

# CITY OF OAKLAND

## AGENDA REPORT

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2007 SEP 27 PM 6:50

TO: Office of the Agency Administrator  
 ATTN: Deborah Edgerly  
 FROM: Community and Economic Development Agency  
 DATE: October 9, 2007

RE: **Informational Report on the Status of Planning and Development of a Freeway Auto Mall in the North Gateway Area of the Former Oakland Army Base**

### SUMMARY

This report provides an update on the Redevelopment Agency's planning efforts to develop a freeway auto mall within the former Oakland Army Base. Staff is finalizing Disposition and Development Agreements (DDAs) with BMW, General Motors, Chrysler-Jeep-Dodge, and Nissan, and is pursuing several additional dealerships for inclusion within the project, to be named the "Bay Bridge Auto Mall." In addition, staff is working to resolve several issues related to design and engineering of the site, resolution of a lawsuit filed by the East Bay Municipal Utilities District (EBMUD), and several other site planning issues, as discussed in this report.

### FISCAL IMPACT

This report is informational only. The project discussed in this report would provide the following public benefits, as described in Table 1 below:

**Table 1: Estimated Public Benefits from Auto Mall Project**

<b>Employment</b>	
Existing Oakland Jobs Retained	200
Additional Jobs from Non-Oakland Dealership (BMW)	145
Anticipated new jobs (due to increased sales in freeway location)	<u>100</u>
<b>Total Jobs:</b>	<b>445</b>
<b>Land Sales Proceeds</b>	
Gross Land Sale Proceeds	\$26,400,000
(Acquisition costs of Subaru Lot)	-10,200,000
(Estimated costs for new infrastructure and other site preparation)	<u>-\$15,000,000</u>
<b>Net Land Sale Proceeds:</b>	<b>\$1,200,000</b>
<b>New Construction</b>	<b>\$75,000,000</b>
<b>Tax Increment Revenue (per year)</b>	<b>\$1,185,000</b>
<b>Sales Tax Revenue (per year)</b>	<b>\$2,100,000</b>

### BACKGROUND

The Agency plans to create a freeway auto mall within the 28-acre North Gateway of the former Oakland Army Base (see Map, Attachment A). The freeway auto mall is intended to help retain

some of the 11 dealerships on Broadway Auto Row, which generate 650 jobs and \$3.2 million per year in sales tax – and which are being forced to relocate from their current locations over the next three to five years, due to various economic issues.

In December 2006, the Agency authorized the City Administrator to negotiate and execute DDAs with BMW, Chrysler-Jeep-Dodge, and General Motors. This report provides information on the current status of planning and implementation of these negotiations as well as other issues that affect the development of the auto mall.

## KEY ISSUES AND IMPACTS

### 1. Site Preparation

The North Gateway is essentially raw land. All new roads and utilities must be built before any new development can proceed. Staff has completed the preliminary engineering and design for this infrastructure (see Attachment A). As currently planned, the North Gateway would be subdivided into six parcels ranging in size from 1.5 to 6.2 acres.

The new infrastructure will include a road to provide access to the auto mall and to maintain access to an adjacent wastewater treatment plant operated by EBMUD. In addition, the Agency will fund the installation of bioswales, streetlights, trees and landscaping, and electric, gas, and water utilities to service the site. Current infrastructure costs are estimated at \$15 million, and will be fully funded by the land sale proceeds from the auto mall. As discussed below, EBMUD has raised concerns about the design of the new roadway, and staff is attempting to resolve these concerns before finalizing the construction drawings.

When the construction drawings are completed, the next step will be to initiate a bid process for the construction of roads and utilities. Assuming that the City's RFP process will take five months and that construction will take up to six months, it would be ideal to initiate the RFP process no later than January 2008 (Table 2). As shown in Table 2, this will allow the Agency to complete construction of the infrastructure by December 2008, which is necessary to keep the overall development on schedule.

