

OFFICE OF THE CITY CLERK  
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**CITY OF OAKLAND**  
**SUPPLEMENTAL AGENDA REPORT**

TO: Office of the City/Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: December 5, 2006

RE: **Supplemental Report on a Joint City and Agency Public Hearing and Action Relating to Development of the Former Oakland Army Base Including:**

**Agency Resolution Authorizing a Disposition and Development Agreement with Argonaut Holdings, Inc. for the Sale of Approximately 6.3 acres Within the Former Oakland Army Base for the appraised fair market value to Develop a General Motors Dealership.**

On November 28, 2006, the Community and Economic Development Committee heard a report from staff recommending the approval of three Disposition and Development Agreements (DDAs) to develop auto dealerships in the North Gateway portion of the former Oakland Army Base. This supplemental report addresses three issues that were raised during the November 28 Committee Meeting:

- A change in the terms of the DDA with Argonaut Holdings, Incorporated, in order to eliminate the Agency subsidy and have the land sold at Fair Market Value.
- A requested change to the terms of all three DDAs to include a commitment to use local construction firms and to hire local residents.
- A request to clarify the financial aspects of the DDAs.

**Argonaut Holdings DDA**

One of the proposed DDAs is with Argonaut Holdings, Incorporated, to develop a General Motors dealership. According to the November 28 staff report, land would be sold to Argonaut Holdings at Fair Market Value (FMV), but the Agency would then reimburse the Argonaut Holdings for up to \$1,150,000 in order to partially offset their construction costs.

However, in subsequent negotiations, Argonaut Holdings has agreed to purchase the land as a straight Fair Market Value deal – i.e., without any payment from the Agency. Without the \$1,150,000 subsidy, Argonaut Holdings may be required to reduce the size of building they construct.

A revised Agency resolution has been prepared to reflect that the land would be sold to Argonaut Holdings for Fair Market Value, without any Agency subsidy. All other terms of the DDA remain unchanged.

## Local Hiring & Contactors

Members of the Community and Economic Development Committee have asked for the DDAs to include specific provisions to address the hiring of local residents and the use of local contractors in construction.

For local hiring, the proposed DDAs require the auto dealerships to use their best reasonable efforts to hire Oakland residents. At a minimum, the Developer must: (1) work with exiting City programs to link job opportunities to qualified Oakland residents; (2) give priority consideration for hiring to qualified applicants that are pre-screened by the City's First Source Employment Referral Services; and (3) provide key employment data to City staff.

The DDAs do not currently include specific language addressing the use of local contractors, because the land is being sold at Fair Market Value. However, staff is currently approaching the auto dealers to craft appropriate language to insert into the DDAs, which would require the auto dealers to give priority consideration to using locally certified contractors for the construction of their projects. Staff will report on the results of these discussions to the Agency Board on December 5, 2006.

## Financial Aspects of the DDAs

The proposed DDAs include significant costs and benefits to the City/Agency, as shown in Table 1 below. The major issues are discussed below:

### *Potential Costs to the City/Agency*

- *Infrastructure Costs:* The Redevelopment Agency will be required to spend an estimated \$13 million for new infrastructure (i.e., roads, utilities, etc.) to make the North Gateway suitable for new development. This infrastructure would be required as a precondition for any development.
- *Historical Acquisition Costs:* In 2004, the Oakland Base Reuse Authority (OBRA) purchased the Subaru Lot for \$10.6 million. OBRA also incurred consultant costs for property management, site preparation, and other predevelopment costs for the North Gateway site. Most of these costs were covered by OBRA's leasing revenues. However, in FY 2007-2009, the Agency will need to pay off the remaining balance on the loan to purchase the Subaru Lot, which will total \$2.9 million. The Agency's annual Tax Increment revenues will be sufficient to pay off this remaining balance.

### *Potential Benefits to the City/Agency*

- *Employment:* By retaining two local dealerships (General Motors and Chrysler-Jeep-Dodge), the DDAs will secure approximately 155 jobs that would otherwise be at risk of leaving Oakland. In addition, by attracting a new dealership (BMW) and allowing substantial sales growth of all three dealerships, the proposed DDAs would create 205 new jobs. A total of 360 jobs would be generated by the proposed project.

