

CITY OF OAKLAND
Agenda Report

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OFFICE OF THE CITY CLERK
OAKLAND

03 JAN -9 AM 11:20

TO: Office of City Manager
ATTN: Robert C. Bobb
FROM: Community and Economic Development Agency
DATE: January 21, 2003

RE: AN INFORMATIONAL REPORT ON REVENUE IMPACTS OF THE
POTENTIAL SALE OF CITY OWNED PARKING GARAGES AND
PARKING LOTS

SUMMARY

The Finance and Management Committee has requested staff to provide an informational report on revenue impacts of the potential sale of City-owned parking garages and parking lots. Staff has expanded the report to include the Redevelopment Agency-owned parking assets as well.

On February 19, 2002, the Finance and Management Committee reviewed a report from the Public Strategies Group (PSG) that recommended that staff review the sale of surplus city properties and facilities. The goal was to increase revenues and/or reduce expenditures through the sale, lease, transfer or exchange of City and Redevelopment Agency (Agency) real estate assets.

The City presently owns 15 parking assets (8 lots and 7 garage structures) containing 3,520 parking stalls. The Agency owns six parking assets (4 lots and 2 garage structures) containing 2,152 parking stalls.

The City of Oakland has received an Offer to Purchase four City-owned garages for \$20.5 million from Inter Park; a Chicago based parking developer. The City has also received a letter of interest from AEGIS, a local real estate developer, to purchase some or all of its parking facilities and identified nine (9) parking garages and ten (10) parking lots owned by the City and Agency.

The purpose of the report is to identify all the parking assets, determine their net operating income and the fiscal impacts associated with the sale of these assets.

FISCAL IMPACT

The City generated net revenue of \$2,461,805 from its off-street parking facilities in fiscal year July 2001-June 2002. The break down of the revenues and expenses by facility is detailed in the following table and Attachment A.

	Facility Name	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)

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FEB 18 2003

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	Facility Name	Stalls	Gross Revenue	Expenses	Net Revenue
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
	TOTALS	3,520	\$ 4,864,583	\$ 2,402,778	\$ 2,461,805

* City parking lot in the Uptown Project Area. Land transferred from the City to the Agency in exchange for the Alice Arts property, per Agency Resolution No. 02-42 C.M.S., dated June 11, 2002. Revenues from the facility continue to be credited to the City as payment for the City's operation of the Redevelopment-owned facility.

The Agency generated net revenues of \$ 1,107,795 from its off-street parking facilities in fiscal year July 2001-June 2002, broken down as follows:

	Facility Name	Stalls	Gross Revenue	Expenses	Net Revenue
1	UCOP Garage	148	\$ 299,483	\$ 133,276	\$ 166,207
2	City Center West Garage	1,461	1,992,542	1,312,902	679,639
3	1616 San Pablo Lot	100	181,029	95,315	85,714
4	822 Washington Lot	100	24,000	0	24,000
5	20 th and Telegraph Lot	293	100,800	0	100,800
6	9 th and Franklin Lot	50	233,776	182,341	51,435
	TOTAL	2,152	\$ 2,831,630	\$ 1,723,834	\$ 1,107,795

However, debt payments on City Center Garage West totaled \$1,346,000 during FY 01-02. The debt payment was funded partially by garage revenue, with the balance funded by tax increment. In May of 1991, a joint venture agreement was formed between Bramalea Pacific, Inc. ("Bramalea") and the Redevelopment Agency of the City of Oakland ("Agency"). This joint venture was referred to as City Center Garage West Associates. As part of the Memorandum of Understanding ("MOU"), the Agency and Bramalea agreed to design a parking structure containing approximately 1,500 parking spaces and certain retail stores on the Garage Property. The City also agreed to make a construction and permanent loan in the amount of \$22 million to Bramalea.

On June 1996, Bramalea filed its Chapter 11 bankruptcy petition with the U.S. Bankruptcy Court. As a result, the City took a Deed (Grant) in lieu of foreclosure of the City Center Garage West from City Center Garage West Associates.

Item ~~9~~
 Finance & Management Cmte.
 January 14, 2003

The outstanding balance of the loan to Bramalea at the time of the bankruptcy was \$22,557,124. Under an agreement between the City and the Agency, the Agency agreed to make principal and interest payments on the loan to the City. These principal and interest payments are, in turn, used to contribute to debt service on one of the City's bonds - Civic Improvement Corporation Variable Rate Demand COPs (Certain Capital Improvement Projects). As of November 2002, the outstanding balance of the loan is \$19,319,792.

