 square feet of community space, plus retail.

He endorsed the Aegis-Shea-Bridge team as the best group to bring the village to fruition. He also predicted relatively smooth sailing at the City Council and BART board.

"The city and BART have been involved in this thing from the beginning," Miles said. "And the community has been on board from the beginning."

Not easy to finance

Castles pegged the value of the project at "far in excess of \$100 million," and acknowledged that \$200 million would not be out of the ballpark. The city had been eyeing \$25 million in state funds to help build the replacement parking, but the status of those funds is now in doubt. Castles said it was too early to comment on public financing for the development.

"We know this is not an easy project to finance -- this is not going to make a lot of money," Kathy Kleinbaum, project manager at Oakland's redevelopment agency said before the development team was selected.

Ryan Tate covers East Bay economic development for the San Francisco Business Times.