**Table 1: Public Costs & Benefits from Proposed Auto Dealership DDAs**

<b>Employment</b>	
Existing Oakland Jobs Retained	155
Additional Jobs from Non-Oakland Dealership (BMW)	145
Anticipated new jobs (due to increased sales in freeway location)	60
<b>Total Jobs:</b>	<b>360</b>
<b>Land Sales Proceeds:</b>	
Land Sale Proceeds (BMW, General Motors, Chrysler-Jeep-Dodge)	\$17,400,000
Future Land Sale Proceeds (two additional dealerships)	7,400,000
(Less Estimated Costs for Infrastructure)	<u>(\$13,000,000)</u>
<b>Net Land Sale Proceeds</b>	<b>\$11,800,000</b>
<b>Tax Increment Revenue (per year)</b>	<b>\$735,000</b>
<b>Sales Tax Revenue (per year)</b>	
Retention of three existing Oakland Dealerships	\$500,000
Attraction of Non-Oakland Dealership (BMW)	800,000
Projected Sales Tax Growth (due to increased sales in freeway location)	400,000
<b>Total Annual Sales Tax Revenue:</b>	<b>\$1,700,000</b>

- Land Sale Proceeds:** The three DDAs provide for the sale of approximately 16.2 acres of land within the North Gateway. The land would be sold for the appraised Fair Market Value, currently is estimated to be \$24 to \$25 per square foot, which equates to approximately \$17.4 million. An additional 6.4 acres is available in the North Gateway for two additional auto dealerships. If, in the future, that land is sold for additional auto retail, there would be additional land sale proceeds of approximately \$7.4 million (again, based on current estimates of Fair Market Value). This would increase the total land sale proceeds to \$24.8 million for the entire North Gateway. A significant portion of the land sale proceeds will be needed to pay for the estimated \$13 million in infrastructure costs (as described above). Thus, the net land sale proceeds to the Agency are anticipated to be in the range of \$11.8 million.
- Agency Tax Increment Revenues:** The three new dealerships will result in the construction of new showrooms, service facilities, and other new construction with a total estimated value of \$45 million. The new construction would be fully funded by the private sector, with no Agency subsidy. The \$45 million in new construction, combined with an estimate \$17.4 million in land sale proceeds, would yield approximately \$62.4 million in Assessed Valuation (AV) on the three sold properties. As a result, the properties would be expected to generate approximately \$735,000 per year in Tax Increment to the Redevelopment Agency.<sup>1</sup>

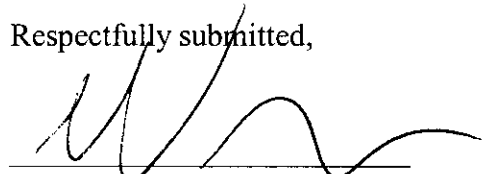
<sup>1</sup> This assumes that Tax Increment is calculated at 1.18% of total AV.

- City Sales Tax Revenues: By retaining two General Motors and Chrysler-Jeep-Dodge, the DDAs will secure approximately \$500,000 in existing sales tax revenues. By attracting BMW and allowing substantial sales growth of all three dealerships, the proposed DDAs would generate additional, increased sales tax of \$1.2 million per year. Thus, the three dealerships would generate a combined total of \$1.7 million per year in sales tax revenue, which would go to the City's General Fund.

### Recommendation

Staff recommends approval of DDAs, including the revised Agency resolution authorizing the Agency Administrator to enter into a DDA with Argonaut Holdings, Incorporated in order to develop a General Motors auto dealership in the North Gateway.

