

**REPORT TO THE CITY COUNCIL
FOR THE
AMENDMENTS TO MERGE THE
CENTRAL CITY EAST AND OAK KNOLL
REDEVELOPMENT PROJECTS**

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OAKLAND REDEVELOPMENT AGENCY

SEPTEMBER 2006

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I. INTRODUCTION

A. PURPOSE AND CONTENT OF THE REPORT TO CITY COUNCIL

This Report to the City Council ("Report") for the proposed adoption of the amendments ("Amendments" or "Merger") to the existing Redevelopment Plans ("Redevelopment Plans" or "Plans") for the Oak Knoll Redevelopment Project and the Central City East Redevelopment Project ("Project Areas" or "Projects") has been prepared by the Redevelopment Agency of the City of Oakland ("Agency") to fulfill the requirements of the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*, the "CRL").

The purposes of the proposed Amendments include:

- 1) Merging the Central City East and Oak Knoll Project Areas into a Merged Project Area ("Merged Project Area") for fiscal purposes; and
- 2) Merging some of the affordable housing production requirements for the Central City East and Oak Knoll Project Areas under limited circumstances.

The merging of the Project Areas will be of benefit to both Project Areas in that it will provide an opportunity for tax increment to assist in the development of public improvements to support the redevelopment of the Oak Knoll property as well as tax increment revenue from the Oak Knoll Redevelopment Project to be allocated to the Central City East Redevelopment Project to expedite the revitalization of significantly blighted areas.

The affordable housing production requirements for the Central City East and Oak Knoll Project Areas will be merged under specific and limited circumstances. The Agency will continue to ensure that the affordable housing production requirements in CRL Section 33413(b) are met separately for each Project Area every ten years (the "compliance period"). If the number of new or substantially rehabilitated dwelling units actually developed and made available at affordable cost in the Central City East Project Area during a compliance period exceeds the minimum number required, the surplus of affordable units may be counted toward satisfying the production requirements for the Oak Knoll Redevelopment Project. Excess units developed and made available to very low-, low- and moderate-income households in Central City East Area may be used to satisfy the production requirements for the same income group for the Oak Knoll Project Area. Any allocation of such excess units must be approved by the Agency.

No affordable housing units developed in the Oak Knoll Project Area may be used to satisfy production requirements in the Central City East Project Area. In addition, the Agency must also compensate the Central City East redevelopment funds from Oak Knoll non-housing redevelopment funds for any allocation of excess units, or from developer contributions for such compensation. The amount of compensation for each unit will be based upon the average Agency per-unit subsidy for such units provided in the Agency's most recent Notice of Funding

Availability or other affordable housing funding processes in place at the time of the allocation. No housing units may be constructed in the Central City East Project Area for the purpose of satisfying the affordable housing production requirements for the Oak Knoll Project Area.

The following additional amendments will also be made to the Oak Knoll Redevelopment Plan:

1. An increase in the tax increment limit from \$87 million to \$1.5 billion;
2. An increase in the bonded indebtedness limit from \$21 million to \$400 million;
3. All references to the "Reuse Plan" will be changed to the "General Plan;"
4. The requirement that the Agency not expend tax increment funds in the Project Area until the City Council make a finding that the Oak Knoll Reuse Plan is consistent with the General Plan will be removed;
5. The obsolete land use map contained in the Plan will be replaced with a current land use map that conforms to the General Plan; and
6. The list of public improvements will be updated.

The existing tax increment and bonded indebtedness limits identified in 1998 were based upon significantly lower land and building values than those being realized eight years later. Without increasing these limits, the Agency will receive a much smaller portion of the projected tax increment that is needed to expedite redevelopment of the Central City East Redevelopment Project and the Agency's ability to utilize bond debt financing to alleviate blighting conditions will be constrained. In addition, due to the higher land and building values now anticipated in the near-term, the tax increment cap will be reached much sooner (within approximately 10 years). As a result, the Agency's ability to use tax increment bond financing to facilitate the redevelopment in the Oak Knoll Project Area will be severely limited.

The Oakland Base Reuse Authority (OBRA) adopted the Final Reuse Plan¹ for Oak Knoll in 1996. At the time of adoption of the Oak Knoll Redevelopment Plan (1998), the Agency anticipated that the City would prepare and adopt amendments to the General Plan that would ensure that the Reuse Plan and General Plan were in conformance, and that subsequent to these actions, the Redevelopment Plan include a provision that tax increment funds could not be expended in the Oak Knoll Project Area until the City amended the General Plan, and the Agency made a finding that the Redevelopment Plan is consistent with the General Plan as required by CRL Section 33492.20(a)(2). The actions necessary to ensure conformance between the two planning documents has been completed. Therefore, references to the

¹ Entitled the "Final Reuse Plan for the Naval Medical Center, Oakland."

"Reuse Plan" in the Redevelopment Plan are obsolete and will be changed to references to the General Plan.

The list of public improvements in the Oak Knoll Redevelopment Plan will be updated to include public facilities and improvements that will benefit the Oak Knoll Project Area and surrounding community, and that are reflective of the development anticipated on the former Base and of the desires and needs of the community.

This Report is one of the legally required documents leading to the adoption of a redevelopment plan amendment. The primary purpose of the Report is to provide the information, documentation, and evidence required by the CRL to accompany the Amendments when they are submitted by the Agency to the City Council of the City of Oakland (the "City Council"). Such information, documentation and evidence is provided to assist the City Council in its consideration of the proposed Merger and in making the various findings associated with the adoption of the merger amendments. This Report includes:

- 1) The reasons for amending the Redevelopment Plans;
- 2) The remaining blight within the Project Areas, the portions of the Project Areas that are no longer blighted, the projects that are required to complete the eradication of the remaining blight, and the relationship between the costs of those projects and the amount of increase in the limitation on the number of dollars to be allocated to the Agency;
- 3) An assessment of the method of financing the redevelopment of the Merged Project Areas, including the continued economic feasibility of the Projects after merging Project Areas;
- 4) The respective Implementation Plans for the Project Areas;
- 5) A method or plan for the relocation of families, and persons to be temporarily or permanently displaced from housing facilities in the Merged Project Areas;
- 6) The summary referred to in Section 33387 (summary of community meetings and consultations and recommendations of the Central City East Project Area Committee (PAC));
- 7) The Report required by Section 65402 of the Government Code (Report of the Planning Commission on conformance of the Amendments to the General Plan) and the Planning Commission's recommendations to the Agency and City Council on adoption of the Amendments;
- 8) The Report required by Section 21151 of the Public Resources Code (Environmental Exemption);

- 9) Neighborhood Impact Report (City Central East Redevelopment Project only); and
- 10) Summary of consultations with affected taxing agencies.

The Report is divided into sections that generally correspond to the subdivisions contained in the CRL that specify the required contents of the Report to the City Council as described above and outlined below:

Table 1: Organization of the Report to the City Council

<u>CRL</u>		<u>Report Section</u>
<u>Section</u>		
33352 (a)	<i>The reasons for the Amendments.</i>	Section II
33354 (b)	<i>The remaining blight within the Project Areas, the portions, if any, of the Project Areas that are no longer blighted, the projects that are required to be completed to eradicate the remaining blight, and the relationship between the costs of those projects and the amount of increase in the limitation on the number of dollars allocated to the Agency.</i>	Sections III, IV and V
33352 (c)	<i>An Implementation Plan. (The Amendments will not alter the existing Implementation Plan for the Central City East Project Area and a new Implementation Plan has been prepared for the Oak Knoll Redevelopment Project).</i>	Section VI
33352 (e)	<i>The proposed method of financing the redevelopment of the Merged Project Area including an assessment of economic feasibility of the proposed Amendments and reasons for continuing to include tax increment financing.</i>	Section V
33352 (f)	<i>A method or plan for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the Merged Project Area.</i>	Section VII
33352 (h)	<i>The report and recommendations of the Planning Commission.</i>	Section VIII
33352 (i)	<i>The summary referred to in Section 33387. (Consultations with the property owners, residents, businesses and community organizations and the Central City East Project Area Committee).</i>	Section IX
33352 (j)	<i>The report required by Section 65402 of the Government Code (Report on the conformity of the Amendments with the City's General Plan).</i>	Section VIII
33352 (k)	<i>The report required by Section 21151 of the Public Resources Code (Environmental Compliance – Notice of Exemption.)</i>	Section X
33352 (m)	<i>Neighborhood Impact Report (Central City East Project Area only).</i>	Section XI
33352 (n)	<i>An analysis by the Agency of the report submitted by the County as required by Section 33328 (base year report), which shall include a summary of the consultation of the Agency, with each of the affected taxing entities. (Only consultations with taxing agencies are applicable and are included in the Report to the City Council).</i>	Section XII

B. REDEVELOPMENT PLAN AMENDMENT REQUIREMENTS

Section 33354(a) of the CRL requires that when an agency proposes to amend a redevelopment project that utilizes tax increment for specific purposes (including the merger of redevelopment projects and increases in the tax increment and/or bonded indebtedness limits), the Agency must follow the same procedures it would for the adoption of a new redevelopment plan.

Per Section 33458 of the CRL, a merger may be accomplished by the amendment of each redevelopment plan as provided in Article 12 (commencing with Section 33450). Section 33457.1 requires that "to the extent warranted by a proposed amendment to a redevelopment plan; (1) the ordinance adopting an amendment to a redevelopment plan shall contain the findings required by Section 33367; and (2) the reports and information required by Section 33352 shall be prepared and made available to the public prior to the hearing on such amendment." Therefore, because the Agency is proposing to merge projects, the Agency will follow the applicable provisions to the extent warranted of CRL Sections 33354.6 and 33450, *et seq.* both of which govern the preparation of plan amendments. Because the proposed Amendments would also increase revenues to the Agency from the Oak Knoll Redevelopment Project, Section 33354.6 (b) requires demonstrating that significant blight remains within the Project Area, in this instance the Central City East Redevelopment Project, which will benefit from the increased tax increment and bond debt limits in the Oak Knoll Redevelopment Plan due to the additional tax increment that will be used to expedite the eradication of blight. However, the Amendments do not require the preparation of certain documents or require certain actions that are necessary when adopting a new redevelopment plan, such as the preparation and adoption of a preliminary plan (Section 33322) establishing the Project Area boundaries.

C. BACKGROUND

The Agency is charged with implementing redevelopment within the City of Oakland. The Agency is proposing to merge two of the City's redevelopment project areas: The Oak Knoll Redevelopment Project and the Central City East Redevelopment Project. The Merger will allow the Agency to utilize tax increment revenues from the Oak Knoll Project Area in the Central City East Project Area. Under the terms of the proposed Amendments, tax increment revenues from the Central City East Project Area may not be used in the Oak Knoll Project Area. Additionally, the Agency proposes to increase the tax increment and bond debt limits for the Oak Knoll Redevelopment Project. The increase in revenues will primarily be spent in the Central City East Project Area for the purpose of expediting the redevelopment project to eradicate remaining blight and thus allow the Agency to end the Project sooner. The affordable housing production requirements for the Project Areas will also be merged to a limited extent. While the affordable housing production requirements will continue to be met separately for each Project Area, excess affordable units produced in the Central City East Project Area may be utilized to satisfy the production requirements for Oak Knoll. Any allocation of such units

must be approved by the Agency and no affordable housing units produced in the Oak Knoll Project Area may be used to satisfy the production requirements for the Central City East Project Area.