**Table 2: Conceptual Timeline for Auto Mall Project**

1. Complete Design & Engineering of Infrastructure*	December 2007
2. Issue Construction RFP	January 2008
3. Start construction of roads and utilities	June 2008
4. Complete site preparation	December 2008
5. Dealerships start construction of their new facilities	January 2009
6. New dealerships complete construction	February 2010
7. Official grand opening of Bay Bridge Auto Mall	March 2010

\* Note: This target date is dependent on the resolution of the EBMUD lawsuit

## 2. Dealership Negotiations

Pursuant to the Agency Board's direction of December 5, 2007, staff has been negotiating with several auto dealerships based on the terms summarized in Attachment B. As shown in Attachment B, the land is proposed to be sold at fair market value, as determined by a third-party appraiser. Negotiations have focused on the following dealerships:

### *Weatherford BMW*

The negotiations with Weatherford BMW have been stalled for several months, due to several concerns that were raised by their franchisor, BMW of North America. The most significant concern is that the auto mall is located directly adjacent to a wastewater treatment plant. As a result, BMW of North America will not approve the site, and consequently Weatherford BMW is not able to sign a DDA.

To address the proximity to the wastewater treatment plant, staff has explored several options, including: (1) moving BMW's parcel to the easternmost parcel (away from the plant); (2) installing additional landscaping to visually obscure the treatment plant from shoppers in the auto mall; and (3) exploring other sites for BMW outside of the North Gateway.

At this point, staff and Weatherford BMW have identified a site on the Army Base property that they feel has a very strong chance of being approved by BMW of North America. The site is located between Burma Road and West Grand, on a strip of land that connects the Central Gateway to the North Gateway. Staff and Weatherford BMW have agreed to explore the feasibility of this site and present it to the national factory as soon as possible.

**General Motors:** Staff has completed negotiations with General Motors for a proposed dealership that would occupy a 6.2-acre parcel in the auto mall. Negotiations were delayed for several months, primarily because of a change of ownership within the dealership, as well as several legal issues that needed to be resolved. As soon as practicable, staff will bring forward the General Motors DDA to the Agency Board for their review and approval.

**Nissan & Chrysler-Jeep-Dodge:** Previously, staff was negotiating with local auto dealer Steve Simi for the relocation of two of his dealerships: Nissan and Chrysler-Jeep-Dodge. In early 2007, Mr. Simi indicated that he had decided to retire from the auto retail business and was attempting to sell his dealerships. The sale of the dealerships (which requires approval by the factory) took several months but was completed in July 2007. Both dealerships have been successfully purchased by a venture owned by two auto retail businessmen, Bobby Ali and Alam Khan. Staff immediately resumed negotiations with the new owners, and at this point there appears to be general agreement on all business points. Staff has drafted a proposed DDA which is now being reviewed by the new owners. Under the proposed DDA, Nissan and Chrysler-Jeep-Dodge would occupy two parcels with a combined acreage of approximately 8.6 acres.

**Other Dealerships:** Staff is pursuing discussions with several other dealerships – notably Porsche and Volvo – for the two remaining parcels within the North Gateway.

### 3. EBMUD Discussions

EBMUD has filed a lawsuit challenging the City/Agency's environmental review for the Auto Mall. EBMUD's primary assertion is that the Supplemental Environmental Impact Report (SEIR) failed to adequately evaluate the project's impairment of EBMUD's access to its Wastewater Treatment Plant, which is located adjacent to the project site.

In an effort to resolve EBMUD's concerns without going to court, staff is holding settlement discussions with EBMUD staff. Based on these additional discussions with EBMUD, as well as additional analysis of the site, staff is attempting to develop one or more new alternative designs of the roadway, which would be analyzed in an addendum to the SEIR and be brought to the Council for approval in the near future. However, if settlement discussions are not successful, the issues will proceed to litigation.

### 4. Other Pre-Development Activities

Staff is undertaking several other activities to prepare for the development of the auto mall, including:

- Planning for an electronic freeway sign to market the auto mall. As soon as the planning for this is completed, staff will bring a proposed franchise agreement for this freeway sign to the Agency Board for their review and consideration.
- Creating a Community Facilities District that will allow the auto dealers to pay for the maintenance of the new roads and landscaping.
- Working with Caltrans, EBMUD, Port of Oakland, and other government agencies to resolve any potential real estate or infrastructure issues.

## SUSTAINABLE OPPORTUNITIES

**Economic:** The auto mall project described in this report would generate significant high-quality jobs and tax revenue and would increase land values in a vacant, blighted, abandoned military facility.

**Environmental:** The proposed auto mall development would co-locate auto dealerships on an urban in-fill site with approximately 28 acres. By contrast, a standard suburban auto mall would require as much as 100 acres on previously undeveloped land.

