

Oakland waterfront project jump-started by Chinese investor

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OAKLAND -- In a surprising and possibly landmark deal for Bay Area development, a Chinese firm is reviving a \$1.5 billion project that would transform 65 industrial acres south of Jack London Square into a new waterfront neighborhood.

Zarsion Holdings Group, a Beijing-based real estate and investment firm, is teaming up with Oakland-based Signature Development Group to build 3,100 homes, 200,000 square feet of shops, 30 acres of park space and a marina with 200 boat slips.

The partnership announced Wednesday by Gov. Jerry Brown during a ceremony at the U.S. Embassy in Beijing, is a huge boost to Oakland's already red hot real estate market and a harbinger of increased Chinese investment in California real



estate.

"The massive influx of Chinese investment will put thousands of Californians to work and dramatically improve Oakland's waterfront," Brown said.

Kevin Van Voorhis, a senior vice president with Colliers and a veteran in the commercial property purchases market, called it a "mega deal."

"This is one of the largest investments in Bay Area real estate that I've heard of by a Chinese investor," he said. The project, known for years as Oak-to-Ninth but now dubbed Brooklyn Basin, never got off the ground after the City

Council approved it over significant community opposition in 2006.

The financial collapse killed demand for new housing. When the market picked up, domestic banks still were hesitant to provide needed capital to get the project moving, Signature Senior Vice President Paul Nieto said.

Signature recently appeared ready to give up on the project. In 2011, the firm proposed housing a new UC Berkeley laboratory at the site, but the university chose a different location

The connection with the Chinese firm was made through Bruce Quan, a college friend of Oakland Mayor Jean Quan (no relation) who grew up in Oakland and is also an official with Zarsion.

Mayor Quan said the city is talking to many investment groups in China about Oakland projects, including new sports stadiums, but "this is the first (deal) that we absolutely brought home."

Zarsion will provide an initial investment of \$28 million that will allow Signature to complete drawings and begin work on the first phase of the project, which will include 1,300 housing units.

Additional contributions would come "as needed," Nieto said. He added that Zarsion, which is both a real estate developer and investment firm, would be a co-developer and that its financial contribution would be "substantial."

The deal continues a wave of institutional money flooding Oakland's real estate market, Colliers Vice President Scott Greenwood said.



A rendering shows a promenade area for the Oak-to-Ninth shoreline development in Oakland, Calif. ((Signature Development Group)

"It's hard to understand why domestic banks weren't interested in this considering the strength of Oakland's residential housing market," he said. "Sometimes it takes something like this for them to realize what they are missing and that they should get in the game as well."

Chinese investors from 2000 to 2011 funded 165 deals in California worth \$1.3 billion, according to the research firm Rhodium Group.

is said there is a lot of money in China available for investing in Bay Area real estate, but cautioned that cash won't flood the nine-county region because of government restrictions placed on the flow of capital outside the country.

Signature obtained development rights to the waterfront property from the Port of Oakland in 2001 and got council approval for a project five years later.

The development is expected to generate about 10,000 jobs over the eight to 15 years it will take to build.

Nieto said the first of four phases should be complete by 2021, with decontamination work beginning next year and

construction beginning in 2015.

The housing will be a mix of condos and rental units and the 30-acres of shoreline parkland, including a link to the Bay Trail, will be comparable to San Francisco's Chrissy Field.

The project's location on the waterfront was one of the major reasons for the stiff opposition it faced in Oakland. Although it will add park space and make the shoreline more accessible, critics were concerned that a private development would limit community use of the once public property.

"I do question a sprawl of condos as the wisest use of our waterfront," project critic Naomi Schiff said. "It's the latest step in the privatization of our coast."

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