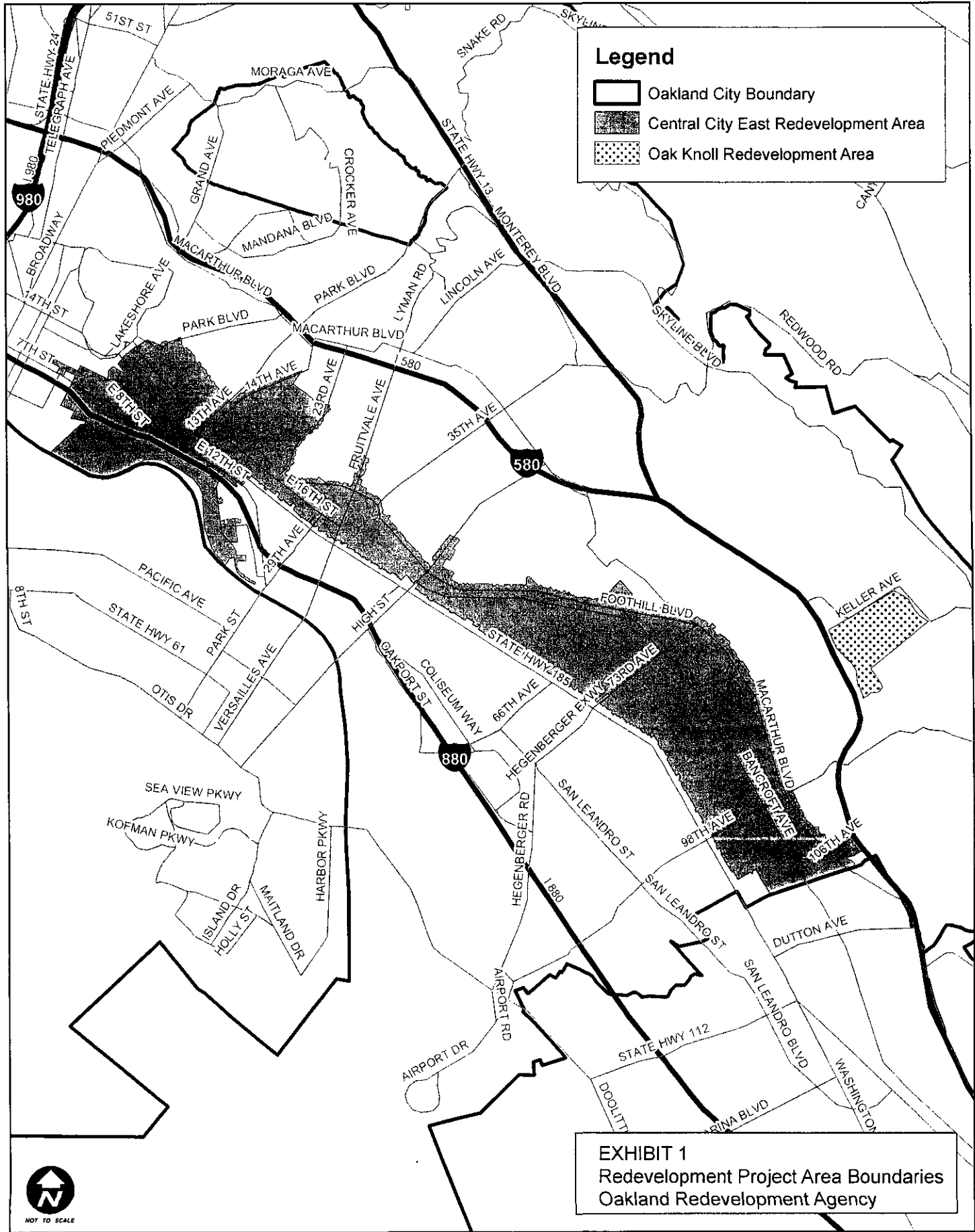
Additional amendments are proposed for the Oak Knoll Redevelopment Plan, including increases to the tax increment and bonded indebtedness limits; the deletion of obsolete references to the Reuse Plan now that the General Plan has been amended to conform to the Reuse Plan; updating the land use map to conform to the Land Use and Transportation (LUTE) and expanding the list of public improvements in the Plan.

The proposed Amendments provide that all other provisions of the original Plans shall continue to govern the original Project Areas as established prior to the Amendments, and that the Redevelopment Plan for one of the Merged Project Areas shall have no application to the other Merged Project Area. The limited merger of the affordable housing production requirements will benefit both Project Areas by ensuring that the affordable housing production requirements are met; homeownership programs for the Central City East Redevelopment Area are expanded; and the production of more affordable housing units are provided citywide, since more of the Oak Knoll required housing funds will continue to go to the citywide pool. Exhibit 1 illustrates the boundaries of the Project Areas.

1. Oak Knoll Redevelopment Project

The Oak Knoll Redevelopment Project was adopted by the City Council on July 14, 1998, by Ordinance Number 12065 C.M.S. The Project Area is the former Naval Medical Center Oakland, a former military base that served as the Navy's East Bay Medical Center from 1942 until it was decommissioned in 1996. The 183-acre Project Area is located in the Oakland Hills east of the MacArthur (580) Freeway and south of Keller Avenue.

The Redevelopment Plan for the Project Area was amended once in December 2004, as permitted in consideration of payment to the Educational Revenue Augmentation Fund (ERAF). Under the provisions in the CRL for special time limits for redevelopment areas that include former military bases, the Oak Knoll Redevelopment Plan expires 30 years from the date that the Agency receives at least \$100,000 in tax increment revenues from the Project Area, and the Agency would stop receiving tax increment to repay indebtedness 45 years from that date. The Agency anticipates reaching the \$100,000 threshold and initiating the timeline for Plan duration in fiscal year 2007/2008. The City Council adopted Ordinance Number 12643 C.M.S. on December 21, 2004, which amended the Oak Knoll Redevelopment Plan to extend the duration and effectiveness of the Redevelopment Plan by one year to 31 years after the \$100,000 tax increment threshold is met, and extend the time to receive tax increment by one year to 46 years after the \$100,000 tax increment threshold is met. As noted above, these time



extensions were intended to offset the fiscal impacts of payments to the ERAF required by the State Legislature for fiscal year 2003-04.

Due to budget constraints and the potential costs associated with the environmental clean up and site clearance of the former military base, the Agency did not accept transfer of ownership from the Navy to the Agency through the Oakland Base Reuse Authority (OBRA). Instead, the Navy retained ownership of the majority of property on the former base and conducted a public auction to sell the land directly to a private entity. On March 30, 2006, the Department of the Navy completed the sale of 167-acres to SunCal Companies. A small percentage of the base properties were sold or transferred to either the Agency or private entities. These include:

- 7.9 acres conveyed to Seneca Center (\$0 cost conveyance);
- 1.3 acres sold to the Sea West Federal Credit Union; and
- 5.5 acres conveyed to the Agency (\$0 cost conveyance)

No Project Area Committee (PAC) was formed in connection with the adoption of the Oak Knoll Redevelopment Plan. The CRL requires formation of a PAC only if a substantial number of low or moderate income persons live in the Project Area, and the Plan authorizes eminent domain over residential property, or if the Plan includes projects that will displace a substantial number of low or moderate income persons. Neither of these conditions applied to the Oak Knoll Project.

2. Central City East Redevelopment Project

The Central City East Redevelopment Project was adopted by the City Council on July 29, 2003, by Ordinance Number 12528. The Project Area encompasses portions of the Eastlake, Fruitvale, Central East Oakland, and Elmhurst neighborhoods that make up central and eastern Oakland and is approximately 3,339 acres in land area.

The Redevelopment Plan termination date is currently July 29, 2033, and the time limit on repayment of indebtedness and receipt of tax increment revenues for the Project Area is currently July 29, 2048. The Plan was amended in 2004 to remove a small portion of property from the Project Area and in 2006 to revise the land use designations for the Oak to Ninth project site.

A PAC was formed prior to the adoption of the Central City East Project. The Central City East PAC includes elected and appointed representatives of residential tenants, residential owners, businesses, and existing community organizations in the Project Area.

D. GOALS AND OBJECTIVES

1. The Oak Knoll Redevelopment Project Area

The Redevelopment Plan for the Oak Knoll Redevelopment Project sets forth the goals and objectives described below:

- a. The mitigation of the economic and social degradation that is faced by the community due to the closure of the Naval Medical Center by the Federal Base Closure Commission, in accordance with the legislative intent expressed in Section 33492 of the Health and Safety Code.
- b. Implementation of the Reuse Plan as finally adopted ("Final Reuse Plan").
- c. The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including, among others, buildings in which it is unsafe or unhealthy for persons to live or work; obsolete, aged, dilapidated and deteriorated building types; substandard, faulty, inadequate or deteriorated infrastructure and utility lines; buildings that are too large or too small for modern use; inadequate parking facilities; incompatible and uneconomic land uses; non-compliance of land and buildings that do not meet current building, plumbing, mechanical or electrical code standards.
- d. The subdivision of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
- e. The re-planning, redesign, and development of portions of the Project Area which are improperly utilized.
- f. The establishment of appropriate retail and/or other commercial functions in the Project Area as determined to be feasible.
- g. *The strengthening of the economic base of the community through the construction and installation of needed site improvements to stimulate new residential, commercial, and recreational uses.*
- h. The provision of adequate land for parking and open spaces.
- i. The establishment and implementation of performance criteria to assure high site design standards, environmental quality, historic preservation, and other design elements that provide unity and integrity between designated land uses within the Project Area.

- j. To provide for the expansion, improvement, and preservation of the community's supply of housing available to low and moderate income persons and families within or outside the Project Area.

2. The Central City East Redevelopment Project

The goals and objectives for the Central City East Redevelopment Project include the following:

- a. Stimulate in-fill development and land assembly opportunities on obsolete, underutilized, and vacant properties in the Project Area.
- b. Stimulate opportunities for adaptive re-use and preservation of existing building stock in the Project Area.
- c. Attract new businesses and retain existing businesses in the Project Area, providing job training and employment opportunities for Project Area residents.
- d. Improve transportation, open space, parking, and other public facilities and infrastructure throughout the Project Area.
- e. Stimulate home ownership opportunities in the Project Area.
- f. Improve the quality of the residential environment by assisting in new construction, rehabilitation, and conservation of living units in the Project Area, including units affordable to low and moderate income households.
- g. Revitalize neighborhood commercial areas and strengthen retail in the Project Area.

The proposed Amendments do not modify any of these goals or objectives.

