

# CITY OF OAKLAND

## AGENDA REPORT

2009 JUN 11 PM 4:08

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: June 23, 2009

RE: **Update on Actions to support Honda of Oakland and Kaiser Foundation Health Plan, Inc. to Extend State-owned Freeway Area Leases with the California State Department of Transportation (Caltrans)**

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### SUMMARY

The PSC Automotive Group–Honda of Oakland requested the City’s assistance in maintaining its parking facilities lease with the State of California. At the direction of the Committee, staff requested California State Department of Transportation Division of Right of Way (Caltrans) assistance in two key Oakland economic development efforts: the expansion of Kaiser Foundation Health Plan, Inc., facilities, including the construction of a new Kaiser Permanente Hospital and the retention of PSC Automotive Group-Honda of Oakland auto dealership. Both of these Oakland businesses rely on the State-owned freeway area for their parking requirements.

In terms of economic development purposes, both entities are major Oakland employers and revenue producers. Kaiser Foundation Health Plan is one of Oakland’s four health care providers and is underway with the construction of a modern health care complex that will enhance health care services not only to Oakland residents but also the East Bay region. Honda of Oakland is the largest volume Honda dealership in the immediate Bay Area region and employs approximately 70 individuals.

Staff has been in discussions with Caltrans for several weeks. The City of Oakland’s first proposal to Caltrans was for Caltrans to lease the property to the City of Oakland and then City would sublease the parking areas to Honda and Kaiser. Caltrans rejected that proposal. Staff subsequently revised its proposal to request that Caltrans remove the two State-owned Freeway Area Leases: Honda of Oakland (ALA-580-09) and Kaiser Foundation Health Plan (ALA-580-08) from its June 10, 2009 Oral Auction list and that Caltrans extend their current leases with these two entities by holdover of their current leases. On June 9<sup>th</sup>, Caltrans agreed to extend its current lease with Honda of Oakland for one additional year. Caltrans staff was not supportive of extending Kaiser Permanente’s lease. The Kaiser Lease area will be part of the June 10<sup>th</sup> Oral Auction.

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Staff has requested that Caltrans staff re-consider its decision to list the Kaiser Permanente lease area as part of the June 10<sup>th</sup> Auction. Staff has been in communication with both Honda of Oakland and Kaiser Foundation Health Plan.

### **FISCAL IMPACT**

There is no direct fiscal impact to the City of Oakland.

### **BACKGROUND**

The Oakland Partnership's Collaborative Economic Development Strategy for Oakland cites the importance of Oakland's health care industry cluster; close to 14% of Oakland jobs are related to the health care industry. This high employment concentration is due to Oakland being the home to four major hospitals (Kaiser, Alta Bates Summit, Children's Hospital and the Alameda County Medical Center). The analysis found that Oakland has significant health care assets that could be better leveraged and strongly recommends that the City work with the hospitals on their facility requirements.

Kaiser Permanente is underway with the implementation of its Master Plan for the replacement and expansion of its existing Oakland medical center with a comprehensively planned state-of-the-art Medical Center campus of approximately 1.78 million square feet on approximately 21 acres. The major components of the Project include the development of a new 165,000 square foot Medical Services Building in the new Outpatient Services Zone, and parking structures in both the Outpatient Services Zone and the MB Center Zone; a replacement 346-bed, 740,000 square foot hospital and parking facilities. Close to 4,000 individuals work for Kaiser Permanente offices and facilities in Oakland.

Honda of Oakland is the largest volume Honda dealership in the immediate Bay Area region. Honda of Oakland is one of Oakland's largest auto dealerships. In 2005, Honda of Oakland invested over \$5 million in tenant improvements for its relocation to 3333 Broadway. Honda's previous location, 3741 Broadway, is now the location for Kaiser Permanente's newly built Cancer Center. Honda of Oakland customers come from Alameda County, northern and southern California, and as far as the Nevada border. These customers contribute to Oakland's economy through hotel stays, dining, shopping and visiting Oakland.

In 2009, the City expects sales tax activity to decline significantly. Overall, Oakland's auto dealers are facing financial issues on the cost of facility leases or mortgage payments, limited working capital to purchase inventory from auto makers, and an inability to cover auto payments back to auto makers when a car is sold. All dealerships must reduce their operating costs, which include personnel, marketing and auto inventory needs. Honda of Oakland has requested the City of Oakland's assistance with maintaining its current lease with Caltrans.

### **KEY ISSUES AND IMPACTS**

Continued access to the under freeway properties is critical for both Honda of Oakland and Kaiser Health Plan Foundation. Both entities have requested support from the City of Oakland. The Oakland Partnership Strategy documents the importance of the health care industry to Oakland's economy and employment opportunities. The retention of Oakland's auto dealerships is important to Oakland due to major sales and business tax revenue generation. Without the facilitation of the City of Oakland, it is possible that lease cost for the State under freeway properties may be costly to both users.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** The overall goal of a retail retention strategy is to identify mechanisms to support Oakland auto dealerships in order to prevent additional closures and help stabilize existing dealerships. This will retain sales tax revenue for the City of Oakland, making it available to provide additional services and programs.

The replacement hospital and new medical office buildings will provide opportunities for professional services and construction related jobs for the Oakland community.

***Environmental:*** No particular environmental opportunities have yet been identified in the context of the Auto Dealership Retention Strategy or this particular action. In order to respond to the environmental impact created by the construction of the replacement hospital facilities, Kaiser must secure interim parking locations. Kaiser will build new parking facilities as part of the master plan development.

***Social Equity:*** Stabilizing the Oakland's auto industry will assist in maintaining employment opportunities for Oakland residents and business opportunities for Oakland auto dealership suppliers and vendors.

The redevelopment of the Kaiser Foundation Health Plan facilities will assist the economic revitalization of the commercial district and provide employment opportunities for Oakland residents as well as expand health services to Oakland and the region.

**DISABILITY AND SENIOR CITIZEN ACCESS**

The auto dealership industry is a majority sales tax producer for Oakland. Maintaining and increasing sales tax revenue is important to the City to maintain general services to residents and businesses.

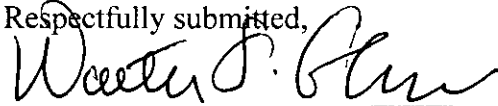
The Kaiser Foundation Health Plan Master Plan involves the replacement and expansion of its existing Oakland medical center with a comprehensively planned state-of-the-art Medical Center campus.

**ACTION REQUESTED OF THE CITY COUNCIL**

There is no action request of City Council at this time.

Staff ~~is~~ continues to discuss this matter with Caltrans staff and will provide a full report at the June 23<sup>rd</sup> CED Committee. Staff has maintained communications with Honda of Oakland and Kaiser Foundation Health Plan.

Respectfully submitted,



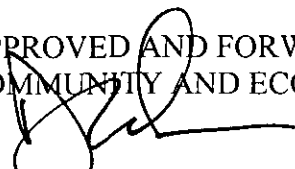
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APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:

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