**Social Equity:** The dealerships offer a range of jobs that are accessible to Oakland residents with limited educational background, and that pay an average annual salary of approximately \$48,000.

## DISABILITY AND SENIOR CITIZEN ACCESS

This report does not involve the approval of any specific projects or programs. Disability and senior access issues would be addressed when specific development plans are submitted to the City by a developer for review and approval.

## RECOMMENDATIONS AND RATIONALE

The Bay Bridge Auto Mall project is a complex undertaking that will transform 28 acres of undeveloped land into a regional auto retail center. Staff has been working diligently to complete real estate deals for BMW, General Motors, Nissan, and Chrysler-Jeep Dodge. All of these deals have been delayed due to changes in ownership or issues raised at the national factory level. However, staff hopes to finalize at least three proposed DDAs in the near future and bring them forward to the Agency Board.

## ACTION REQUESTED OF THE CITY/REDEVELOPMENT AGENCY

Staff recommends that the Agency accept this report for informational purposes. Staff plans to return to the Agency Board in the near future to seek approval for proposed DDAs for BMW, General Motors, Chrysler-Jeep-Dodge, and Nissan.

Respectfully submitted,



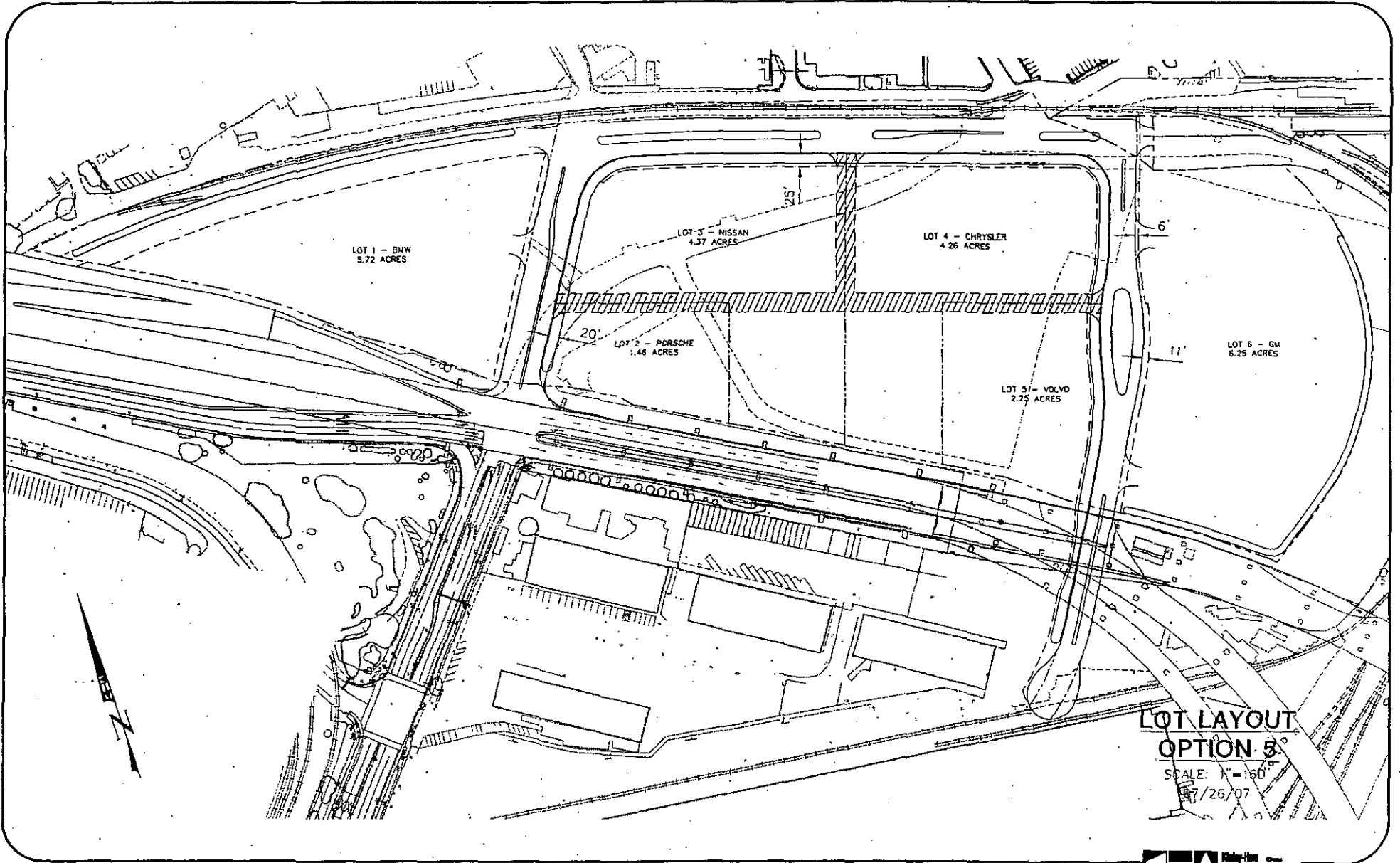
Gregory Hunter, Deputy Director  
Community and Economic Development Agency  
Economic Development and Redevelopment

