

**REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
AGENCY AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 APR 15 PM 1:23

TO: Office of the City Administrator/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: April 27, 2004

RE: **A RESOLUTION AUTHORIZING AN OPERATION AND MANAGEMENT AGREEMENT WITH CMA ASSET MANAGERS, INC. TO MANAGE AND OPERATE AN AGENCY-OWNED PARKING GARAGE AT 901 FRANKLIN STREET**

SUMMARY

The Community and Economic Development Agency (CEDA) is recommending approval of a resolution authorizing the Agency Administrator to enter into an operation and management agreement for a term of 12 months, and renewable thereafter for additional 12-month terms, with CMA Asset Managers, Inc. ("CMA") to manage and operate the future Agency-owned parking garage located at 901 Franklin Street. The Agency will pay to CMA a monthly fee of \$1,200, or \$14,400 per year for their services. In addition, the Agency will pay to CMA a revenue-based performance incentive fee of 10 percent of all gross revenues (minus the City of Oakland's parking tax) that exceed \$200,000 annually.

On November 15, 2000, the Agency entered into a Disposition and Development Agreement ("DDA") with SNK 9th and Franklin LLC ("SNK") for the sale of an Agency-owned infill parcel located at 9th and Franklin Streets for the construction of the Franklin 88 (formerly known as the "Arioso"), an 88-unit market-rate, for-sale luxury condominium development with approximately 6,780 square feet of retail space and a 223-space garage (the "Franklin 88 Garage").

On November 15, 2002, after SNK satisfied the DDA requirements, the Agency sold the property to SNK and entered into a Purchase and Sale Agreement ("PSA") for an airspace parcel containing 135 parking spaces (the "Agency Parking"), which is part of the Franklin 88 Garage. Under the terms of the PSA, the Agency will buy the Agency Parking from SNK for \$2,818,000 upon completion of construction. Pursuant to Resolution 00-58 C.M.S., the acquisition of the Agency Parking was funded from the Agency's land sale proceeds of the property located at 9th and Franklin Street. SNK started construction in the winter of 2002 and the Franklin 88 will be completed in August of 2004.

Item: 7

Community and Economic Development Committee
April 27, 2004

In January of 2004, pursuant to the terms of the DDA, the Agency and SNK jointly issued a Request for Proposals (RFP) for asset management and parking operation services at the Franklin 88 Garage. The Agency and SNK received three responses and selected CMA as asset manager. CMA will be responsible for hiring all other contractors necessary for the operation of the Franklin 88 Garage. The Agency and SNK will enter into separate contracts with CMA for the Agency Parking and residents' parking at the Franklin 88 Garage.

FISCAL IMPACTS

There is a fiscal impact associated with the approval of the parking operation and management contract with CMA. The garage will generate net operating income for the Agency, which will be returned to the Agency after all operating expenses have been deducted. During Fiscal Year 2004 -05 staff will track parking revenues in a Project P126410 and return to the Council as part of the Fiscal Year 2005-07 Budget to appropriate the revenues from the garage. The operator's management fee and the monthly revenue-based performance incentive fee, if any, will be paid out of the gross parking revenues.

BACKGROUND

On November 15, 2000, pursuant to Resolution 00-58 C.M.S., the Agency and SNK entered into a DDA for the sale of property located at the corner of 9th and Franklin Streets to build the Franklin 88 project. On November 15, 2002, the Agency sold the property to SNK and entered into a PSA for the Agency Parking. Upon completion of project construction scheduled for August of 2004, the Agency will buy the Agency Parking from SNK for \$2,818,000. Pursuant to Resolution 00-58 C.M.S., the acquisition of the Agency Parking was funded from the Agency's land sale proceeds of the property located at 9th and Franklin Street. Specifically, the Agency received \$3,318,000 for the property, of which \$500,000 were paid in cash at closing, while the remainder of the purchase price, i.e. \$2,818,000, was paid in the form of a promissory note in that amount executed by SNK in favor of the Agency. The note will be repaid by SNK in the form of the conveyance of the Parking facility to the Agency at the completion of construction.

On January 26, 2004, the Agency and SNK issued a RFP to solicit proposals for the operation and management of the Franklin 88 Garage. The RFP was mailed to 17 parking companies. The Agency and SNK received responses from Douglas Parking, CMA and Parking Concepts, Inc. ("PCI").

PROJECT DESCRIPTION

The Franklin 88 is a residential condominium project with about 6,780 square feet of ground floor retail and a 223-space garage. The Franklin 88 will be subdivided into four airspace parcels: (1) a residential condominium with 88 parking spaces, (2) a large retail space, (3) a small retail space and (4) the Agency Parking. The residential condominium will be owned by the homeowners association, the retail parcels will be owned by one or two retail operators and title to the Agency Parking will vest with the Agency.