E. AGENCY ACCOMPLISHMENTS

1. Central City East Redevelopment Project

With the support and input from the Central City East PAC, the Agency has implemented or is participating in six programs within the Project Area that are designed to initiate blight alleviation efforts.

a. Fruitvale Alive

The Agency worked with the City of Oakland, the Unity Council, the Dimond Improvement Association, and community groups to complete a comprehensive transportation plan for the Fruitvale Avenue and Dimond Business District. The plan was funded by a Caltrans Environmental Justice Grant. The plan provides the basis for future projects such as streetscape improvements. The plan addresses all transportation modalities including pedestrian, bicycle, public transit and private vehicular movement. The Fruitvale Alive project includes Fruitvale Avenue between the Estuary and the Dimond Business District, and includes MacArthur Boulevard between Sheffield and Lincoln Avenues. The Fruitvale Alive project runs through two redevelopment areas: the Coliseum Redevelopment Project Area and the Central City East Redevelopment Project Area.

b. The CCE Opportunity Sites Program

Because funding for development has been limited in the first several years of the Redevelopment Plan, the Agency identified forty "opportunity sites" within the Project Area in the summer of 2004. Working with the PAC to rank the forty sites, eight sites (two in each of the four sub-areas in the Project Area) were selected for the first round of activities. The owners of these sites were contacted to determine their interest in working with the Agency to develop or redevelop their properties. The Agency issued a Request for Proposal for six of the eight sites in the spring of 2005. Although there was some interest from developers, since public funding for the development of the sites was limited, none responded to the RFP.

c. Façade Improvement Program

This program provides matching grants to existing businesses and property owners in the Project Area for the purpose of storefront improvements and façade treatments. These grants enhance the attractiveness and visual appearance of the area. While the funding for the Façade Improvement Program (FIP) was limited in the initial years of the Redevelopment Plan, there are currently forty-five FIP applicants in the process of which eight are under construction.

d. Tenant Improvement

This program provides grants for tenant improvements in vacant first floor commercial spaces in the CCE Project Area. These grants are used to attract retail and commercial tenants such as supermarkets/health food stores, restaurants, drug stores/pharmacies, medical/dental offices and eateries. The goal is to reduce vacancy rates and increase sales tax revenue to the City. There are currently two (2) TIP applications under review by staff.

e. Homeownership Rehabilitation

This program provides loans to undertake exterior work such as window replacement, exterior painting, landscaping, new fencing, sidewalk work repair, etc. These deferred interest loans are available to eligible homeowners for cosmetic exterior work.

f. Streetscapes Program

Working with the City's Public Works Agency (PWA), the Agency is partially funding and facilitating the design and installation of streetscape improvements throughout the Project Area. All of the streetscape projects are along commercial corridors and work with other targeted improvements in the Project Area, such as the façade improvements program and the tenant improvement program. The Agency is currently implementing seven discreet projects throughout the Project Area. Each project is generally assigned two project managers: one from PWA who will guide the project through the engineering and construction process, and an Agency staff member to work with the community in developing the conceptual design, coordinating community input, and overseeing the overall process. The seven projects that are currently part of this program and their status is listed below:

1. MacArthur Boulevard between 72nd and 82nd Avenues and between 106th Avenue and the San Leandro City border
2. 23rd Avenue between East 12th Street and Foothill Boulevard
3. Foothill Boulevard/Fruitvale Avenue
4. Foothill Boulevard/Seminary Avenue Improvements
5. 5th Avenue
6. East 18th Street Improvements

7. Melrose/Bancroft Improvements

g. MacArthur Boulevard

This project is on MacArthur Boulevard from 72nd Avenue to 82nd Avenue, and 106th Avenue to the San Leandro border. The MacArthur Boulevard project includes undergrounding of the utility services of Comcast, PG & E, and SBC/ATT. A kick off ceremony was held October 12, 2005 at Foothill Square. The undergrounding work began on December 19, 2005. The above ground work, the "streetscape", component will be phased in as part of this project. Both the streetscape and undergrounding are scheduled to be completed by late 2008.

h. 23rd Avenue

This project is on 23rd Avenue from East 12th Street to Foothill Boulevard, and continues on Foothill from 23rd Avenue to 22nd Avenue. PGA Design, a landscape architectural firm, has completed the 35 percent engineering and design documents that will lead to the construction of the streetscape improvements in this area. Three community design meetings were held to present and receive input on the proposed streetscape designs. The cost for the design and engineering is \$150,000.

i. Foothill/Fruitvale

This project has a proposed area that is located on Foothill Boulevard from Sausal Creek/Rutherford Street to High Street. Recently, the firm Community, Design & Environment/Wolfe Mason was selected to lead the approximate nine-month project planning and design phase which includes three community input-gathering workshops. The completed 35 percent design and engineering documents will be used for acquiring funds for final engineering plans and implementation. The 35 percent documents are expected to be completed by January 2007. The cost of this component of the project is \$330,000.

j. Foothill/Seminary

This project has a proposed area that is located on Foothill Boulevard from Mason Street to 60th Avenue, and on Seminary Avenue from Bancroft Avenue to Kingsley Circle. The design and engineering documents for the project were completed in February 2006. A community meeting was held on November 12, 2005, at Walnut Street by Seminary. The cost for this project is \$125,000.

k. 5th Avenue

The proposed 5th Avenue Streetscape Improvement area runs along 5th Avenue from the Embarcadero to East 18th Street and on East 12th Street and International Boulevard between 2nd and 5th Avenues. For this area the following studies and plans will be addressed: traffic conditions including a traffic study that can address pedestrian, vehicle, bicycle, etc., and look at the proposed streetscape area on 5th Avenue from the Embarcadero to East 18th Street; and zoning conditions in the area.

l. East 18th Street

These streetscape improvements are located in the Parkway Theater District on the east side of Lake Merritt. The CCE Unit is partnering with the Measure DD team that is already working on improvements to this area's link to Lake Merritt and the adjacent Athol Park. A community meeting to present conceptual plans for the improvements was held on November 16, 2005, at the FM Smith Recreation Center. This meeting was an open house meeting – the community was invited to drop by to see the plans, talk with staff and to give their input. The conceptual design plans have been completed for this area.

m. Melrose: Bancroft/Foothill/High Street

This project has a proposed area that includes two separate nodes. The first node has a proposed area that is located on Foothill Boulevard from 42nd Avenue to 45th Avenue and on High Street from Bancroft Avenue to Ygnacio Avenue. The second node has a proposed area that is located on Foothill Boulevard from Congress Avenue to Cole Street, on Bancroft Avenue from Fairfax to Cole Street, and on Fairfax Avenue from Foothill Boulevard to Bancroft Avenue. The project will soon be entering the design phase. No completion date for the project has been set currently.

2. Oak Knoll Redevelopment Project

As described in Section III of this report, the Navy retained ownership of most of the land in the Project Area until 2006, and recently sold 167 acres to a developer. Since the NMCO was closed in 1996, no redevelopment activities have been undertaken as most of the properties in the Project Area has been under Navy control and ownership.

II. REASONS FOR AMENDING THE REDEVELOPMENT PLANS

The Agency proposes to amend each of the Redevelopment Plans to merge the existing Project Areas; merge the affordable housing production requirements for both Project Areas on a limited basis. In addition, the Agency proposes to amend the Redevelopment Plan for the Oak Knoll Redevelopment Project to increase the tax increment and bonded indebtedness limits, and make other Amendments that will remove obsolete language, remove references to the Reuse Plan, and bring the Oak Knoll Redevelopment Plan into compliance with the General Plan, which was amended after the Redevelopment Plan was adopted in 1998. In addition, the Amendment will expand the list of authorized public improvements to the Project Area.

Section 33485 *et seq.* of the CRL provides that mergers of redevelopment project areas are desirable as a matter of public policy if they will result in substantial benefit to the public, and if they contribute to the revitalization of the merged project areas through the increased economic vitality of such areas and through increased and improved housing opportunities in or near such areas. The CRL also provides that redevelopment project areas, under the jurisdiction of a redevelopment agency, may be merged without regard to contiguity of the areas, by the amendment of each affected redevelopment plan. Furthermore, with certain exceptions shown below, taxes attributable to each project area to be merged that are allocated to the Redevelopment Agency may be allocated to the entire merged project area for the purpose of paying the principal of, and interest on, indebtedness incurred by the Redevelopment Agency to finance or refinance, in whole or in part, the merged redevelopment project.

Under the terms of the proposed Amendments, no tax increment revenues generated in the Central City East Redevelopment Project Area may be utilized for projects or programs in the Oak Knoll Redevelopment Project Area. However, funds generated within the Oak Knoll Redevelopment Project Area may be utilized in the Central City East Redevelopment Project Area. The increase in the tax increment and bond debt limits for the Oak Knoll Project will provide additional revenues needed to fund programs to eradicate blight in the Central City East Project Area. In addition, increasing the tax increment and bond debt limits will enhance the ability of the Agency to utilize tax increment financing to expedite the redevelopment of the Oak Knoll Project Area. The proposed Amendments do not add territory, expand eminent domain powers, or modify any other provisions of either Plan, except as described in this Report.

In summary the benefits of the Amendments are anticipated to include:

- More funding for the revitalization of blighted commercial properties. This should lead to the creation of jobs, generation of additional sales tax revenues, and encouragement of further investment in the Project Areas.
- Improving deteriorated and abandoned buildings to remove potential havens for drug dealers or squatters, remove attractive nuisances, and preserve historic buildings.

- Providing funds for the development of community facilities that could house social service programs for children and young adults and discourage them from joining gangs, thereby helping to alleviate serious crime problems and high crime rates.
- Providing funding for improving and replacing defective infrastructure. This will expedite redevelopment and further encourage the development of housing at all income levels including low-, very low-, and moderate-income housing.
- Alleviating blight and thereby enhancing the living environment for the approximately 92,000 current residents in the Project Areas and environs.
- Supporting the mutually beneficial production of affordable housing units that will benefit residents in the Project Areas and the community.
- Oak Knoll plan amendments will expand the list of authorized public improvements and update the Redevelopment Plan to conform to the LUTE and General Plan.

III. SIGNIFICANT REMAINING BLIGHTING CONDITIONS

As described above, the Agency anticipates that most of the benefits of the increase in the tax increment cap for the Oak Knoll Project will accrue to the Central City East Project. The redevelopment law requires that the Agency identify significant remaining blight and how the increase in tax increment is related to the cost of eradicating the remaining blight. Therefore, the following discussion on remaining blight is based upon conditions in the Central City East Project Area.

Due to the relatively recent adoption date (2003), there has been a relatively short amount of time for the Agency to address the blighting conditions in this Project Area. Furthermore, to date the Agency has only received approximately \$8.5 million in tax increment² from the Project Area (of a projected total of \$2.35 billion), which relative to the Project Area's size (3,339 acres) and extensive needs is a relatively small amount of fund projects to eliminate remaining blight.

A. METHODOLOGY

Given the prevalent and substantial levels of physical and economic blighting conditions found in the CCE Project Area in 2003, this analysis is focused on evaluating indicators of reinvestment in the Project Area and assessing whether there has been enough reinvestment in the Project Area to reduce the blighting conditions to a level that is less than significant. The indicators analyzed are changes in assessed property values and property sales transactions trends since the 2003 analysis as these are indicators of reinvestment in the Project Area.