The net revenue generated by the City parking assets are deposited into the Multipurpose Reserve Fund 1750. Twenty-eight (28) FTE City positions are funded from the net revenues at a cost of \$1,727,970 for fiscal year 2003-2004. No redevelopment positions are funded from ORA garage revenues.

BACKGROUND

The City/Agency must determine the revenue impacts associated with the potential sale of some or all of its parking assets. City Council will need to determine if the provision and maintenance of parking facilities should remain one of the City/Agency's core business functions. A review of the 15 City parking assets shows that four parking garages render 75% of the net revenue and are therefore the most marketable and profitable to sell. The four garages are:

Franklin Plaza Garage	\$ 391,066
Montclair Garage	217,668
Clay Street Garage	454,376
Pacific Renaissance Garage	<u>769,378</u>
TOTAL REVENUE	\$1,832,488

The remaining 11 City garage assets produce net revenue of \$629,317¹.

None of the four City garages proposed for purchase by Inter Park are earmarked for future redevelopment or City projects. However, four of the six Agency parking assets are earmarked for future redevelopment projects along with the City-operated Agency-owned 18th and Telegraph lot behind the Fox Theater.

Separate from any transactions with a private company, it is recommended that the City sell the Telegraph Plaza garage to the Agency. In support of the Uptown Project, Forest City has presented a development plan for its proposed Uptown Project that would include demolishing the Sears parking garage. If the Agency/City, after the CEQA process is complete, elects to accept Forest City's proposal, the Agency could support the project by replacing the Sears Parking garage with the Telegraph Plaza garage, which will be demolished as part of the Forest City development proposal.

Because these six City/Agency parking assets are committed to projects, the number of parking assets between the City and Agency will be reduced to 15 (21 - 6). The breakdown of the six

¹ This assumes that any facilities transferred to the Redevelopment Agency continue to be operated by the City and that the City receives the net revenues as payment for the operation.

parking assets earmarked for projects is detailed in the following table.

	Facility Name	Owner/Operator	Project	Stalls	Net Revenue/Lost
1	18 th and Telegraph Lot	Agency/City	Uptown	152	\$ 35,432
2	Telegraph Plaza Garage	City/City	Uptown	351	36,695
3	1616 San Pablo Lot	Agency/Agency	Proposed new garage	100	85,714
4	20 th and Telegraph Lot	Agency/Agency	Uptown	293	24,000
5	9 th and Franklin Lot	Agency/Agency	Housing	50	51,435
6	822 Washington Lot	Agency/Agency	Sullivan Associates (mixed use)	100	100,800
	TOTAL			1,046	\$ 334,076

SUSTAINABLE OPPORTUNITIES

- Economic: At this time, there are no economic impacts since this is an informational report.
- Environmental: At this time, there are no environmental impacts, since this is an informational report.
- Social Equity: At this time, there are no social equity impacts, since this is an informational report.

KEY ISSUES AND IMPACTS

Staff seeks direction on whether the City Council/Redevelopment Agency wishes to consider the sale of any of its parking assets excepting the six assets earmarked above for projects and if so, the terms of the sale.

Inter Park has completed its due diligence regarding the four City garages (Franklin Plaza, Montclair, Clay Street and Pacific Renaissance) and confirmed its purchase price of \$20.5 million. The four garages were appraised at \$19.5 million. The appraisal was reviewed by the City. The Offer to Purchase from Inter Park is \$20.5 million payable in cash at closing, with no contingencies for outside debt or equity. In addition to the purchase price, Inter Park has committed to spend approximately \$2 million on the garages during the first 12 – 24 months to rectify deferred maintenance issues and to enhance the attractiveness, safety and convenience of the facilities. As noted above, the remaining garages and surface lots would generate \$629,317 under the current master fee schedule.

Aegis has completed a preliminary financial analysis of 19 City/Agency parking assets. The analysis is intended to start a dialogue between Aegis and the City regarding the potential acquisition of some or all of its parking facilities.

The sale of the City-owned assets would have an impact on 28 FTE. Funding for these FTE impact

the PWA budget by 25 FTE as well as staff in the City Attorney and Auditor's offices and the Finance Services Agency. Presently there are no funds available or identified to replace the 28 FTE funding source.

PWA indicates that the sale of the parking lots will have a nominal reduction on staffing demand. Thus, the balance would require alternative funding, or the City must be prepared to severely curtail transportation-engineering services. It is estimated that it would take as much as \$40 million in City assets to earn an offset to what the four parking lots are currently generating. These same transportation programs are already being pinched by the cutbacks in State and Federal funding, as well as the cutbacks in the early '90s of almost all of the General Purpose Fund or Municipal Improvement Capital Fund (MIC) support.