Item: 7

The parking configuration for the garage includes 79 spaces in the basement, 44 spaces on the first floor and 100 spaces on the second floor. The garage has 38 Klaus parking lifts, a system that allows for stacking two cars in the same parking space, and numerous tandem parking spaces. The Agency will own 135 parking spaces in the Franklin 88 Garage. The owners of the 88 residential units will not have a reserved parking space in the Franklin 88 Garage, but only the right to have their 88 cars parked in any of the open stalls in the Franklin 88 Garage based on a scramble parking system. This arrangement allows the Agency to make more than its 135 spaces available for public parking from 7 a.m. to 10 p.m. during weekdays. The Klaus parking lifts and tandem parking spaces, in combination with the need of residents to access the garage at any time, necessitate a valet parking service for the Franklin 88 Garage that will have to be operated on a 24-hour, 7-days per week basis.

The Franklin 88 Garage will partially replace a 172-space surface parking lot that was operated on the Agency-owned property before the construction of the Courtyard by Marriott Hotel and the Franklin 88 Project. The garage will also provide up to 67 parking spaces for guests of the Courtyard by Marriott Hotel, as required by a parking license between the Agency and the Oakland Garden Hotel LLC, the owner of the Courtyard by Marriott Hotel. Guests of the Hotel will have to pay market rate parking fees for use of the garage.

KEY ISSUES AND IMPACTS

The Contract

It is critical for the Agency to hire a company that can provide proper maintenance, marketing and financial management of the Agency's asset, while making sure that parking operations maximize revenues and meet the needs of the diverse customer base that will use the garage. The Agency and SNK mailed the RFP to 17 parking companies and received three responses from Douglas Parking, CMA and PCI. The Agency and SNK selected CMA because of its unique qualifications and experience in all aspects of property and garage management. CMA's management fee proposal was also significantly lower than the fee request from Douglas Parking of \$48,000 per year. Finally, CMA's proposal included hiring PCI as the parking operator for the Franklin 88 Garage.

Accordingly, CMA will be responsible for property management of the Franklin 88 Garage, and PCI will provide first-class parking service to all users of the garage. CMA is a certified small local business that was established in Oakland in 1995. CMA is currently managing the Agency's City Center Garage West (in conjunction with Central Parking) and Preservation Park. PCI was established in 1974 in Los Angeles and has operated locally since 1997. PCI manages over 150 parking facilities throughout California serving office buildings, shopping centers, hotels and residential buildings. PCI is also certified as a local/small local business.

Item: 7

SNK will enter into its own contract with CMA to manage and operate the residents' parking. This approach keeps CMA's responsibilities for the Agency Parking contractually separate. SNK will assign its contract with CMA to the Homeowner's Association of the Franklin 88 upon full occupancy of the residential condominiums.

The Agency Parking

During the exclusive negotiations for the Franklin 88 project, the Agency requested that SNK place as many parking spaces as possible in the garage. This was necessary because the Agency had an obligation (1) to improve public parking in Chinatown after eliminating a major surface parking lot in the area, and (2) to provide parking to the guests of the Courtyard by Marriott Hotel. Despite significant site constraints, SNK's architectural team was able to maximize the number of parking spaces in the garage by utilizing a combination of parking lifts and tandem spaces. As a result, the Franklin 88 Garage presents a unique parking facility in Oakland's central business district. The valet service and the Klaus lifts introduce a new mode of operation for parking facilities in the downtown, and it may require some time for the public to accept this type of parking service. Most garage operating costs, such as utilities for the garage, will be shared proportionally between the Agency and SNK based on the number of cars each party will own in the structure. Parking revenues, including those revenues collected by using the residents' parking during the weekdays, will accrue to the Agency only. As a result, those operating costs pertaining to the daily use of the valet parking staff and the management fee will be borne disproportionately by the Agency because its public parking operations and Hotel parking obligation will rely much more intensively on the valet and garage management staff. The Agency will pay to CMA a monthly fee of \$1,200, or \$14,400 per year for their services. In addition, the Agency will pay to CMA a revenue-based performance incentive fee of 10 percent of all gross revenues (minus the City of Oakland's parking tax) that exceed \$200,000 per year. The contract with CMA will be for a term of 12 months, which will be renewable thereafter if CMA satisfactorily passes an annual performance evaluation.

SUSTAINABLE OPPORTUNITIES

Economic

There are no sustainable economic opportunities that apply to this professional services agreement.