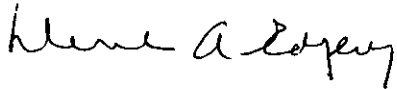
Respectfully submitted,



DAN VANDERPRIEM

Director of CEDA Redevelopment, Economic  
Development, Housing & Community Development

APPROVED AND FORWARDED  
TO THE ORA / CITY COUNCIL:



**OFFICE OF THE CITY ADMINISTRATOR  
/ AGENCY ADMINISTRATOR**

OFFICE OF THE CITY CLERK

REDEVELOPMENT AGENCY  
OF THE CITY OF OAKLAND

2006 NOV 30 06:55

RESOLUTION No. \_\_\_\_\_ C.M.S.

**A RESOLUTION AUTHORIZING THE EXECUTION OF A DISPOSITION AND DEVELOPMENT AGREEMENT WITH ARGONAUT HOLDINGS, INC. FOR THE SALE OF APPROXIMATELY 6.3 ACRES WITHIN THE FORMER OAKLAND ARMY BASE FOR THE APPRAISED FAIR MARKET VALUE FOR THE DEVELOPMENT OF A GENERAL MOTORS DEALERSHIP**

**WHEREAS**, the Redevelopment Agency of the City of Oakland ("Agency") owns approximately 6.3 acres of unimproved and vacant real property located in the former Oakland Army Base Area (OARB) and within the North Gateway Development subarea, a triangular site bounded by the East Bay Municipal Utility District (EBMUD) Wastewater Plant on the north, West Grand Avenue to the south and I-880 to the east, of the OARB Redevelopment Area, which property is more particularly described in Exhibit "A" attached hereto and made a part hereof ("Property"); and

**WHEREAS**, concurrently with adoption of this resolution, the Agency has amended the OARB Final Reuse Plan to include locating a proposed freeway auto mall within the North Gateway Development sub area of the OARB Redevelopment Area; and

**WHEREAS**, concurrently with adoption of this resolution, the City has certified the Final Supplemental Environmental Report for the Oakland Army Project and approved the Agency's amendment of the OARB Final Reuse Plan; and

**WHEREAS**, Health and Safety Code Section 33430 authorizes a redevelopment agency within a survey (project) area or for purposes of redevelopment to sell real property, Section 33432 requires that any sale of real property by a redevelopment agency in a project area must be conditioned on redevelopment and use of the property in conformity with the redevelopment plan, and Section 33439 provides that a redevelopment agency must retain controls and establish restrictions or covenants running with the land for property sold for private use as provided in the redevelopment plan; and

**WHEREAS**, the Agency has entered into negotiations with Argonaut Holdings, Inc., a Delaware corporation ("Buyer") to purchase the Property for development of an approximately 70,000 square-foot, three-story building, along with 400 spaces for surface parking and space for storage for a General Motors automobile dealership and service facility (the "Project"); and

**WHEREAS**, the Agency has held a public hearing on this sale, notice of which was given by publication at least once a week for two weeks in a newspaper of general circulation; and

**WHEREAS**, the City is the Lead Agency for this Project for purposes of environmental review under the California Environmental Quality Act of 1970 (CEQA"); and

**WHEREAS**, in 2002 the Oakland City Planning Commission certified the Oakland Army Base Redevelopment Plan EIR and the Oakland City Council, Oakland Base Reuse Authority and Oakland Redevelopment Agency adopted all appropriate California Environmental Quality Act ("CEQA") findings; and

**WHEREAS**, it was determined necessary to prepare a Supplemental EIR for the Project; now, therefore, be it

**RESOLVED**: That the Agency hereby finds and determines that the sale of the Property by the Agency to Buyer or a legal entity controlled by Buyer furthers the purposes of the California Community Redevelopment Law, contributes to the elimination of blight in the OARB Redevelopment Project Area, conforms to the OARB Redevelopment Plan and 5 Year Implementation Plan; and be it further

**RESOLVED**: That the Redevelopment Agency, acting as a Responsible Agency under CEQA, adopts all of the CEQA findings set forth in Exhibit B of this resolution, hereby incorporated by reference, prior to taking action on the Project; and be it further

**RESOLVED**: That the Agency adopts the Mitigation Monitoring Program (MMRP) for the proposed project as set forth in Exhibit C of this resolution and also imposes the MMRP obligations on the Property Buyer; and be it further