PWA is considering evaluating parking rates for all garages, and recommends revisions during the upcoming budget process. If approved by the City Council, the higher rates will be effective in July 2003. The new rates and resulting increase in the Net Operating Income may result in increased attractiveness of the garages for the potential buyers.

The pros and cons of selling the four City garages are as follows:

PROS

1. Generate needed cash for the City of Oakland;
2. If the City/Agency, after completion of CEQA requirements, decides to approve Forest City's Uptown Project, the City/Agency would have approximately \$16 million from the sale proceeds available to help finance the Forest City Uptown Project;
3. New owner will make seismic upgrades and capital improvements that the City currently has not funded;
4. City would no longer be responsible for management and maintenance of facilities, which could reduce the need for some FTEs.
5. City would have the right to re-purchase the garages if ever sold; and
6. Properties would generate property tax revenues estimated at approximately \$265,000 per year.

CONS

1. Significantly reduce a stream of revenue used to support 28 FTE;
2. City would not be able to participate in increased revenues resulting from increased demand for parking triggered by redevelopment;
3. City would not have control over garages other than what is negotiated in the purchases and sales agreement;
4. If parking lots are sold, the City will not have higher and better use opportunity sites available for redevelopment;
5. City would lose the opportunity to attract retail by providing subsidized or free parking;
6. City and Agency would lose a revenue income stream that may be enhanced due to better management and supply and demand;
7. Existing license agreements in various garages to private entities will terminate upon sale;
8. Subsidized parking is being provided to City staff and private entities.

Sale of the four garages could be used to fund either the Uptown Development, which requires

approximately \$16 million, or the City budget gap. The City Council asked staff to look at an alternative for funding the proposed Uptown Development that would not require selling all the garages. Below is an alternative financing plan that would rely on selling one garage, selling Preservation Park, and issuing a small bond in 2006 to meet the proposed Uptown Development financing needs or other redevelopment in the Uptown Area. This alternative would leave open the possibility of selling some of the other garages to fund the City budget gap.

Alternative Financing Plan		
Action	Phase I Financing	Phase II Financing
Sale of Preservation Park	\$ 6.5 million	---
1 Year of Revenue from Preservation Park	400,000	---
Sale of Montclair Garage	2.25 million	---
ORA Bond in 2006	---	\$ 6.8 million
Total	\$ 9.15 million	\$ 6.8 million

As an alternative to the sale of the garages, (Franklin Plaza, Montclair, Clay Street and Pacific Renaissance) staff has investigated methods of increasing revenue that could both continue to fund Public Works staff and provide debt service for a parking revenue bond. An independent parking garage study was prepared on December 14, 2002, by CMA Asset Managers that identified several operational and fee changes that could increase revenues from the current garages. The study determined that the City would generate a higher net operating income than a private owner/operator, because the City is exempt from the real estate tax burden. This additional revenue could service debt on a bond. If this approach were applied to all garages and lots, a higher bond amount could be achieved.

This approach would enable the City to retain its garage parking assets, as well as continuing to fund Public Works staff. The City would benefit from future increases in revenue and asset value of its parking assets, as well as fund the Uptown Development and/or City budget deficit.

DISABILITIES AND SENIOR CITIZEN ACCESS

None, this is an information report.

RECOMMENDATIONS AND RATIONALE

Staff recommends that the City Council accept this informational report; direct the City Manager to prepare a resolution to sell four City garages (Franklin Plaza, Montclair, Clay Street. and Pacific Renaissance); and, authorize the City Manager to review the feasibility to sell additional parking garages and lots and to take all necessary actions related to the negotiations and sale of those parking assets for their Fair Market Value subject to City Council and Redevelopment Agency approval. Sale of the City assets must comply with the Ordinance regarding sales of the City's surplus real property (Ordinance No. 11602 C.M.S.).

Item ⁶
 Finance & Management Cmte
 January 21, 2003

ACTION REQUESTED OF THE CITY COUNCIL

A motion to accept this informational report and allow the City Manager to bring a Resolution to City Council regarding the sale of the four City garages for the highest sales price.