Changes in assessed property value were analyzed to determine if the levels of reinvestment (as indicated by increases in the assessed values of improvements above the standard Prop. 13 allowances) are substantial enough to alleviate physical blighting conditions such as deterioration and dilapidation, serious code violations, and other unsafe and/or unhealthy conditions, or to alleviate the physical factors that prevent or substantially hinder the economically viable use or capacity of building or lots (substandard design, parcel size, and inadequate parking).

Property sales transaction data was reviewed to assess trends in property values as an indication of the alleviation of the economic blighting conditions of impaired investments (low property sales prices). Combined, these physical and economic blighting conditions impacted at least 30 percent of the properties in the Project Area at the time of Redevelopment Plan adoption.

² Through fiscal year 2004-2005, Source: Community Redevelopment Agencies Annual Report, 20th edition.

B. PHYSICAL BLIGHTING CONDITIONS IN THE CENTRAL CITY EAST PROJECT AREA

1. Physical Blighting Conditions Identified at the Time of Project Adoption
 - a. Buildings in Which It is Unsafe or Unhealthy for Persons to Live or Work

As described in the 2003 Report, based upon review of code complaints and the results of the field survey, a large number of properties were found to suffer from a serious and on-going lack of maintenance. These conditions had been allowed to fester to the point that many properties had become unsafe and unhealthy. The unsafe and unhealthy conditions found to exist in the Project Area fell into several categories:

- **Abandoned, fire-damaged and vacant boarded-up buildings.** Several of the buildings in this category were noted to be magnets for illegal activity (drug trafficking or prostitution), were being occupied by squatters, or were being entered by children and/or adults.
- **Buildings designated as “blighted” or “substandard,” or otherwise designated as a public nuisance by City Inspectors.** Chapter 8.24 of the Oakland Municipal Code (Title 8 Health and Safety) provides specific definitions for blighted properties and substandard structures. Per code enforcement officials, properties so designated were those for which the detrimental conditions are severe enough that use or habitation is considered unsafe.
- **Buildings in which conditions existed that can cause or contribute to illness or disease.** These included buildings that had serious plumbing leaks (including the presence of raw sewage or leaking sewage pipes); or in which vermin droppings, human or animal urine or excrement, mold, mildew, fungus, or maggots were present. It also included complaints citing the observed presence of rats, mice and roaches or other vermin; the improper storage of garbage; or where utilities (waste removal, water, gas or electricity) were inadequate or lacking.
- **Buildings in which conditions existed that could cause or contribute to bodily injury.** These included buildings in which major components were identified as damaged or deteriorated (falling ceilings, broken or missing stairs, holes in floors, etc.); and buildings that had inadequate or improperly installed electrical, plumbing, heating or fire/life safety systems.

- **Properties with site conditions that were severe enough to be conducive to unsafe and unhealthy conditions.** This category includes properties on which excessive amounts of garbage, trash and debris had been allowed to accumulate. In many cases, due to an overall lack of maintenance and the storage of trash, abandoned and/or inoperable vehicles, and overgrowth of vegetation, vermin has been allowed to flourish in the general area.

Based upon the analysis of code violation data, 1,227 buildings that accounted for 1,379 unabated building code violations were present in the Project Area. These buildings represented approximately eight percent of the building stock of 15,418 buildings in the Project Area.

In addition, there were numerous buildings identified in the field survey as having substandard additions, garage conversions, or campers, trailers, sheds or other unsafe and/or unhealthy living conditions. Twenty point three (20.3) percent of the buildings surveyed in the Project Area were found to be either deteriorated or dilapidated.

Within the City of Oakland, there are a number of areas that have been designated as Seismic Hazard Zones by the California Department of Conservation Division of Mines and Geology under the Seismic Hazards Mapping Act of 1990. In order to reduce the threat to public health and safety and to minimize the loss of life and property, the City is required to use these Seismic Hazard Zone maps in their land use planning and permitting processes, and withhold development permits for a site within a zone until the geologic and soil conditions of the project site are investigated and appropriate mitigation measures, if any, are incorporated into development plans. In addition, sellers of real property (and their agents) within a mapped hazard zone are required to disclose that the property lies within such a zone at the time of sale.

Within the Project Area, 151 parcels are within a Seismic Hazard Zone and have been determined to be at risk of landslides or liquefaction in the event of an earthquake. Any person occupying structures in this Zone would be at increased risk of injury or death in the event of a strong earthquake.

Thirty-three (33) buildings were found to be considered hazardous (unabated) unreinforced masonry buildings. Unreinforced masonry buildings (UMBs) have been identified as hazardous or potentially hazardous due to the fact that such buildings have a strong likelihood of failing, either by the collapse of walls or the entire building in the event of an earthquake. The United States Geological Survey (USGS) has indicated that there is a 70 percent probability of at least one magnitude of 6.7 or greater earthquake, capable of causing widespread damage, striking the San Francisco Bay region before 2030. The high level of concern about the performance of UMBs in earthquakes has caused the City (among many others in California) to pass ordinances

requiring the owners of such structures to either retrofit their buildings to comply with more modern seismic safety requirements. UMBs are among those identified by the USGS that pose a particular hazard even in moderate earthquakes. The City has compiled a list of UMBs and, as required by the Municipal Code, has assigned each structure a priority level and notified the owners of these buildings of the requirement to upgrade their buildings. Each building owner is required to file an Engineer's Report and apply for a building permit to retrofit his or her building to comply with the Municipal Code before commencement of the work. The time frames for filing the Engineer's Report and building permit, as well as the construction completion timeframe, vary according to the priority level and type of construction. Building owners that fail to apply for a building permit or, upon receipt of permit, fail to complete the retrofit within the specified time frame are subject to fines and other penalties.

A total of 119 UMBs identified in the City's list of potential hazardous unreinforced masonry buildings are located in the Project Area. Of these, 33 were identified as either having applied for a permit that had since expired, requested an extension of time to comply with the ordinance, or were properties for which efforts to comply had not been initiated. Of the 33 buildings, six were residential uses (apartments, SRO, or other types of residences), 17 could be occupied regularly or used for assembly purposes (including office buildings, restaurants, retail buildings or other miscellaneous uses), eight were parking garages, and two were storage buildings. Twenty-four of the buildings had been cited and assessed penalties by building inspection for non-compliance with the City's seismic upgrade requirements. These buildings could suffer significant damage and were at risk for collapse or severe damage that could cause injury or death in event of an earthquake.

Combined, the unsafe and/or unhealthy buildings affected between 14 and 20 percent of the properties³ in the Project Area at the time of Redevelopment Plan adoption.

³ Twenty percent of the properties in the sample survey were found to have buildings that were deteriorated or dilapidated. Given that the sample survey is representative of the Project Area as a whole, the actual number of buildings in the Project Area that were deteriorated is likely to also be around 20 percent.

Table 2: Summary of Unsafe/Unhealthy Blighting Conditions from 2003 Report

Condition	No. of Buildings Affected	Percent of Total Buildings (N=15,418)	No. of Parcels Affected	Percent of Total Parcels (N=16,675)
Unabated Serious Code Violations	1,227	8%		
Deteriorated/Dilapidated Buildings	680	4%	650	4%
Unreinforced Masonry Buildings (UMBs)	33	0.2%	33	0.2%
Properties Subject to Liquefaction/Landslides	125	0.8%	149	0.9%
Total With At Least One Condition	2,304	15%	2,258	14%

Source: City Oakland, Metroscan, 2001 Field Survey

b. Physical Factors That Prevent or Substantially Hinder the Economically Viable Use or Capacity of Buildings or Lots

As described in the 2003 Report, the majority of buildings in the Project Area were developed between 1920 and 1950.⁴ Since then, various changes have occurred that effect how properties are configured and used, including changes in lifestyles, business practices, and the dominant means of transporting goods. Commercial and industrial properties that are not large enough or that cannot be reconfigured or otherwise rehabilitated to meet modern standards are less able to compete for modern tenants and newer properties with modern amenities. These conditions were reflected in the lower property sales prices. Over the five-year period analyzed (1997 through 2002), median sales prices for commercial, industrial, office, and residential uses were below median sales prices in the City and the County on a per-square-foot basis. Auto-related uses (which accounted for less than one percent of the parcels and only 1.1 percent of total acreage) were the only category of land uses for which sales prices were comparable to Citywide sales prices. According to real estate brokers familiar with the Project Area, disinvestment had been particularly acute in the southeastern portions of the Project Area. Where the International Boulevard commercial corridor had few vacancies, Foothill and MacArthur Boulevards had been less successful in attracting retailers and other business activity. Brokers indicated that lease rates were comparable to the lease rates for the obsolete industrial space in other portions of Oakland.

Industrial and commercial buildings and parcels were found to be of inadequate size and configuration and site coverage ratios were indicative of the inadequate parking. As

⁴ As described in the 2003 Report, 87 percent of the residential buildings were built before 1950; 66 percent of the retail buildings and 70 percent of the industrial buildings in the Project Area were constructed before 1960.

summarized in below, 95 percent of the commercial and industrial parcels in the Project Area were of inadequate size (Table 3).

Table 3: Summary of Inadequately-Sized Parcels

Land Use	Parcels of Inadequate Size	Total Number of Parcels	Percent of Total
Commercial	729*	734	99%
Industrial	95**	137	69%
Combined Total	824	871	95%

*Includes parcels of 20,000 sq. ft. or less (approximate mid-point between: 1) minimum parcel size to accommodate a small retail building (6,000 sq. ft.) plus 5 parking spaces per 1,000 sq. ft. of building (contemporary retail parking standard) equaling 16,500 sq. ft. total; and 2) the average retail parcel size in the balance of the City which equals 23,759 sq. ft).

**Includes parcels of 41,376 sq. ft. or less (average size of an industrial parcel in the balance of the City).

2. Analysis of Current Physical Blighting Conditions

Changes in assessed property values were analyzed to determine whether the levels of reinvestment in the Project Area (as measured by the increase in assessed value of improvements) would indicate that the blighting conditions have been reduced to levels that could be considered less than significant.

Proposition 13 (Prop. 13) passed in 1978; provides that the maximum amount by which property taxes may increase in any year, is two percent, except for property that changes ownership or that undergoes new construction (including rehabilitation and additions). Therefore, any property value increases that are no more than the cumulative maximum allowed are assumed to be due solely to Prop. 13 adjustments. When properties undergo new construction, the assessed value of the improvements is adjusted to reflect market value however land values are not adjusted. Therefore, properties that experience an increase in improvement value in excess of the cumulative Prop. 13 maximum, but for which the land value increase is at or below the Prop. 13 maximum, are assumed to have undergone new construction. Properties for which both the improvement and land values have increased in excess of the cumulative maximum Prop. 13, allowances are assumed to have increased in value due to property transfer. The cumulative maximum Prop. 13 adjustments from fiscal year 2001/02 to 2005/06 is 8.1 percent (see Table 4).

