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January 21, 2003

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: AN INFORMATION REPORT ON REVENUE IMPACTS OF THE  
POTENTIAL SALE OF CITY OWNED PARKING GARAGES AND PARKING LOTS**

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**PURPOSE AND SCOPE**

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General Election of November 5, 1996, we have made an impartial financial analysis of the accompanying Council Agenda Report. As part of our analysis we obtained the services of an independent licensed appraiser to evaluate the appraisal report submitted by the Agency.

**BACKGROUND**

On February 19, 2002, the Finance and Management Committee reviewed a report from the Public Strategies Group (PSG), which recommended that staff review the sale, lease, transfer or exchange of City and Redevelopment Agency (Agency) real estate assets in order to increase revenues and/or reduce expenditures.

The City presently owns 15 parking facilities (8 lots and 7 garages) containing 3,520 parking stalls. The Agency owns 6 additional parking facilities (4 lots and 2 garages) containing 2,152 parking stalls. Staff has prepared a list of the twenty-one facilities, which is included as Exhibit A to our report. However, the list does not include the Oakland Museum Garage, since it is not being considered for sale.

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**AN INFORMATION REPORT ON REVENUE IMPACTS OF THE POTENTIAL SALE  
OF CITY OWNED PARKING GARAGES AND PARKING LOTS**

The City generated net revenue of \$2,461,805 from its 15 parking facilities in fiscal year July 2001-June 2002. Four of the facilities generated \$1,832,488 (or almost 75 percent) of the net revenue, and are therefore the most marketable and profitable to sell:

	<u>Amount</u>	<u>Percent</u>
Pacific Renaissance Garage	\$ 769,378	31.3
Clay Street Garage	454,376	18.4
Franklin Plaza Garage	391,066	15.9
Montclair Garage	<u>217,668</u>	<u>8.9</u>
Subtotals	\$ 1,832,488	74.5
Eleven other facilities	<u>629,317</u>	<u>25.5</u>
 Totals	 \$ <u>2,461,805</u>	 <u>100.0</u>

**SUMMARY**

This staff report considered five options:

- (1) Sell the four (4) most profitable City-owned parking garages (Pacific Renaissance, Clay Street, Franklin Plaza, and Montclair) to Inter Park for \$20.5 million.
- (2) Sell nineteen (19) City or Agency-owned parking garages and lots to Aegis. Neither the facilities to be sold nor the sales price has as yet been determined.
- (3) Sell Preservation Park and the Montclair Garage, and issue Redevelopment Agency bonds totaling \$6.8 million in 2006.
- (4) Retain all City or Agency-owned parking facilities, but increase the parking rates.
- (5) Sell the Telegraph Plaza Garage to the Agency, in order to replace the Sears parking garage, which the developer of the Uptown Project plans to demolish.

The City Auditor's report concentrates on option number one -- the proposed sale of the four City garages, which is the option that staff recommends that the Council approve at this time.

**OPTION # 1 --SELL FOUR (4) CITY-OWNED PARKING GARAGES**

The City has received an Offer to Purchase four (4) City-owned garages from Inter Park, a Chicago-based parking developer:

Pacific Renaissance Garage  
Clay Street Garage  
Franklin Plaza Garage  
Montclair Garage

## AN INFORMATION REPORT ON REVENUE IMPACTS OF THE POTENTIAL SALE OF CITY OWNED PARKING GARAGES AND PARKING LOTS

As stated above, these four garages generate almost 75% of the net revenue of City-owned parking facilities, and are therefore the most marketable and profitable to sell.

Inter Park's proposed purchase price is \$20.5 million, payable in cash at closing. In addition, Inter Park has committed to spend approximately \$2 million on the garages during the first 12 – 24 months to rectify deferred maintenance and to enhance the attractiveness, safety and convenience of the facilities.

### **Appraised Value**

Desman Associates, on behalf of its client Inter Park, Inc., hired a licensed independent appraiser. In his report dated August 1, 2002, the appraiser concluded that the Estimate of Value for the four garages was \$19,540,000. The Office of the City Auditor hired an independent licensed appraiser to review the appraisal report. In his report dated December 31, 2002, the reviewer concluded that the Estimate of Value was within a range of \$19,960,000 to \$21,840,000.

Based on the appraisal report and an independent review of the report, it appears that the proposed purchase price of \$20.5 million is reasonable.