Prepared by:  
Alex Greenwood  
Urban Economic Coordinator, CEDA,  
Redevelopment Division

APPROVED AND FORWARDED TO  
THE COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:

  
OFFICE OF THE CITY ADMINISTRATOR  
/ AGENCY ADMINISTRATOR

# ATTACHMENT A



## **ATTACHMENT B**

### **Sample Term Sheet**

Note: The attached Term Sheet (formatted as a Letter of Intent) follows the negotiation terms approved by the Agency Board on December 5, 2006. Similar letters have been sent to General Motors, Weatherford BMW, Nissan, Volvo, and Porsche. These term sheets are non-binding, and merely serve to guide discussions during the time that staff and the Developer are negotiating a proposed Disposition and Development Agreement

CITY OF OAKLAND



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Community and Economic Development Agency  
Redevelopment Division

(510) 238-3015  
FAX (510) 238-3691  
TDD (510) 839-6451

July 30, 2007

Mr. Bobby Ali  
Bay Bridge Dodge-Chrysler-Jeep, LLC  
c/o Auto West Collision  
1729 Junction Avenue  
San Jose, CA 95112

RE: Development of Auto Retail at the Former Oakland Army Base

Dear Mr. Ali,

On behalf of the Oakland Redevelopment Agency ("Agency"), I am pleased to present the following Letter of Intent relating to the purchase of approximately 4.26 acres of real property located near the intersection of West Grand and Wake Avenue, in the Oakland Army Base Redevelopment Project Area, as generally outlined on the attached map (the "Property").

This Letter of Intent is not intended to be binding, and the obligation of the Developer to purchase, and the obligation of the Agency to sell the Property, are subject to and conditioned upon the Developer and the Agency entering into a mutually acceptable Disposition and Development Agreement ("DDA"). The terms and conditions set forth in this Letter of Intent are subject to the review and approval of the Agency Board in its sole and absolute discretion.

**PRICE:** Purchase price to be a cash sum equal to the fair market value at time of purchase, or the net equivalent thereof.

**PROJECT DESCRIPTION:** Developer agrees to develop a Chrysler-Jeep-Dodge dealership (including 30,000 sq. ft. of new building construction, showroom, inventory, parts and service, signage, etc.) that meets all factory requirements by no later than December 31, 2009 (the "Project").

**DEVELOPER:** A limited liability company to be formed by the principals, Mr. Alam Khan and Mr. Bobby Ali to be named "Bay Bridge Dodge-Chrysler-Jeep, LLC." Depending on Developer's financial status, the Agency may require a guaranty or other security to secure Developer's DDA obligations.