Table 4: Proposition 13 Adjustment Factors

<u>Fiscal Year</u>	<u>Prop. 13 Factor</u>	<u>Cumulative Percent Increase</u>
2001-02	Base year	--
2002-03	0.02	2.000%
2003-04	0.02	4.040%
2004-05	0.01867	5.982%
2005-06	0.02	8.102%

Properties for which the value of the improvements increased by 25 percent or more, but for which the increase in land values were at or below 8.1 percent, were assumed to have received some level of substantial rehabilitation.⁵

Utilizing the 8.1 percent maximum, the properties for which improvements increased more than the Prop. 13, allowances were identified. Of the 2,258 parcels identified with physical blighting conditions (Table 2), data was not available for 147 (or seven percent) of the properties, thus data was analyzed for the remaining 2,111 (or 93 percent) of the properties (see Table 5).

Table 5: Breakdown of Physically Blighted Properties by Change in Assessed Value

	<u>Total Properties</u>	<u>Percent of Properties</u>
Properties W/ Physical Blight (see Table 2)	2,258	100%
(Minus Properties w/ insufficient data) ⁶	(147)	7%
Properties Analyzed	2,111	
(Minus Properties increased due to property transfer) ⁷	(755)	33%
	1,356	
(Minus Properties w/ no change) ⁸	(1,321)	59%
Properties Increased in Value Due to Improvements⁹	35	
Minus Improved Properties w/ less than substantial rehab (<25%) ¹⁰	(23)	1%
Properties Substantially Rehabilitated¹¹	12	1%

Percentages may not add to 100 percent due to rounding.
Source: Metroscan

Of the remaining 2,111 properties, 755 (or 33 percent) experienced increases in land value in excess of 8.1 percent and thus increased in value due to transfer of the property. For 1,356 properties (45 percent), the increase in the value of both the land and improvements was 8.1 percent or less, and therefore these properties did not experience a property transfer or any improvements. Only 35 properties (or 2 percent of properties) experienced an increase in value due to property improvements, i.e., the improvements increased in value by more than 8.1 percent, while the land values

⁵ Per Section 33413(b)(2)(A)(iv) of the CRL, substantial rehabilitation is defined as "rehabilitation, the value of which constitutes 25 percent of the after rehabilitation value of the dwelling, inclusive of the land value." However, as described on Page 24, due to the high increases in land value in Oakland, increases in land value were excluded for analytical purposes to more closely approximate investment in property improvements rather than increases in land value.

⁶ Assessed value data unavailable for fiscal year 2001/02 or fiscal year 2005/06.

⁷ Land value increased more than maximum cumulative Prop. 13 allowance (8.1%), therefore property was transferred during the period analyzed.

⁸ Properties that increased in value by 8.1 percent or less, or that declined in value.

⁹ Value of improvements increased by more than 8.1 percent.

¹⁰ Increase in value of improvements less than 25 percent.

¹¹ Increase in value of improvements 25 percent or more.

increased by 8.1 percent or less. Of those 35 properties, only 12 (or less than 1 percent) experienced increases in value of 25 percent or more and could therefore assume to have been substantially rehabilitated.

These findings are consistent with the observations of the Chief of the Appraisal Division of the Alameda County Assessor's Office who indicated that in general and as with Alameda County in general, property values have increased dramatically and there have been a large number of property transfers in east and east/central Oakland. But she also indicated that, in general, the Project Area had not experienced a significant amount of property rehabilitation and reinvestment.¹² The average change in assessed land value for all 2,111 properties analyzed was 139 percent. At first glance, this could give the impression that there has been significant reinvestment in the Project Area. However, a closer examination these data indicate otherwise. Given that only 33 percent of the properties experienced increases in land value in excess of the Prop. 13 factors, this also suggesting that, while land values have increased significantly over the past three years and that a large number of properties have been transferred, there has not been a significant level of reinvestment to alleviate blighting conditions. Based upon this analysis, it is reasonable to assume that less than one percent, but possibly as much as eight percent (if the entire seven percent of parcels for which data was not available are assumed to have been substantially rehabilitated) of the properties with physical blighting conditions may have had substantial rehabilitation that would alleviate the serious blighting conditions. Given that this represents a small number of blighted properties, these data indicate that substantial physical blighting conditions remain in the Project Area.

C. ECONOMIC BLIGHTING CONDITIONS IN THE CENTRAL CITY EAST PROJECT AREA

1. Impaired Investments – Low Property Sales Prices

As described in the 2003 Report, property sales prices in the Project Area were generally lower, with all property land use types having sales prices at least 20 percent below prices in the balance of the City. In order to assess property sales prices trends in the Project Area relative to those in the balance of the City and in Alameda County, sales prices were analyzed for the predominant land uses (single-family and multi-family residential, retail and industrial) from 2002 through 2005. Combined, these land uses account for approximately 94 percent of the parcels and 75 percent of the acreage in the Project Area. Land sales prices were also analyzed to assess the valuation of land and potential development or redevelopment opportunities in the Project Area relative to

¹² Telephone interview with Elizabeth Evans, Chief of the Appraisal Division, Alameda County Assessor's Office on June 29, 2006.

vacant land development opportunities in the balance of the City and Alameda County. The results of these analyses are summarized in the following paragraphs.

a. Single-Family Residential

From 2003 through 2005, transaction data were available for a total of 2,054 single-family homes sold within the Project Area, at an average of 514 single-family home transactions per year. This suggests that there has been a significant increase in the number of residences transacted, as the data analyzed for 1997 through 2001 revealed only 748 transactions or approximately 150 per year. Nevertheless, the median sales price for homes in the Project Area continues to be well below the median for the balance of the City, at \$305,000 vs. \$460,000, and the median sales price per square foot in 2005 was \$371.30 per square foot in the Project Area, 11 percent below the median for the balance of the City at \$418.15 per square foot (see Figure 1).

b. Apartments

A total of 370 apartment properties were transacted in the Project Area from 2002 through 2005. The average number of units per property was six whereas the average number of units per property was 13 for both the City of Oakland and Alameda County. Median sales prices per square foot have increased significantly in the Project Area, the City, and in Alameda County (see Exhibit 3). From 2003 through 2005, the median sales price per square foot in the Project Area exceeded the median sales price in the City. In 2005, the median sales price per square foot in the Project Area exceeded the median sales price in both the City and Alameda County. Although this indicates an improved trend for the Project Area, multiple family properties only account for 22 percent of the parcels in the Project Area.

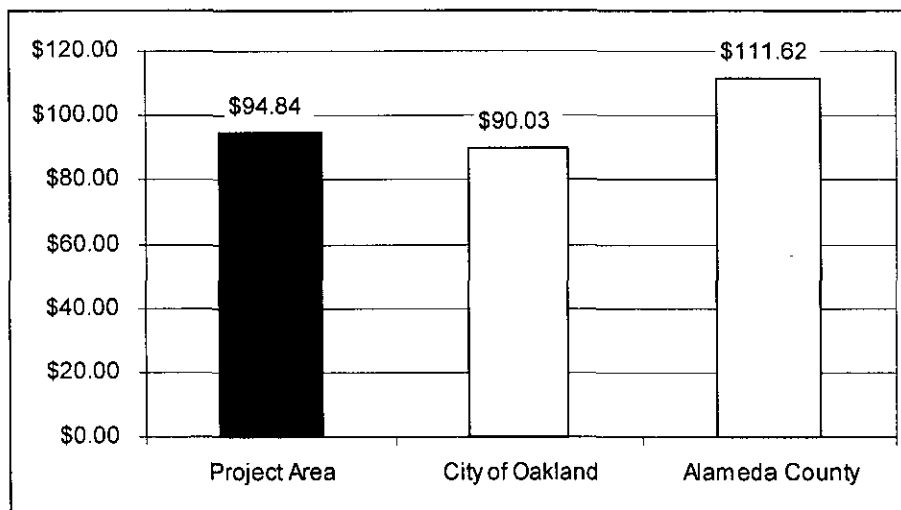
c. Retail Properties

As was done in the 2003 Report, sales prices were analyzed on a per-square-foot basis and compared to the Project Area, the City of Oakland, and Alameda County. As shown in Exhibit 4, the average sales price per square foot in the Project Area ranged from \$119.05 in 2002, down to \$78.81 in 2003, and increasing to \$148.99 in 2005. In all years, the average sales price per square foot was below the average to Oakland and Alameda County. Unlike the Project Area which experienced a decline in sales price per square foot in 2003, the average sales price increased in all four years analyzed for the City and Alameda County. In 2005, the average sales price per square foot was 30 percent below the average for Oakland and 29 percent below the average for Alameda County. These data indicate that on average retail property sales prices in the Project Area remain below those for the City and the County.

d. Industrial Properties

A total of 10 industrial property transactions occurred from 2003 through 2005. The majority were small, with seven of the 10 under 10,000 square feet in building area. The average sales price per square foot of building increase substantially for properties in the Project Area, the City, and Alameda County. While the average industrial sales price per square foot for the Project Area is \$94.84, it exceeded the average for the City of Oakland (at \$90.03) by five percent; it remains 15 percent below the average sales price per square foot for Alameda County, and only accounts for eight percent of the industrial properties in the Project Area.

Figure 1: Average Industrial Property Sales Prices – 2002 Through 2005

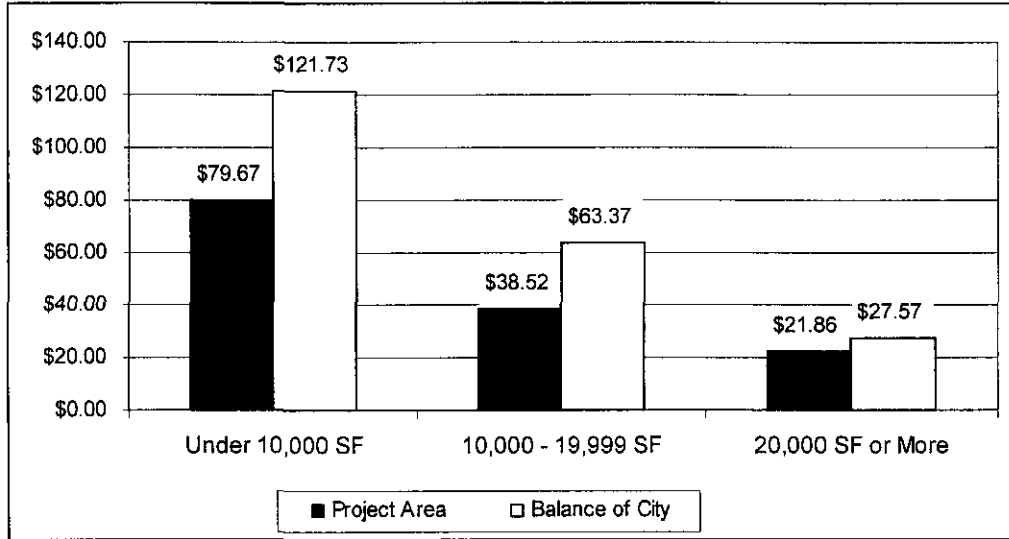


Source: CoStar Group

e. Land Sales

A total of 15 land sales transactions occurred in the Project Area from 2002 through 2005, the majority of which (9 of the 15) involving small properties (under 20,000 square feet in area). As was done in the original blight analysis, the median land sales price was analyzed for properties in three size categories: under 10,000 square feet, properties between 10,000 and 20,000 square feet, and properties at 20,000 square feet or more. As shown in Figure 2, land sales prices in the Project Area continue to be considerably (more than 20 percent) below land sales prices in the balance of the City, by 35 percent for properties under 10,000 square feet (\$79.67 vs. \$121.73), by 39 percent for properties between 10,000 and 20,000 square feet (\$38.52 vs. \$63.37), and by 21 percent for properties of 20,000 square feet or more (\$21.86 vs. \$27.57). These data suggest that land values in the Project Area remain below land values in the City and Alameda County.