### **Advantages and disadvantages of selling**

Staff has identified several factors to be considered in deciding whether to sell the four garages:

The advantages are:

- (1) The City/Agency would have approximately \$16 million from the sale proceeds available to help finance the Forest City Uptown Project.
- (2) The new owner would make seismic upgrades and capital improvements that the City currently has not funded.
- (3) The City would no longer be responsible to manage and maintain the facilities.
- (4) The City would have the right to re-purchase the garages if they were to be resold.  
(Note: The staff report does not specify how the repurchase price would be determined.)
- (6) The properties would generate property tax revenues estimated at approximately \$265,000 per year.

The disadvantages are:

- (1) Revenue totaling \$1,689,900 from the four garages is the source of funding for an undetermined number of full-time-equivalent positions. Alternate funding sources have not been identified.
- (2) The City would not be able to participate in increased revenues that would result from increased demand for parking triggered by redevelopment.

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- (3) The City would not have control over garages other than what is negotiated in the purchase and sale agreements.
- (4) The City would lose the opportunity to attract retail facilities by providing subsidized or free parking.
- (5) Existing license agreements in various garages to private entities would terminate upon sale of the facilities.
- (7) Subsidized parking that is being provided to City staff and private entities would be lost.

CONCLUSION AND RECOMMENDATION

Based on the appraisal report and an independent review of the report, it appears that the proposal to sell the four most profitable City-owned parking garages (Pacific Renaissance, Clay Street, Franklin Plaza, and Montclair) to Inter Park for \$20.5 million is reasonable. However, we recommend that the Council carefully consider the advantages and disadvantages of the sale. Moreover, any repurchase provision should define the option, including the requirements for exercise and how the exercise price would be determined.

Prepared by:



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Issued by:



Roland E. Smith, CPA  
City Auditor

January 2, 2003

AN INFORMATION REPORT ON REVENUE IMPACTS OF THE POTENTIAL SALE  
OF CITY OWNED PARKING GARAGES AND PARKING LOTS

EXHIBIT A

SUMMARY OF CITY AND AGENCY-OWNED PARKING FACILITIES  
FOR THE FISCAL YEAR JULY 1, 2001 THROUGH JUNE 30, 2002

CITY-OWNED FACILITIES		Stalls	Gross Revenue	Expenses	Net Revenue
1	Telegraph Plaza Garage	351	\$ 313,698	\$ 277,003	\$ 36,695
2	Dalziel Garage	213	427,261	137,680	289,581
3	Franklin Plaza Garage	482	755,927	364,861	391,066
4	Harrison Garage	200	183,847	210,876	(27,029)
5	Montclair Garage	333	437,951	220,283	217,688
6	Clay Street Garage	335	751,255	296,879	454,376
7	Pacific Renaissance Garage	578	1,245,959	476,581	769,378
8	Hall of Justice Lot	223	182,562	116,070	66,492
9	18th and Telegraph Lot	152	168,334	132,902	35,432
10	12th and Jefferson Lot	200	166,831	71,090	95,741
11	Piedmont Lot	119	98,987	26,299	72,688
12	Dimond Lot	48	0	4,573	(4,573)
13	Parkway Lot	36	11,760	6,325	5,435
14	Lake Park Lot	169	76,317	48,961	27,356
15	Grand Avenue Lot	81	43,893	12,396	31,497
	<b>Totals</b>	<b>3,520</b>	<b>\$ 4,864,583</b>	<b>\$ 2,402,778</b>	<b>\$ 2,461,805</b>
<b>AGENCY-OWNED FACILITIES</b>					
1	UCOP Garage	148	\$ 299,483	\$ 133,276	\$ 166,207
2	City Center West Garage	1,461	1,992,542	1,312,902	679,640
3	1616 San Pablo Lot	100	181,029	95,315	85,714
4	822 Washington Lot	100	24,000	0	24,000
5	20th and Telegraph Lot	293	100,800	0	100,800
6	9th and Franklin Lot	50	233,776	182,341	51,435
	<b>Totals</b>	<b>2,152</b>	<b>\$ 2,831,630</b>	<b>\$ 1,723,834</b>	<b>\$ 1,107,796</b>
	<b>Grand totals</b>	<b>5,672</b>	<b>\$ 7,696,213</b>	<b>\$ 4,126,612</b>	<b>\$ 3,569,601</b>

Note: This list does not include the Oakland Museum Garage, since it is not being considered for sale.

**BI**  
FINANCE & MANAGEMENT CMTE.

FEB 18-2003

