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SEPTEMBER 14, 2004

IGNACIO DE LA FUENTE, PRESIDENT
CITY COUNCIL
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

SUBJECT: RESOLUTION AUTHORIZING THE OAKLAND REDEVELOPMENT AGENCY TO PURCHASE REAL PROPERTIES KNOWN AS THE HOTEL WESTERNER, LOCATED AT 1920 SAN PABLO AVENUE (ASSESSOR'S PARCEL NO. 008-0643-006), 1954 SAN PABLO AVENUE (ASSESSOR'S PARCEL NO. 008-0644-020) TOGETHER WITH THE PURCHASE OF FURNITURE, FIXTURES, AND EQUIPMENT PERTAINING TO THE REAL PROPERTY FOR THE TOTAL SUM OF \$1,530,570, PLUS CLOSING COSTS NOT TO EXCEED \$69,430, FOR A TOTAL COST NOT TO EXCEED \$1,600,000.

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 Proposed Resolution and Agenda Report. In making our analysis, we evaluated the appraisal report prepared by an independent appraiser. We also asked for additional information and clarification from City staff.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The independence of the City Auditor is established by the City Charter.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, the scope of our

analysis was impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only one (1) week for us to plan, perform and report on our analysis.

SUMMARY

The Proposed Resolution involves three privately-owned properties located within the proposed Uptown Project area. According to the Agenda Report, information regarding the properties is as follows:

Location	Description
1. 1920 San Pablo Avenue	Parcel with commercial building (19 single room occupancy units and a commercial space)
2. 1954 San Pablo Avenue	Parcel with commercial building (15 single room occupancy units and two commercial stores)
3. 610 William Street	Vacant lot

The Oakland Redevelopment Agency (ORA) is negotiating to purchase these locations on behalf of the City to facilitate the Uptown Project development.

APPRAISED VALUE

An independent appraisal firm issued an appraisal report for the three properties, which showed the appraised market values as of April 17, 2003.

The independent appraisal firm subsequently updated the appraised market values for 1920 San Pablo Avenue and 610 William Street based on new market data that City staff brought to its attention. The updated appraised market values were as of October 16, 2003.

The Proposed Resolution also includes authorization to:

1. purchase Fixture Furniture & Equipment (FF&E); and
2. include closing costs in the amount of \$69,430.

According to staff, FF&E includes items such as beds, refrigerators and chairs. The determination of the appraised cost of FF&E was performed by a separate firm.

The appraised market values of the three properties based on the appraisal report and the subsequent update report by the independent appraisal firm are included in the following table. The FF&E and closing costs are stated in the Agenda Report.

Location	Appraised Value as of April 17, 2003	Appraised Value as of October 16, 2003
1920 San Pablo Avenue	\$600,000	\$620,000
1954 San Pablo Avenue	\$750,000	\$750,000
610 William Street	\$88,000	\$110,000
Appraised Value Total	\$1,438,000	\$1,480,000
Per Agenda Report		Per Agenda Report
Fixture Furniture & Equipment	-	\$50,570
Closing costs and related expense (estimated)	-	\$69,430
Acquisition Cost Not to Exceed Total	-	\$1,600,000

The appraised values of the three properties as of October 16, 2003 equal the \$1,480,000 acquisition costs for these three properties when excluding the FF&E and closing costs.

FISCAL IMPACT

According to the Agenda Report, the properties will be acquired in an “as is” condition thereby holding the current owners harmless for possible hazardous materials below the surface of the property or in the buildings. According to the Agenda report, testing and risk analysis found levels of hazardous materials not to be significant. However, the costs to abate any possible hazardous materials to the City are unknown as of this report’s completion date.

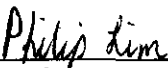
The amount not to exceed \$1.6 million in the Proposed Resolution does not include the cost of relocation benefits to tenants of these properties. Residential and business tenants of the properties are entitled to relocation benefits by state and federal laws. The final cost of these relocation benefits to the City are not known at this time. According to staff, the cost of the relocation benefits will be approved separately.

CONCLUSION


Although we are concerned that the property may be over valued, its acquisition is necessary for the completion of the Uptown Redevelopment Project Area, and will also avoid significant condemnation costs. Therefore, based on the information available to us, the Proposed Resolution appears to be reasonable.

Prepared by:

Issued by:



Philip Lim
Deputy City Auditor



Roland E. Smith, CPA, CFS
City Auditor

Report completion date:
September 3, 2004