Environmental

There are no sustainable environmental opportunities that apply to the contract.

Item: 7

Social Equity

CMA and PCI have demonstrated 100 percent compliance with the City's Small/Local Business Professional Services Program (L/SLBE) and Living Wage Ordinance.

DISABILITY AND SENIOR CITIZEN ACCESS

CMA and PCI have executed declarations of compliance with the Americans with Disabilities Act.

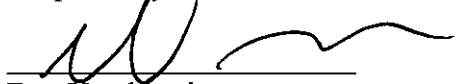
RECOMMENDATION(S) AND RATIONALE

Staff recommends approval of the proposed contract with CMA. The selected contractor was judged to have excellent qualifications, submitted the lower bid and satisfied all of the City's/Agency's hiring goals and requirements.

ACTION REQUESTED OF THE AGENCY

It is requested that the Agency approve the attached resolution authorizing the Agency Administrator to enter into an operation and management agreement with CMA Asset Management, Inc in an amount of \$14,400 per year, plus a 10 percent revenue performance incentive fee, if applicable, for a term of 12 months, and renewable thereafter, for the soon-to-be Agency-owned parking garage located at 901 Franklin Street.

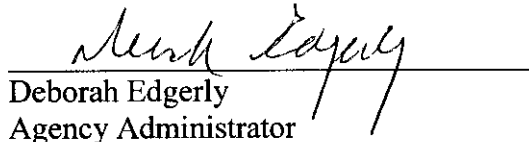
Respectfully submitted,



Dan Vanderpriem
Director of Redevelopment, Economic
Development and Housing

Prepared by:
Jens Hillmer
Urban Economic Analyst IV
Redevelopment Division

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE




Deborah Edgerly
Agency Administrator

Item: 7
Community and Economic Development Committee
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2004 APR 15 PM 1:23

Approved as to form and legality:



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING AN OPERATION AND MANAGEMENT AGREEMENT WITH CMA ASSET MANAGERS, INC. TO MANAGE AND OPERATE AN AGENCY-OWNED PARKING GARAGE AT 901 FRANKLIN STREET

WHEREAS on November 15, 2000, the Agency, pursuant to Resolution No. 00-58 C.M.S. entered into a Disposition and Development Agreement (“DDA”) with SNK 9th and Franklin LLC (“SNK”) for the sale of an Agency-owned infill parcel located at 9th and Franklin Streets (the “Property”) for the construction of the Franklin 88, a residential for-sale condominium development including a garage with 223 parking spaces (the “Franklin 88 Garage”); and

WHEREAS, on November 15, 2002, the Agency sold the Property to SNK and entered into a Purchase and Sale Agreement (“PSA”) with SNK for a portion of the Franklin 88 Garage including 135 parking spaces (the “Agency Parking”); and

WHEREAS, the Agency Parking will be completed in August of 2004; and

WHEREAS, the Agency and SNK issued a Request for Proposals (RFP) for asset management and parking operation services for the Franklin 88 Garage; and

WHEREAS, the Agency received three responses to the RFP; and

WHEREAS, CMA Asset Managers, Inc. (“CMA”), a small local business, submitted the most competitive proposal in response to the RFP; and

WHEREAS, the Agency desires to hire CMA for asset management and parking operation services for the Agency Parking; and

WHEREAS, the Agency finds that the service contemplated by this contract is of a professional nature and is temporary in nature, and shall not result in the loss of

**COMMUNITY & ECONOMIC
DEVELOPMENT CMTE**

APR 27 2004

employment or salary by any person having permanent status in the City of Oakland competitive service; now, therefore, be it

RESOLVED: That the Agency Administrator or her designee is hereby authorized to negotiate and enter into an operation and management agreement with CMA in an amount not to exceed \$14,400 per year, plus an annual revenue-based performance incentive fee of 10 percent of gross revenues (minus the City of Oakland's parking tax) (the "Incentive Fee") in excess of \$200,000 per year, for asset management and parking operation services for the Agency Parking; and be it

FURTHER RESOLVED: That funds in the amount of \$14,400 for the contract plus the Incentive Fee, if any, will be covered from gross parking revenues generated by garage operations; and be it

FURTHER RESOLVED: That the agreement shall be reviewed and approved as to form and legality 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 Administrator or her designee is further authorized to extend, amend (except to increase compensation) and take whatever action is necessary with respect to the agreement consistent with this Resolution and its basic purposes.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2004

PASSED BY THE FOLLOWING VOTE:

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

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

CEDA FLOYD
Secretary of the Redevelopment Agency
of the City of Oakland

7
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APR 27 2004