Figure 2: Median Land Sales Prices Per Square Foot – 2002 Through 2005



Source: CoStar Group, Metroscan

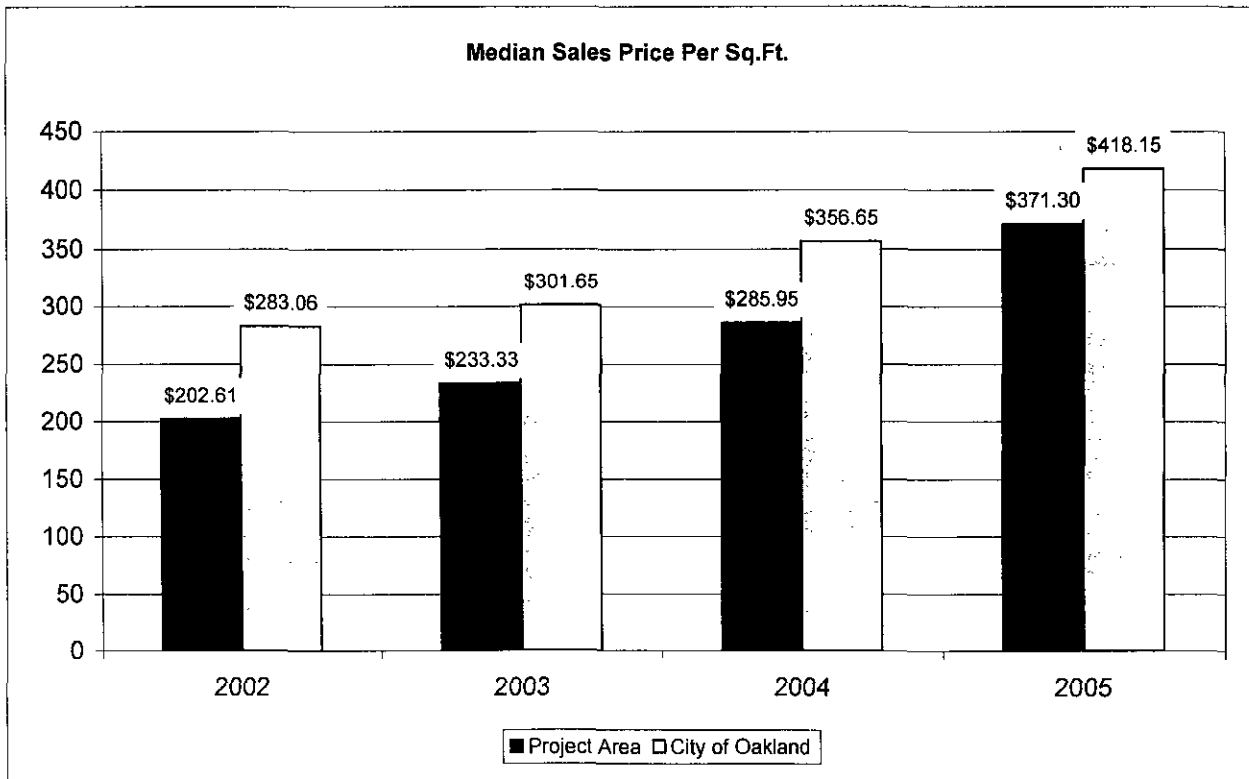
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**EXHIBIT 2
SINGLE FAMILY RESIDENTIAL PROPERTY TRANSACTION CHARACTERISTICS
OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

Summary of Single-Family Home Sales Characteristics – 2002 Through 2005

	Total Number of Trans.	Median Bldg. Size (Sq.Ft.)	Median Sales Price	Percent above Project Area Median Sales Price	Net Change in Median Sales Price per Sq.Ft. 2002-2005
Project Area	2,054	1,062	305,000		83%
Balance of City	9,199	1,299	\$ 460,000	51%	48%

* Median Sales Price rounded to the nearest \$100
Source: Metroscan



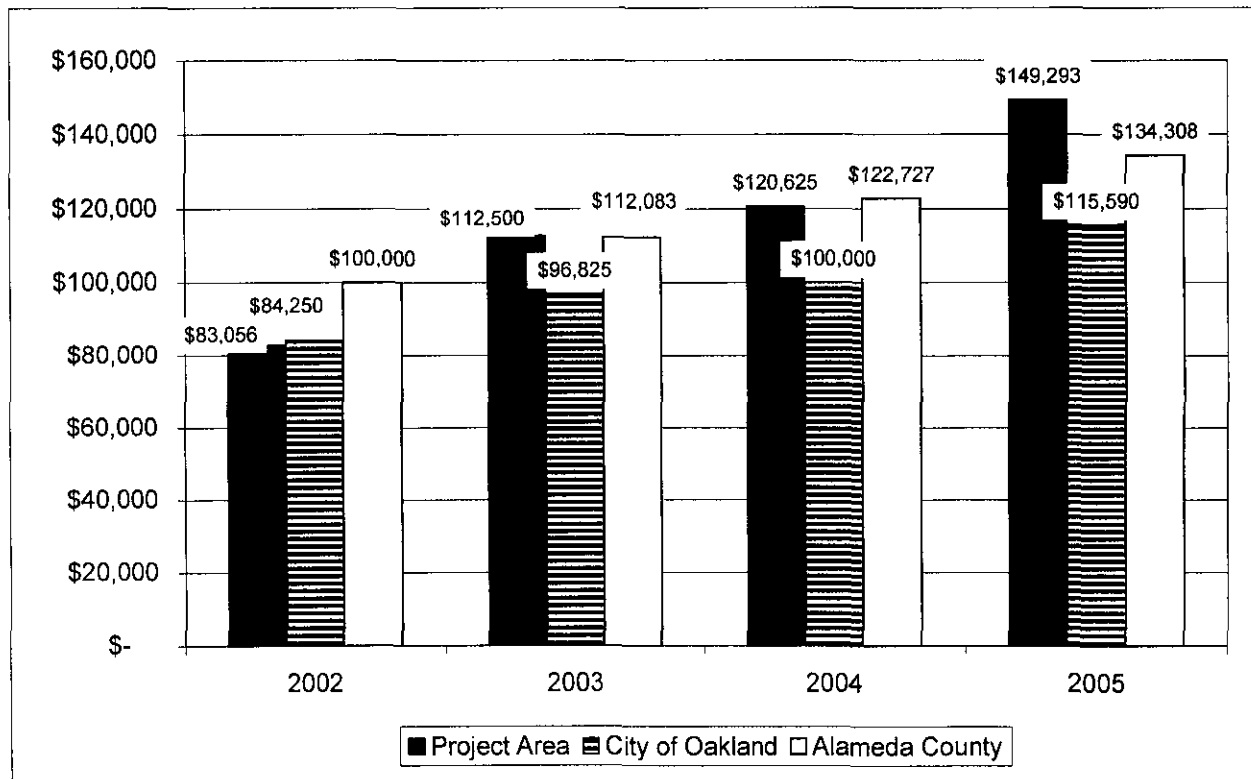
Source: Metroscan

**EXHIBIT 3
 APARTMENT PROPERTY TRANSACTION CHARACTERISTICS
 OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

	Total Number of Trans.	Average Bldg. Size (Sq.Ft.)	Average No Units	Average Sales Price *	Percent above Project Area Average Sales Price	Net Change in Average Sales Price per Sq.Ft. 2002-2005
Project Area	370	4,566	6	\$ 661,485		62%
City of Oakland	652	9,375	13	\$ 1,297,000	96%	42%
Alameda County	1242	9,280	13	\$ 1,445,000	118%	49%

* Average Sales Price rounded to the nearest \$100

Source: CoStar Group, Metroscan



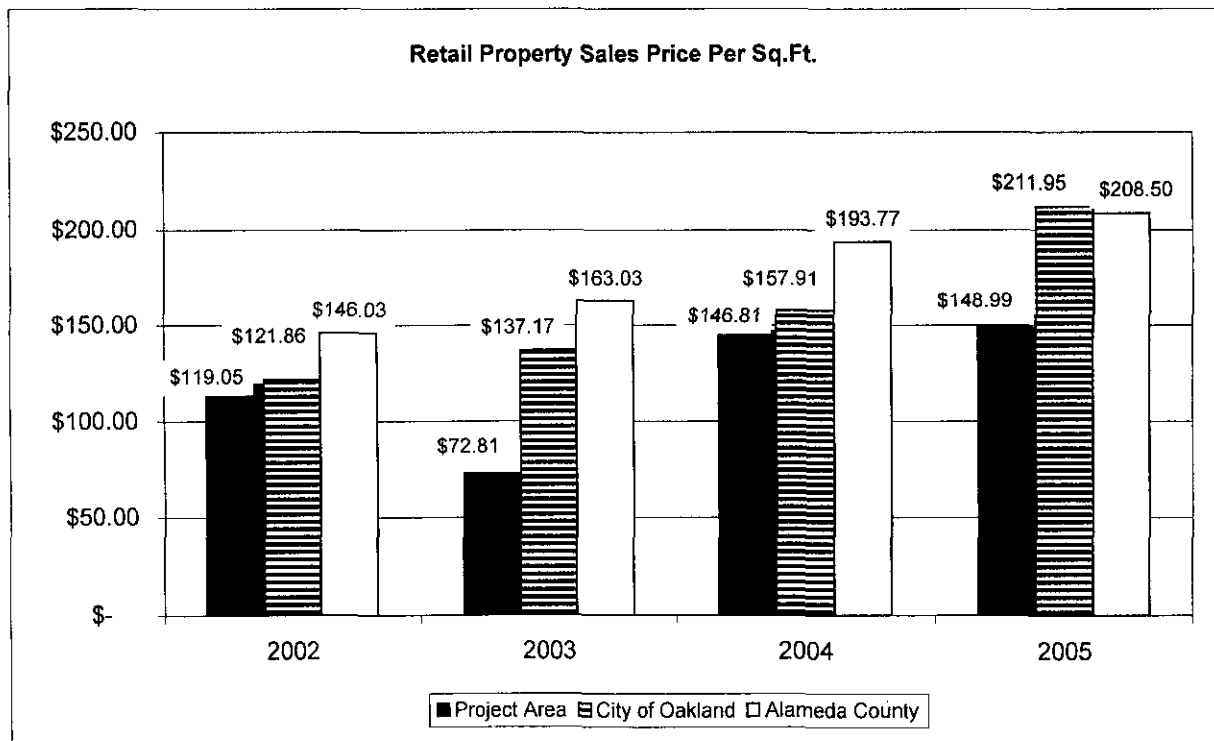
**EXHIBIT 4
RETAIL PROPERTY TRANSACTION CHARACTERISTICS
OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