- TERMS OF PAYMENT:** Purchase price will be due and payable in cash at the close of escrow. A deposit of \$300,000 (to be applied to payment of the Purchase Price) will be payable upon execution of the DDA.
- METHOD OF TRANSFER:** Agency and Developer will sign a Disposition and Development Agreement consistent with the terms of this Letter of Intent and which may include any other terms that are mutually acceptable. Any execution of a DDA will be subject to CEQA review and to the prior formal approval, in their sole and absolute discretion, of the Agency and City Council. Title will be free and clear of all encumbrances except for specific matters provided in a DDA including, without limitation, environmental covenants.
- OFF-SITE IMPROVEMENTS:** Agency will be responsible for providing access roads and utilities stubbed to the property line. Developer will be responsible for all on-site improvements as well as any additional offsite improvements as may be required by the City of Oakland ("City") as part of approval for the project (e.g., sidewalks, traffic mitigations, relocation of power poles or underground lines, etc.).
- CONTINGENCIES:** Any conveyance of the Property will be contingent upon:
- Full financing in place to develop the Project;
  - Agency/City approval of project plans and specifications;
  - Agency approval of construction contract;
  - Receipt of all government approvals for the Project;
  - Agency approval of any amendments to redevelopment and/or implementation plans needed to permit the Project;
  - Agency having obtained all necessary approvals from state or federal authorities or other agencies having jurisdiction over the Property;
  - Resolution of any legal challenges that could affect the Project; and
  - A survey of the Property site.
- REPURCHASE OPTION:** If the Project is not completed by December 31, 2009, Agency will have the option to repurchase the Property for the original sale price.
- REDEVELOPMENT OBLIGATIONS:** Any DDA and deed will provide for:
- Restrictions on transfer of the Property.
  - Use of the Property to be restricted to auto retail.
  - Opportunity to lease additional space in a space adjacent to the auto mall, in order to accommodate inventory storage and/or employee parking.

- Covenant to keep the Property well-maintained.
- Opportunity to purchase up to two additional acres (under certain conditions) in the event Developer secures one or more luxury car franchises.
- Requirements to participate financially in an advertising association along with other dealers located on the former Army Base, including an annual assessment for a joint-advertising campaign, design and maintenance of a joint website, maintenance of a gas station for the auto mall, and other activities as deemed appropriate by the advertising association.
- Payment of Developer's share of the West Oakland Community Fund.
- Temporary easements to accommodate the phased development of roadways for the proposed auto mall.
- Requirements that Developer comply with Oakland Army Base Reuse Plan and Redevelopment Plan.

ESCROW:

Upon execution of a DDA, escrow will be opened at First American Title Company in Oakland.

TITLE INSURANCE:

If Developer desires a title insurance policy, it will obtain one, at its own expense. Agency will provide certification if required by the title company for issuance of an ALTA policy.

CLOSING COSTS:

Developer will pay all escrow fees and closing costs including, without limitation, city and county transfer taxes.

STUDIES AND REPORTS:

After execution of this Letter, the parties will exchange copies of any studies or reports relating to the Property including soil tests, surveys, regulatory reviews, engineering studies or title reports as they become available.

RIGHT OF ENTRY:

Developer will be given right of entry to the Property to conduct tests or feasibility studies, with 48 hours advance notice to Agency. Developer must execute Agency's right of entry agreement which will include, among other terms, Developer's obligation to indemnify City and Agency for any negligent acts or omissions occurring at the time of or resulting from such entry.

NO COMMISSIONS:

City and Agency will not be liable to pay any broker or other commissions. Developer will indemnify City and Agency for any commissions.

ENVIRONMENTAL /  
SITE CONDITIONS:

Developer will be purchasing the Property on an "as-is, where-is" basis. Developer will bear costs, if any,

associated with the remediation of hazardous materials contamination on the Property as required by any local, state or federal agency. Developer will release both City and Agency from any liability for contamination on the Property. Developer will be responsible for all other site conditions, including demolition of existing improvements. Developer will be responsible for any environmental and CEQA study of the project at its own expense. Agency will provide all available information to assist Developer in the environmental review process.

**PROJECT FEASIBILITY:** Developer will provide Agency with a preliminary and pro forma budget, including sources and uses of funds, and a breakout of anticipated construction costs.

If the terms contained in this Letter of Intent are acceptable, please so indicate by signing in the space provided below and return to the undersigned. This Letter of Intent will be of no force or effect unless and until you sign the acknowledgement below and return the acknowledgement within ten (10) business days of the date of this letter.

If you have further questions regarding this letter, please contact Alex Greenwood at (510) 238-6124 or [agreenwood@oaklandnet.com](mailto:agreenwood@oaklandnet.com).

Sincerely,



Gregory Hunter  
Interim Director, Redevelopment, Economic Development,  
Housing and Community Development

**AGREED AND ACCEPTED:**  
Bay Bridge Dodg-Chrysler-Jeep, L.L.C.

\_\_\_\_\_  
Bobby Ali

\_\_\_\_\_  
Alam Khan

Date: \_\_\_\_\_

Attachment

cc: Frank Fanelli, Manager of Real Estate  
Alex Greenwood, Urban Economic Coordinator  
Dianne Millner, Deputy City Attorney