




AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, Economic and
Workforce Development

SUBJECT: Lease of Medical Hill Garage at 426
29th Street

DATE: February 11, 2021

City Administrator Approval 

Date: February 26, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Authorizing The City Administrator Or Designee To Negotiate And Execute A Lease Agreement With Euromotors Oakland Inc., A California Corporation DBA Mercedes-Benz of Oakland For A Term Of Three Years With Two 3-Year Options At A Base Rent of \$31,000 Per Month For The Leasing Of A City-Owned Parking Garage Located At 426 29th Street; And Adopting California Environmental Quality Act (CEQA) Findings.

EXECUTIVE SUMMARY

The City-owned real property located at 426 29th Street and known as the “Medical Hill Garage Building” includes a five-level parking structure containing approximately 143,600 square feet and configured with 477 parking spaces. In December 2015, the City of Oakland and Mercedes-Benz entered into a one-year lease of the garage for vehicle storage. The lease has expired and is currently on a month-to-month basis.

In June 2020, a Request for Lease Proposal was issued to auto dealerships in Oakland for the leasing of the garage. The City received two offers. Mercedes-Benz submitted the stronger proposal, offering to lease the garage for a term of three years with two 3-year options to renew at a lease rate of \$31,000 per month escalating to a maximum of \$34,720 per month. Staff recommends that the City enter into a lease with Mercedes-Benz in accordance with these terms.

BACKGROUND/LEGISLATIVE HISTORY

In 1984, the City established the Medical Hill Parking Assessment District (No. 5157) to help fund the construction of a parking garage on City-owned land located at 426 29th Street in Oakland. The garage was constructed to provide parking for the public and for employees of and visitors to the Alta Bates Summit Medical Center (ABSMC). In January of 2009, staff distributed surplus land notices to City departments as well as other public agencies, none of whom expressed interest in utilizing the property. Staff then marketed the property for sale on

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the open market in 2010 but the City did not receive any offers at that time. From February 2011 to the end of 2014, ABSMC leased the garage from the City with a first right of refusal to purchase the garage during the term of the lease. However, ABSMC completed construction of its own parking garage, terminated the lease and vacated the premises at the end of 2014. The Mercedes-Benz Dealership on Broadway subsequently expressed interest in leasing the garage for vehicle storage and the City entered into a one-year lease with this dealership in December of 2015.

ANALYSIS AND POLICY ALTERNATIVES

Mercedes-Benz is currently leasing the premises on a month-to-month basis for \$25,000 per month. Securing a new three-year lease with two 3-year options would bring a minimum of \$31,000 per month of revenues to the City escalating to a maximum of \$34,720 per month. This represents an increase of \$6,000 per month or \$36,000 per year in lease revenue for the City during the initial term of the proposed lease.

The City currently has no immediate plans to redevelop the property. Any such plans would take several years for implementation from the time a Request For Proposals is released to the start of construction, and the potential return would be offset by the costs of demolition. If left vacant, the property is exposed to vandalism and possible squatters. Leasing to Mercedes-Benz not only generates income for the City but also eliminates maintenance and security costs.

Alternatively, City Council may direct staff to operate the garage as a public parking facility. Doing so would require the procurement and installation of a new parking access and revenue control systems (PARCS) as well as capacity for operations and management of the facility. It is estimated that a new PARCS for the facility would require a one-time expense of approximately \$250,000 and ongoing operations and management of the facility would require approximately \$300,000 annually. With the assistance of its professional parking operators, the Department of Transportation, which is responsible for managing the City's public parking garages and lots, has determined that there was insufficient demand for off-street parking in the Medical Hill area to cover these kinds of ongoing expenses. With the COVID-19 emergency, demand for parking in all of Oakland's commercial districts has been significantly reduced and is not expected to return to pre-COVID-19 levels for some time. For these reasons, staff does not recommend this alternative.

FISCAL IMPACT

Staff costs for processing the proposed new lease are covered by the Master Fee Schedule and will be paid by the lessee. The lease will generate an annual rental revenue for the City of \$372,000 in year 1 and escalating to \$416,640 by the end of the lease term. The City will not incur any out-of-pocket costs from the leasing of the property. Lease payments will continue to be recorded in the Multipurpose Reserve Fund (1750), Mobility Management Organization (35247), Parking Fees: Off Street Parking (Including OPR Parking) Account (45312), DP 350 Administrative Project (1003469), TRANSPORTATION & PEDESTRIAN SAFETY Program (NB33).

PUBLIC OUTREACH / INTEREST

City staff distributed the Request for Lease Proposal (RLP) to car dealerships located in the vicinity of the property and posted the RLP on the City's website. The City received two proposals in response. No further outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures.

COORDINATION

The City of Oakland Real Estate Services Division, Department of Transportation, City Attorney's Office, and Budget Bureau have been consulted in the drafting of this report and the proposed lease agreement.

SUSTAINABLE OPPORTUNITIES

Economic: The economic impact to the City of Oakland will be positive because the lease will generate a minimum of \$31,000 per month rental revenues for the City. Leasing the property would help the Mercedes-Benz dealership, which generates substantial sales tax proceeds, sustain its business in Oakland.

Environmental: There is no direct environmental impact from the recommended action as the uses of the City-owned parking garage will not change.

Race & Equity: The proposed lease will help to sustain a substantial source of sales tax revenue that the City utilizes to provide public services consistent with the City's commitment to racial equity.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

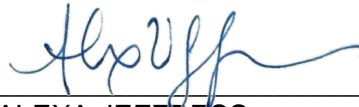
The action is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 (existing facilities) of the CEQA Guidelines.

ACTION REQUESTED OF CITY COUNCIL

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For questions regarding this report, please contact Brendan Moriarty, Real Property Asset Manager, Real Estate Asset Management Division, (510) 238-6354, bmoriarty@oaklandca.gov.

Respectfully submitted,



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