Summary of Retail Property Sales Characteristics – 2002 Through 2005

	Total Number of Trans.	Average Bldg. Size (Sq.Ft.)	Average Sales Price *	Percent above Project Area Average Sales Price	Net Change in Average Sales Price per Sq.Ft. 2002-2005
Project Area	87	3,737	\$ 486,000		59%
City of Oakland	332	5,594	\$ 863,000	78%	117%
Alameda County	771	5,736	\$ 1,016,000	109%	70%

* Average Sales Price rounded to the nearest \$100

Source: CoStar Group, Metroscan



Source: CoStar Group, Metroscan

D. REMAINING BLIGHTING CONDITIONS IN THE OAK KNOLL PROJECT AREA

Section 33492 et sec. of the CRL provides specific definitions of blight that pertain to decommissioned military bases. A blighted area within the boundaries of a military base is defined as one that is characterized by a combination of two or more of the conditions described in Section 33492.11 that are so prevalent and so substantial that they cause a reduction of, or lack of, proper utilization of the area to an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or government action, or both, without redevelopment. The seven categories of blight are as follows:

- a. *Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate infrastructure, or other similar factors.*
- b. *Factors that prevent or substantially hinder the economically viable reuse or capacity of buildings or areas. This condition can be caused by conditions including, but not limited to, all of the following: a substandard design; buildings that are too large or too small given present standards and market conditions; age, obsolescence, deterioration, dilapidation, or other physical conditions, that could prevent the highest and best uses of the property. This condition can also be caused by buildings that will have to be demolished, or buildings or areas that have a lack of adequate parking.*
- c. *Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the project area.*
- d. *Buildings on land that, when subdivided or when infrastructure is installed, will not comply with community subdivision, zoning, or planning regulations.*
- e. *Properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards.*
- f. *Buildings that, when built, did not conform to the then effective building, plumbing, mechanical, or electrical codes adopted by the community where the project area is located.*
- g. *Land that contains materials or facilities, including, but not limited to, materials for aircraft pads and runways, that will have to be removed to allow development.*

Analysis of the blighting conditions in the Oak Knoll Project Area was based upon several sources of information including a field survey conducted by Keyser Marston Associates, Inc. (KMA), and studies and findings prepared by the Navy, reuse consultants, and special studies commissioned by the Navy. All of the blighting conditions described in the previous paragraphs

were found to be prevalent and substantial in the Project Area. These blighting conditions are summarized in the following Table 6:

<u>Blight Definition</u>	<u>Summary of Conditions at Oak Knoll</u>
Buildings in which it is unsafe or unhealthy for persons to live or work.	<ul style="list-style-type: none"> • A 1995 survey of the hospital and 39 other buildings revealed that 27.5% would require upgrades to meet seismic requirements for their (then) current use. • Results of the KMA survey indicated that 61% of the buildings were deteriorated or dilapidated, and 82.5% were characterized as being of defective design or physical construction. • A 1994 survey revealed that 40.6% of the buildings contained asbestos-containing materials (ACM), and 93.8% of the buildings were found to contain assumed¹³ ACM.
Factors that prevent or substantially hinder the economically viable reuse or capacity of buildings or areas.	<ul style="list-style-type: none"> • Age and Obsolescence: the original medical wards constructed during WWII were a series of H-shaped buildings connected by elevated ramps that proved to be inefficient and obsolete. These buildings were converted to other support uses in 1969 when the main hospital building was constructed. Results of the KMA field survey indicated that 73.2% of the non-residential buildings had characteristics of obsolete design and that 75% of the buildings were substandard or inadequate for reuse without substantial capital investment. • Substandard Design: Results of the KMA survey indicated that 56.1% of the buildings in the Project Area were of substandard design (faulty or inadequate site layout, poor site access, underutilized or substantially underdeveloped lot, and/or deficient truck parking and loading). • Buildings Too Large or Too Small: An analysis of non-residential building sizes revealed that 53.5% of the buildings were too small (under 3,000 square feet) for non-storage uses. • Lack of Adequate Parking: Due to the fact that the Project Area was formerly a Navy hospital, a large percentage of the parking is situated adjacent to the main hospital building and is not convenient to other buildings on site. Results of the KMA field survey indicate that 20% of the buildings surveyed had parking deficiencies such as poor parking accessibility or inadequate design or layout.

¹³ Assumed ACM includes materials such as vinyl floor tile, mastic, roofing materials, fire doors, and Transit that were not sampled as part of the survey.

Continue: Table 6: Summary of Blighting Conditions in the Oak Knoll Project Area	
<u>Blight Definition</u>	<u>Summary of Conditions at Oak Knoll</u>
Adjacent or nearby uses that are incompatible with each other and that prevent the economic development of those parcels or other portions of the Project Area.	<ul style="list-style-type: none"> The Project Area is surrounded by residential neighborhoods that developed from the 1940s to the present. Presently, the Project Area is considered an incompatible adjacent use due to the fact that it is vacant and presents land management, safety and security issues that are associated with a large vacant site.
Buildings on land that, when subdivided or when infrastructure is installed, will not comply with community subdivision, zoning, or planning regulations.	<ul style="list-style-type: none"> The Project Area, when subdivided, will not comply with planning and regulatory requirements and will require a number of actions to make it possible to develop civilian uses included the installation of infrastructure, the creation of subdivisions and parcel divisions that meet local zoning and General Plan requirements, and integration into the City's Police and Fire districts and service areas.
Properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards.	<ul style="list-style-type: none"> Existing "backbone" infrastructure (such as streets, sewage and storm drainage, and potable water systems) will not adequately serve new civilian uses due to inadequate designs, inadequate locations, and capacity limitations. Utility systems will require significant upgrading or replacement in order to serve new development.
Buildings that, when built, did not conform to the then effective building plumbing, mechanical, or electrical codes adopted by the community where the Project Area is located.	<ul style="list-style-type: none"> The Navy medical and ancillary uses, when developed, did not conform to the building, plumbing, mechanical or electrical codes of the City of Oakland as the Federal government is exempt for complying with local and State building codes.
Land that contains materials or facilities, including, but not limited to, materials for aircraft pads and runways, that will have to be removed to allow development.	<ul style="list-style-type: none"> Due to the high costs (estimated at \$30 million in 1986) associated with the seismic and other retrofitting that would be necessary to reuse the main hospital building, the building will have to be removed to allow development. Of the then existing building inventory on the former military base, only 13 were identified as having reuse potential. Due to the presence of ACM, the costs of demolition are expected to be high (\$4-\$5 million for the hospital alone).

Since the decommissioning of the base in September 1996, no repairs or rehabilitation of the buildings has been undertaken and the buildings have been allowed to deteriorate further. Therefore, the blighting conditions that affected the Project Area in 1998 have not been removed or abated.

IV. PROPOSED PROJECTS AND PROGRAMS AND RELATIONSHIP TO THE ALLEVIATION OF BLIGHT

A. AFFORDABLE HOUSING PROGRAM FOR CENTRAL CITY EAST AND OAK KNOLL

As required by State law, 20 percent of the gross tax increment funds received by the Agency must be deposited into a fund that would be used to assist in the production and preservation of low and moderate income housing.

It is difficult to provide affordable housing in the City of Oakland due to the high costs of land, high development costs, the limited availability of funding for affordable housing, and other factors. To help mitigate this problem, the Redevelopment Agency, in December 2001, adopted a resolution requiring that, subject to certain conditions, 25 percent of gross tax increment funds must be used for low and moderate income housing.

The Agency may assist in a variety of programs to develop affordable housing in the Project Areas such as the following:

Production:

For the purpose of providing affordable housing, the Agency will merge the production requirements of the Central City East and Oak Knoll Project Areas on a limited basis. The Agency will continue to ensure that the affordable housing production requirements in CRL Section 33413(b) are met separately for each Project Area every ten years (the "compliance period"). If the number of new or substantially rehabilitated dwelling units actually developed and made available at affordable cost in the Central City East Project Area during a compliance period exceeds the minimum number required, the surplus of affordable units may be counted toward satisfying the production requirements for the Oak Knoll Redevelopment Project. Excess units developed and made available to very low-, low- and moderate-income households in Central City East may be used to satisfy the production requirements for the same income group for Oak Knoll. Any allocation of such excess units must be approved by the Agency.

Affordable housing units developed in the Oak Knoll Project Area may not be used to satisfy production requirements in the Central City East Project Area. The Agency must also compensate the Central City East redevelopment funds from Oak Knoll non-housing redevelopment funds for any allocation of excess units, or fund the acquisition of the surplus housing units from developer contributions. The amount of compensation for each unit will be based upon the average Agency per-unit subsidy for such units provided in the Agency's most recent Notice of Funding Availability or other affordable housing funding processes in place at the time of the allocation. No housing units will be

constructed in the Central City East Project Area for the purpose of satisfying the affordable housing production requirements for the Oak Knoll Project Area.

The Agency can make loans and grants from the Low and Moderate Income Housing Fund to non-profit and for-profit developers for the new construction or rehabilitation of affordable housing. Loans can be made on a deferred payment and/or below market interest rate basis.

The Agency can also participate in land acquisition, land cost write-down, developer recruitment, credit enhancement, and other participation to cause affordable housing to be developed. This is normally accomplished after identification of a housing site, development of a housing concept, and issuance of a Request for Proposals for development of housing. Such affordable housing could be rental or ownership housing. The Agency may also acquire land and directly build housing.

Preservation:

The Agency may offer low-interest or no-interest loans or grants to assist low and moderate income homeowners in making repairs to existing residences. Such repairs could consist of correcting health and safety violations, re-landscaping and re-painting. This preserves the affordability of the housing and extends its lifespan, as well as improving the neighborhood. Additionally, such programs can be extended to owners of rental properties to make repairs to affordable rental housing. In either case, covenants must be recorded to keep these properties affordable for the time period required by CRL.

Affordability Assistance:

These programs can involve direct subsidies to lower the cost of producing housing or first-time homebuyer programs to assist very-low to moderate income families with mortgage assistance for the purchase of a home. The latter can take the form of a deferred loan with a low-interest rate and equity sharing provisions. When the home is sold, the loan and equity share would be used to help another first-time homebuyer. Senior households in the low to moderate income category may also be targeted in such programs.

The above programs will make homeownership housing available to more low and moderate income residents in the Project Areas. By making more ownership housing available, the tax base for the redevelopment area will increase and in turn provide funding for additional housing and non-housing programs, and market support for community retail and commercial uses will increase. Providing incentives for landlords and homeowners to rehabilitate their properties, will increase the value of the surrounding properties and provide an incentive for those not qualified for rehabilitation assistance to also improve their properties.

B. PROJECTS AND PROGRAMS FOR THE CENTRAL CITY EAST REDEVELOPMENT PROJECT

In addition to the Affordable Housing Program, the redevelopment program for the Central City East Project Area includes eight (8) programs as follows: 1) Retail Commercial Recruitment Program; 2) Façade Improvement Program; 3) Historic Preservation Program; 4) Major Employer Incentive Program; 5) Land Assembly and Relocation Program; 6) Community Facilities Program; 7) Public/Private Development Program; and 8) Infrastructure Improvements Program.