**RESOLVED**: That the Agency hereby authorizes the Agency Administrator or her designee to sell the Property to Buyer for the fair market value as determined by appraisal made at the time of the sale; and be it further

**RESOLVED**: That the Property shall be transferred to Buyer pursuant to terms of a Disposition and Development Agreement ("DDA") to be executed by Agency and Buyer; and be it further

**RESOLVED**: That the DDA must be executed by the Buyer within sixty (60) calendar days of the effective date of this Resolution or else the Agency Administrator must return to the Agency to seek direction on the sale of the Property;

**RESOLVED**: That the transaction shall include the following terms and conditions:

- The Buyer will pay a non-refundable deposit at the time the DDA is executed;
- The purchase price of the Property, which is the fair market value as determined by appraisal on the effective date of the DDA, shall be payable in cash at the close of escrow;
- ~~Upon completion of construction, the Agency shall pay the Buyer an amount not to exceed \$1,200,000 as a reimbursement to partially offset the Buyer's costs to build a foundation system to allow a multi-story dealership facility;~~

- The Buyer must meet a specific schedule of performance;
- The Buyer is required to pay their fair share of traffic mitigations and other mitigations that are referenced in the Oakland Army Base EIR;
- The Agency is required to use its best efforts to obtain a "media center" (i.e. electronic) billboard to help promoted the auto mall;
- The Buyer may terminated the DDA if the Agency does not provide adequate freeway signage;
- The Buyer is required to participate financially in a dealership association to market and promote the auto mall;
- The Agency has the right to review and approve the designs of the dealership buildings;
- The Buyer purchases the property on an "as-is, where-is" basis and assumes any obligations for environmental remediation or reporting that is required;
- The Agency will have the option to repurchase all or portions of the Property if Buyer does not commence construction of the Project within the time frames specified in the DDA;
- Buyer to comply with provisions of the OARB Final Reuse Plan and Redevelopment Plan all applicable state, City and Agency employment and labor laws; and
- Any other appropriate terms and conditions as the Agency Administrator or her designee may establish in his or her discretion or as the California Community Redevelopment Law or Redevelopment Plan may require;

and be it further

**RESOLVED:** That the Agency finds that the above transaction represents the fair ~~reuse~~market value of the Property in accordance with the Redevelopment Plan; and be it further

**RESOLVED:** That all documents shall be reviewed and approved by Agency Counsel prior to execution, and copies will be placed on file with the Agency Secretary; and be it further

**RESOLVED:** That the Agency hereby appoints the Agency Administrator or her designee as agent of the Redevelopment Agency to conduct negotiations, execute documents with respect to the sale of the Property, including any grant deeds or other documentation as necessary to effectuate the transaction, exercise any of the repurchase options, pay the purchase price, and accept property under those options, and take any other action with respect to the Property and the Project consistent with this Resolution and its basic purpose; and be it further

**RESOLVED:** That the Agency Administrator or her designee is hereby authorized to file a notice of determination on this action with the Office of the Alameda County Recorder, and the Agency Secretary is hereby authorized and directed to retain a copy of the SEIR in the record of proceedings for this Project, which shall be maintained by the Agency Secretary; and be it further

**RESOLVED:** That the custodians and locations of the documents or other materials which constitute the record of proceedings upon which the Agency's decision is based are

respectively: (a) the Community & Economic Development Agency, Projects Division, 250 Frank H. Ogawa Plaza, 5th floor, Oakland CA; (b) the Community & Economic Development Agency, Planning Division, 250 Frank H. Ogawa Plaza, 3rd floor, Oakland CA; and (c) the Office of the City Clerk, 1 Frank H. Ogawa Plaza, 1<sup>st</sup> floor, Oakland, CA.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2006

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND CHAIRPERSON DE LA FUENTE,

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
Secretary of the Redevelopment Agency  
of the City of Oakland



