



OFFICE OF THE CITY AUDITOR

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NOVEMBER 28, 2006

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: RESOLUTION AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH CONLEY CONSULTING GROUP TO DEVELOP A CITYWIDE RETAIL RECRUITMENT STRATEGY AND IMPLEMENTATION PLAN IN AN AMOUNT NOT TO EXCEED \$436,720**

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 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 two (2) weeks for us to plan, perform and report on our analysis.

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DEVELOPMENT COMTE 07017~~

~~JAN 23 2007~~

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~~Community & Economic Development Committee~~

~~November 28, 2006~~

## BACKGROUND

The Proposed Resolution authorizes Community & Economic Development Agency (CEDA) staff to utilize the services of an outside consultant to formulate a retail strategy. The scope is comprised of eighteen current or potential retail areas throughout the City. CEDA staff and the selected consultant will determine which block(s) within each area to study.

The team selected through a Request for Proposals (RFP) process to formulate the retail strategy is Conley Consulting Group (Consultant). The strategy responds to studies which show that local residents make many retail purchases outside the City. The Agenda Report states, "...community retailing desires are not met; and national retailers are significantly underrepresented in Oakland." (page 4) The Consultant will identify which types of retail would be successful in the eighteen retail areas under study.

## CONTRACTOR SELECTION PROCESS

Three firms submitted proposals to the RFP. The firms and their bid amounts are as follows:

	Amount
Conley Consulting Group (lead) -Metrovation Brokerage (sub) -JRDV Architects (sub) -Strategic Economics (sub)	\$424,000
Talbot Consultants (lead) -Quantum Market Research (sub)	\$270,000*
Main Street Property Services (lead) -Oakland Merchants Leadership Forum (sub)	\$538,850

\*does not include expenses for meeting participation, travel, lodging, meals, etc.

## FISCAL IMPACT

The contract price is for an amount not to exceed \$436,720. The project has three phases. The project scope section (Attachment D) of the Agenda Report includes a description of the tasks to be performed and the resulting products/outputs of each phase. The following lists the resulting products/outputs by phase and cost.

### *Phase 1*

1. Illustrative area plan for Upper Broadway area
2. Mixed-use development guidelines for Upper Broadway area
3. Upper Broadway Retail Recruitment Action Plan with supporting graphs
4. Map of existing retail inventory by districts\*\*
5. Map of district retail nodes in the districts studied
6. Map of existing major retail competition

7. Sales performance by retail node	
8. Inventory of estimated retail square footage by category for each district or node**	
9. Technical memorandum which includes:	
a. Narrative assessment of each district	
b. Priority rating matrix	
c. Designation of high-priority districts	
d. Revitalization activities for lower priority areas	
9. Technical memorandum conveying results of web-based consumer survey**	
10. Draft technical memorandum with summary of meetings with City residents and staff	
11. Slide presentation and technical memorandum to accompany staff report to Council**	
12. Summary memorandum of stakeholder interviews	
<i>Phase 1 subtotal</i>	<b>\$256,970</b>
<i>Phase 2</i>	
13. Technical memorandum addressing City demographic information**	
14. Technical memorandum identifying recommendations for recruiting retail	
15. Slide presentation summarizing the previous technical memoranda listed	
<i>Phase 2 subtotal</i>	<b>73,245</b>
<i>Phase 3</i>	
16. Final implementation plan- 'Retail Recruitment Implementation Plan'	
17. Briefing to City Council on findings and recommendations in final implementation plan	
<i>Phase 3 subtotal</i>	<b>46,255</b>
**Optional	
Contingency	<b>29,594</b>
Miscellaneous expenses including travel and meals	<b>16,465</b>
Project management fee for optional tasks	<b>1,471</b>
Contract compliance fee	<b>12,720</b>
Total	<b>\$436,720</b>

As stated previously, there are eighteen areas throughout the City that will be studied. Although the cost of studying each area will vary, the simple average cost of studying each area is:

		<u>Number of areas</u>		<u>Simple average cost</u>
Contract amount	\$436,720	÷	18	= \$24,262.22

Since the same Consultant will be studying all eighteen areas, there should be some overlap in obtaining and analyzing information, resulting in economies of scale compared to different outside consultants working on each study area. For example, the project scope indicates that City staff will provide the Consultant with retail sales tax revenue data. The Consultant can analyze the data in combined sessions instead of separately. Another example is that the

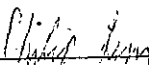
Consultant will hold meetings with City staff regarding the retail recruitment effort. The Consultant can discuss multiple study areas in one meeting whereas separate consultants would have to arrange individual meetings with City staff on each site.

The Agenda Report lists seven additional areas that can be studied either in addition to or in lieu of the eighteen proposed by staff. The Agenda Report states these additional areas can be added at an additional cost.

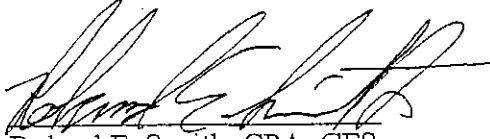
### CONCLUSION

Before approving the Proposed Resolution, the Council should consider that one consultant team will be formulating the retail strategy for eighteen areas throughout the City. This can lead to cost benefits resulting from economies of scale. The Council should determine if there can be increased price efficiencies than the current contract price of \$436,720 reflects. A way to achieve this is to lower the contract price. Another way is to add some or all of the seven additional areas to the proposed contract. The assumption is that the additional areas may be added a lower rate to the existing contract amount than studying these areas separately in the future. The benefits, such as economies of scale, of having one consultant team formulate the retail strategy for eighteen or more different areas of the City needs to be weighed against the benefits of having other consultant teams that might bring different perspectives to studying the various retail areas.

Prepared by:

  
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Issued by:

  
Roland E. Smith, CPA, CFS  
City Auditor

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November 28, 2006

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