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NOVEMBER 18, 2003

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: AN AGENCY RESOLUTION RESCINDING RESOLUTION NUMBER 8003-70, ADOPTED ON OCTOBER 21, 2003, AND ADOPTING A MITIGATED NEGATIVE DECLARATION AND AUTHORIZING THE SALE OF APPROXIMATELY 4.35 ACRES OF REAL PROPERTY LOCATED ON OAKPORT STREET NEAR HASSLER WAY FOR \$3,318,047 TO, AND AUTHORIZING THE NEGOTIATION AND EXECUTION OF, A DISPOSITION AND DEVELOPMENT AGREEMENT WITH, HENDRICK AUTOMOTIVE GROUP FOR THE DEVELOPMENT OF AN INFINITI AUTOMOBILE DEALERSHIP**

**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 Council Agenda Report, and Proposed Resolution. Our current report updates our Report No. 04025. (Copy attached.)

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 one (1) week for us to plan, perform and report on our analysis.

**SUMMARY**

At its October 21, 2003 meeting, the Council approved the sale of property from the Agency to Hendrick Automotive Group (Hendrick) for development of a new Infiniti dealership along Oakport Street near Hassler Way.

The project report and resolution are being revised because Hendrick has decided to decrease the size of the proposed dealership building from about 37,000 square feet to about 24,000 square feet in order to reduce costs. Under the revised proposal, Hendrick will still purchase approximately 4.35 acres of Agency and City land for \$3,318,047, and the value of the project to the City will remain unchanged.

The site is adjacent to another parcel that the City sold to a Lexus dealership in 2001.

**CONCLUSION**

The Proposed Resolution appears to be reasonable.

Prepared by:

*Jack McGinity*  
Jack McGinity, CPA

Issued by:

*Roland E. Smith*  
Roland E. Smith, CPA

Date report completed:  
October 28, 2003

Attachment

CITY OF OAKLAND



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SEPTEMBER 23, 2003

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT:**

**(1) AN AGENCY RESOLUTION AUTHORIZING THE SALE OF ±4.35 COMBINED ACRES OF AGENCY AND CITY REAL PROPERTY LOCATED ON OAKPORT STREET NEAR HASSLER WAY FOR \$3,318,047 TO, AND AUTHORIZING THE NEGOTIATION AND EXECUTION OF A DISPOSITION AND DEVELOPMENT AGREEMENT WITH HENDRICK AUTOMOTIVE GROUP FOR THE DEVELOPMENT OF AN INFINITI AUTOMOBILE DEALERSHIP; AND**

**(2) A CITY ORDINANCE AUTHORIZING SALE OF .93 ACRES OF CITY LAND TO THE AGENCY FOR SALE TO HENDRICK AUTOMOTIVE GROUP FOR THE INFINITI DEALERSHIP**

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**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 Council Agenda Report, Proposed Resolution, and Proposed City Ordinance. The purpose of our analysis was to evaluate the reasonableness of the proposed sales price of \$3,318,048.

In making our analysis we reviewed the appraisal report and other documentation regarding the proposed sales price. We also discussed various matters with Redevelopment Agency staff.

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ORA/COUNCIL  
NOV 18 2003

Item # \_\_\_\_\_  
CED Committee  
September 23, 2003

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 seven (7) calendar days for us to plan, perform and report on our analysis.

**SUMMARY**

Under the proposal, Hendrick Automotive Group or a related entity would purchase 4.35 acres of remaining Agency and City Coliseum Shoreline land for an Infiniti dealership, and construct a 37,000 square-foot, two story building to serve as a showroom, offices, and an auto service center. The proposed project would also include up to 372 surface parking spaces.

The site is adjacent to another parcel that the City sold to a Lexus dealership in 2001.

**SALES PROCEEDS**

The 4.35-acre site consists of two parcels. The anticipated sales proceeds, before deducting closing costs, would be \$3,318,047, calculated as follows:

<u>Description</u>	<u>Acres</u>	<u>Square feet</u>	<u>Price per Square foot</u>	<u>Total</u>
Agency and City land	3.42	148,975	\$22.00	\$ 3,277,454
Former City and Port railroad right of way	<u>0.93</u>	40,593	\$ 1.00	<u>40,593</u>
Totals	<u>4.35</u>			<u>\$ 3,318,047</u>

The sales price for the 3.42-acre parcel is based on a report by an independent appraiser that was made as of January 3, 2001, and was updated by an Agency staff appraiser as of June 23, 2003.

The 0.93-acre parcel is a 34-foot wide vacated railroad right of way, which has no access and is completely landlocked. Therefore, the parcel is not capable of independent development and has value to only the adjacent owner. It is the policy of the City's Real Estate Division to sell these types of properties to the adjacent owners for \$1.00 per square foot. This policy is intended to relieve the City of liability and maintenance costs, as well as also place the property on the tax rolls. Although the Dealership did not want to buy this parcel, Agency staff required that it be included in the sale.

**FISCAL IMPACT**

Staff anticipates that the dealership will generate significant revenue for the City from property taxes, City sales taxes, and City Business License tax. The exact amounts of such revenues cannot be predicted with precision.

**CONCLUSION**

The proposed Resolution and Ordinance appear to be reasonable.

Prepared by:

*Jack McGinity*  
Jack McGinity, CPA

Issued by:

*Roland E. Smith*  
Roland E. Smith, CPA

Date report completed:  
September 4, 2003

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**ORA/COUNCIL**

**NOV 18 2003**