EXHIBIT A: PROPERTY DESCRIPTION

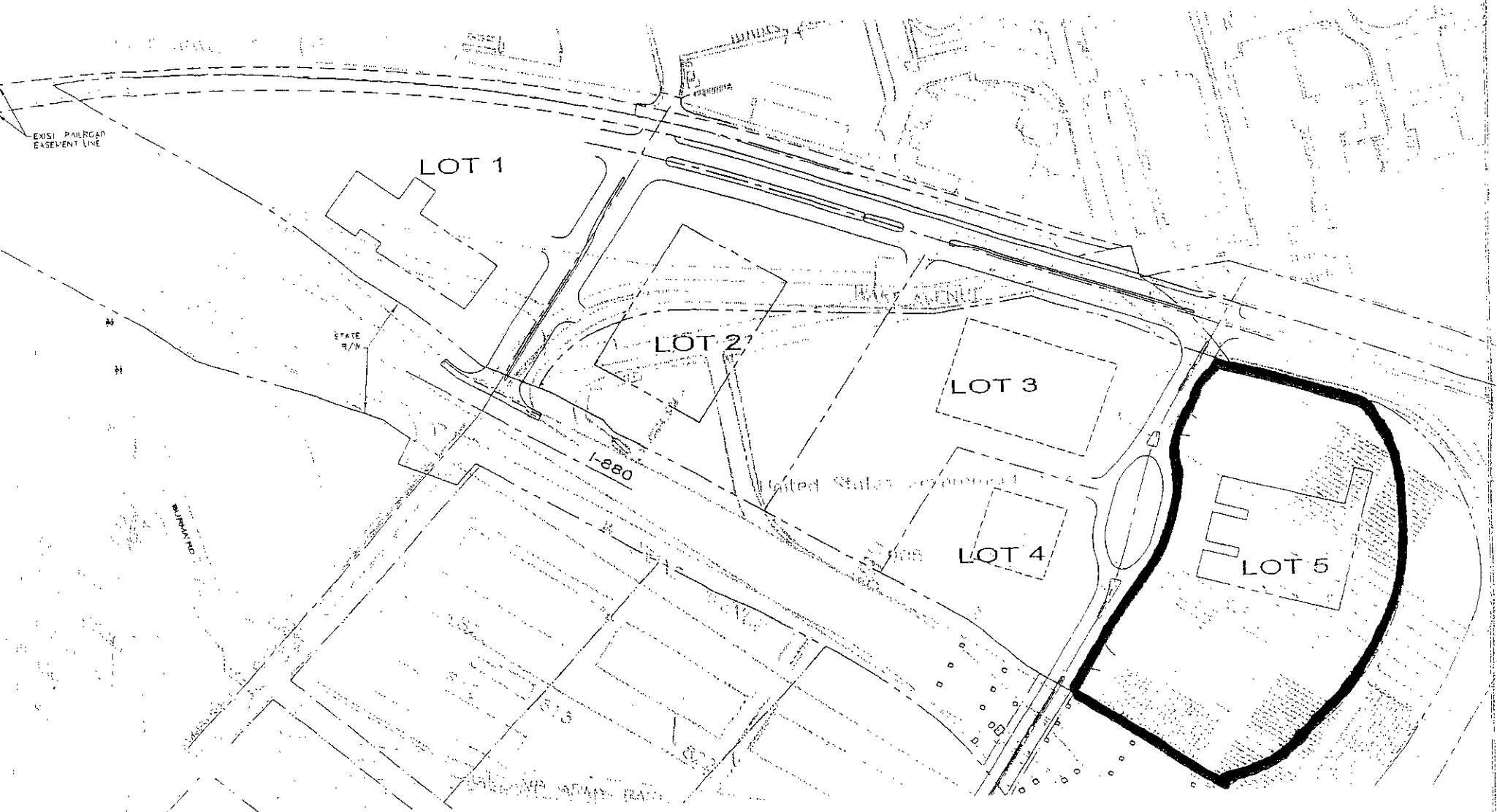


EXHIBIT B

**CEQA FINDINGS**

EXHIBIT C

**MITIGATION MONITORING AND REPORTING PROGRAM**