Respectfully submitted,


WILLIAM E. CLAGGETT
Executive Director


Prepared by:
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PWA - Transportation Services

APPROVED FOR FORWARDING TO THE
FINANCE AND MANAGEMENT COMMITTEE


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Item ^C
Finance & Management Cmte
January 21, 2003

ATTACHMENT A

OFF-STREET PARKING FACILITIES - REVENUE AND EXPENSES
(CLEANING, SECURITY, PERSONNEL, PARKING TAX, GROSS RECEIPT TAX, PROPERTY TAX) FOR FISCAL JULY 2001 - JUNE 2002

FACILITY	No. of Stalls	Gross Revenue	Parking Tax = 9.09%	Business Tax = 1.395%	Utilities	Cleaning Fee	Security Fee	Personnel Fee	Management Fee PER STALL = \$149.70	Insurance PER STALL = \$15.00	Total Expenses	Net Revenue
1 Telegraph Plaza Garage	301	\$313,698.09	\$28,515.16	\$4,376.09	\$27,209.44	\$21,084.00	\$79,560.02	\$68,447.43	\$22,515.51	\$5,265.00	\$277,002.04	\$26,696.45
2 Dabzel Garage	213	\$427,261.09	\$38,638.03	\$5,960.29	See note 1	\$9,680.00	See note 1	\$47,920.00	\$31,006.59	\$3,195.00	\$137,679.92	\$299,581.17
3 Franklin Plaza Garage	402	\$755,927.30	\$68,713.79	\$10,545.19	\$35,448.06	\$21,084.00	\$74,958.82	\$74,725.25	\$72,156.51	\$7,230.00	\$364,061.62	\$391,065.69
4 Jefferson Garage	200	\$183,847.35	\$16,711.72	\$2,564.87	\$34,138.49	\$21,084.00	\$60,691.68	\$42,744.84	\$29,940.46	\$3,000.00	\$210,076.67	\$27,020.32
5 Montclair Garage & Street lot	343	\$437,950.75	\$39,809.72	\$6,109.41			\$169,388.67	See note 2		\$4,985.00	\$220,262.75	\$217,688.00
6 Clay St Garage	345	\$751,255.40	\$68,209.12	\$10,480.01			\$213,084.86	See note 3 & 4		\$5,025.00	\$296,078.99	\$464,376.41
7 Pacific Remountment	578	\$1,245,959.25	\$113,257.70	\$17,381.13			\$337,272.14	See note 4		\$6,670.00	\$476,506.97	\$769,370.28
9 Hill of Justice lot	223	\$182,562.19	\$16,594.90	\$2,546.74	\$3,082.29	\$6,300.00	See note 5	\$50,827.13	\$33,383.61	\$3,345.00	\$116,066.68	\$66,495.51
10 14th Telegraph lot	152	\$160,333.75	\$15,301.54	\$2,346.26	\$3,932.12	\$11,495.00	\$38,048.48	\$38,741.60	\$22,754.75	\$2,280.00	\$132,001.74	\$35,432.01
11 12th & Jefferson lot	200	\$166,831.00	\$15,164.84	\$2,327.29	\$879.23	\$2,600.00	\$17,078.04	not applicable	\$29,940.46	\$3,000.00	\$71,089.96	\$95,741.04
11 Piedmont lot	119	\$99,986.75	\$9,997.90	\$1,380.87	\$1,655.57	\$12,480.00	See note 5	not applicable	not applicable	\$1,785.00	\$28,289.33	\$72,697.42
12 Diamond lot	40	0			\$1,712.53	\$2,860.00	See note 5	not applicable	not applicable	not applicable	\$4,572.53	\$4,572.53
13 Parkway lot	36	\$11,759.98	\$1,068.98	\$164.05	\$2,056.29	\$2,496.00	See note 5	not applicable	not applicable	\$540.00	\$6,325.32	\$5,434.66
14 Lakespark lot	169	\$76,317.14	\$6,937.23	\$1,064.62	\$35,003.72	\$3,420.00	See note 5	not applicable	not applicable	\$2,595.00	\$48,960.57	\$27,356.67
15 Grand lot	81	\$43,893.27	\$3,989.90	\$612.31	\$399.13	\$4,680.00	See note 5	not applicable	not applicable	\$1,215.00	\$10,896.34	\$32,996.93
TOTAL Stalls	3520				Cleaning supply	\$1,500.00					\$1,500.00	\$1,500.00
TOTAL Revenue		\$4,864,583.31										
			\$442,190.62	\$67,860.94	\$145,596.87	\$120,983.00	\$986,765.77	\$312,722.93	\$272,607.90	\$52,080.00		

Notes:
 1. Facility garage is being maintained by the City thru the Facilities Maintenance Department (Dabzel's Building Manager is Cheryl Ramirez)
 2. Montclair lot is not included in expenses for Utilities, Cleaning, Security, Personnel, Management Fees and other operational expenses.
 3. Clay street lot expenses for Utilities, Cleaning, Security, Personnel, Management Fees and other operational expenses.
 4. PMP contract expenses for Utilities, Cleaning, Security, Personnel, Management Fees and other operational expenses.
 5. City street lot security
 6. City street lot

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FEB 18 2003

Item # ~~9~~
 Finance and Management Committee
 January 14, 2003