The programs are designed to address the most significant blighting conditions in the Project Area. It is believed that as the most significant blighting conditions are reduced, further private sector investment will occur in the Project Area and lead to further removal of blight. Therefore, the Agency's program of redevelopment is intended to serve as a catalyst to remove blighting conditions and spur the preservation, improvement, and creation of affordable housing.

1. Retail and Commercial Recruitment Program

The Retail Tenant and Commercial Recruitment Program enables the Agency to offer financial assistance in the form of low-interest or zero-interest participatory loans and grants within the Redevelopment Project Area. One aspect of this program can be used to assist property owners with rehabilitation of retail and commercial properties to create and improve ground floor retail and commercial spaces and attract new tenants to underutilized and vacant buildings.

Another aspect of this program can include loans or grants to tenants for interior improvements. Some existing community businesses may need capital to expand, replace equipment, or modernize.

By providing these loans or grants, the Agency will make rehabilitation feasible for many properties and businesses for which improvement would not be considered possible because of the unlikelihood of an adequate return on the investment. This program will also have the effect of attracting businesses thereby providing a wider range of retail and commercial uses.

2. Façade Improvement Program

The Façade Improvement Program provides matching grants to existing businesses for the purposes of storefront improvements and façade treatments. The matching grant can be structured in different ways, e.g., the Agency may provide \$1 of grant for each \$2 of improvement value, or some other ratio. The business would be required to fund the remaining amount. This program provides assistance to businesses to encourage

restoring, modernizing, and improving the facades of commercial structures to enhance the attractiveness and visibility of the area. Typical improvements would include paint, signage, lighting, awnings, window and door replacement, limited parapet additions, finishes and decorative features designed to highlight building characteristics. Edge treatment grants could also be made available for improvements (such as landscaping and fencing) to the frontage of properties.

By eliminating physical deterioration and improving the substandard (obsolete) appearance of the retail and commercial buildings and surrounding sites, more patrons will be attracted which will improve declining retail sales. The increased business activity should slow the rate of business closures and attract new businesses to the Project Area. Also, by improving the buildings property values should increase.

3. Historic Preservation Program

Portions of the Project Area that include significant historic buildings can be made into viable retail, commercial, or residential properties through Agency-sponsored efforts such as a Historic Façade Improvement Program, Unreinforced Masonry Grant program, and through other forms of Agency assistance.

This program can both preserve important resources and eliminate a hazardous condition in which people live and work by addressing issues such as seismic safety. Furthermore, rehabilitation of historic buildings provides reuse of valuable properties that may be underutilized or vacant, and preserves the character of an area.

4. Major Employer Incentive Program

The Project Area does not contain concentrations of significant employment areas. However, certain infill and reuse areas can be identified for use by businesses that provide employment to area residents. The Agency can use various tools to recruit employers to the area through the use of financial assistance in the form of low-interest or zero-interest participatory loans or grants within the Redevelopment Project Area, or through the use of property tax rebates. This program can be designed to assist property owners with rehabilitation of existing properties, through seismic and sprinkler upgrades, to attract employers that would benefit the community. By providing these financial incentives, the Agency will make rehabilitation or reuse feasible for many properties for which improvements would not be considered possible because of the unlikelihood of an adequate return on the investment.

5. Land Assembly and Relocation Program

The purpose of this program is to assist private, public, and non-profit developers in assembling small, underutilized and/or poorly configured parcels of property into sites

suitable for new development. The Agency's efforts in assembling land for private use would be applied in selective cases and only upon selection of a qualified developer. The Agency should avoid land assembly in cases where there is no current agreement with a development entity for development of the site. The Agency may assist in the selective assembly of land through voluntary purchase, negotiated purchase, or eminent domain.

Land assembly would likely take place in response to property owner, developer or Agency initiated efforts to assemble property needed for the expansion of existing uses or for the creation of sites capable of development for new uses. Through an Owner Participation Agreement (OPA) or Disposition and Development Agreement (DDA), the Redevelopment Agency may provide land write downs or may grant or loan money to assist new retail, commercial, or housing development or expansion of existing facilities. By expanding existing buildings, the Agency will help to reduce the number of inadequate sized buildings, which will in turn accommodate a wider variety of contemporary retail and commercial uses. By assembling small parcels, the Agency will reduce the number of inadequate sized parcels in multiple ownership and provide adequate space to develop contemporary facilities, or expand existing buildings to accommodate a wider variety of uses.

The Agency may also choose to participate in the acquisition of property for infrastructure or public facilities purposes, which would primarily benefit the Project Area. The program may also include site preparation activities such as demolition and clearance, and assistance for environmental remediation.

The Agency will provide relocation assistance as required by California State Housing and Community Development Regulations and Agency Guidelines. This will ensure that uniform, fair, and equitable treatment is afforded to displaced businesses and residents as a result of the Agency's land assembly and relocation program. Specific details will be provided in the actual Relocation Plan adopted by the City Council.

The use of eminent domain will be restricted as provided for in the adopted redevelopment plan.

6. Community Facilities Program

Community-based projects focus on the need for new or improved community facilities such as parks, community centers, libraries, open space and cultural facilities. Such facilities can be provided in conjunction with public schools to enrich the educational experience. Projects are anticipated for development using Redevelopment Agency and/or other funds from the City, State and Federal governments. The Projects are intended to encourage further investment in the neighborhoods and make them more desirable places to visit and live.

By increasing investment in neighborhoods, there will be an added benefit of assisting the rehabilitation of deteriorated buildings, and alleviate the existence of substandard structures. Also, by providing additional recreation facilities certain crimes related to gang activity should be reduced.

7. Public/Private Development Program

Public/private coordination occurs when the Redevelopment Agency participates in significant private development projects. Through an OPA or DDA, the Redevelopment Agency may grant or loan money to assist new commercial development or expansion of existing commercial facilities. This program may fund construction, landscaping, façade upgrades, parking improvements and City's Public Work's development requirements (e.g. fire hydrants or traffic mitigation projects, etc.)

By expanding existing buildings, the Agency will help to reduce the number of inadequate sized buildings, which will in turn accommodate a wider variety of contemporary commercial and industrial uses. By assembling small parcels, the Agency will reduce the number of inadequate sized parcels in multiple ownership, and provide adequate space to develop contemporary facilities or expand existing buildings to accommodate a wider variety of uses.

8. Infrastructure Improvements Program

Infrastructure improvements cover a variety of public works projects ranging from correcting utilities, traffic capacity projects, mass-transit improvements, parking facilities, new streets, undergrounding overhead transmission lines, storm drainage and sanitary sewers, bridges and under- or over-crossings, flood control improvements, freeway noise walls, and many other assorted capital projects. This may also include streetscape projects including constructing new curbs, gutters and sidewalks where they do not exist or where broken curbs, gutters and sidewalks require replacement; installing street trees and shrubs; constructing both decorative and handicapped accessible crosswalks; constructing new medians with landscaping; adding visual and safety improvements to existing medians; installing street furniture, such as trash receptacles and newspaper racks; and improving area lighting by increasing the number of luminaries, increasing the wattage of individual streetlights or adding pedestrian streetlights.

Improving the infrastructure will help to attract development to the area by eliminating costs that might otherwise be born by the private sector. This should help to increase building activity and improve property values. Furthermore, public improvements such as parking structures/lots will improve the viability of commercial property helping to

compensate for individual property site deficiencies, and lighting improvements will create a safer environment in which to shop and reduce graffiti.

C. PROJECTS AND PROGRAMS FOR THE OAK KNOLL REDEVELOPMENT PROJECT

The Oak Knoll Project Area consists of property acquired by the Navy during World War II for the construction of a medical center. Local zoning, building and infrastructure codes and requirements were not followed by the Navy during the development of the medical center. Since 1996, the hillside property has been vacant and its significant open space, infrastructure, and over 100 buildings and numerous roadways has not been maintained. In addition to the Affordable Housing Program, five programs have been identified for the Oak Knoll Project Area. 1) Retail Commercial Recruitment Program; 2) Historic Preservation Program; 3) Community and Recreational Facilities; 4) Infrastructure Improvements Program; and 5) Security Enhancements. The programs are designed to address the most significant blighting conditions in the Project Area and are described in the following paragraphs.

1. Retail and Commercial Tenant Recruitment

This program includes low interest or zero-interest participatory loans and grants to property owners and tenants to support and encourage the rehabilitation of deteriorated and obsolete structures. The Oak Knoll Project Area and the surrounding community seriously lack local serving commercial services. This program can assist in attracting a wider range of retail and commercial uses and assist the limited existing community businesses in the general area with needed capital to expand, replace equipment or modernize to serve a greater number of current and future residents.

2. Historic Preservation

This program will support the preservation and reuse of historic resources to the benefit of residents in the Project Area and the surrounding community. This program will include funds for the elimination of seismic and fire/life safety hazards, and rehabilitation and reuse of historic buildings for viable beneficial uses. One of the historic properties that will benefit from the availability of this program will be the Club Knoll building. Club Knoll is a 1928 community facility that has not been maintained and is in a state of disrepair. If restored, the facility can be utilized for a significant number of community activities.

3. Community and Recreational Facilities

This program will allow the development of new, converted or rehabilitated facilities such as parks, community centers, open space, and cultural facilities. This program will be similar to Community Facilities Program for the Central City East Project Area. Projects contemplated under this program will include extensive creek system restoration,

restoring significant amounts of open space, enhancing more active recreational uses by the development of modern public recreation and youth sports facilities, extensive public trails and parks, and the acquisition of additional open space. Rifle Range Creek, which traverses the entire Project Area, was significantly altered by Navy development, with portions placed in underground culverts and roadways built across the creek. In order to preserve and enhance the public opportunities to enjoy the natural attributes of the property, significant restoration work will be required. The site also presently contains over fifty acres of open space that is undeveloped because of the hilly terrain. Redevelopment assistance is required to assist in maximizing the possibilities of dedicated public recreational and open space opportunities.

4. Infrastructure Improvement

This program includes a variety of public works projects such as replacement and upgrading of utilities, traffic improvements, parking facilities, storm drainage and sanitary sewer improvements and upgrades, and flood control improvements. The program may also include street improvements (construction of streets, curbs, sidewalks, and gutters); streetscape improvements (street trees and landscaping, and street furniture (benches, trash receptacles); traffic measures (visual and safety improvements); and street lighting. Specific projects identified include traffic measures, and construction of utilities, roads, and other infrastructure. A major component of the Oak Knoll Project Area redevelopment will be significant building demolition, removal and replacement of the majority of the infrastructure, and the development of a circulation system to serve any new development and address the surrounding traffic improvement requirements.

5. Security Enhancements

This program provides additional funding for security patrols along commercial corridors and in surrounding vacant areas to increase security and safety. This program will also provide a safe residential environment to encourage community interaction, outdoor enjoyment, and alternative modes of transportation. While the Oak Knoll Project Area is located in an urbanized area of Oakland, significant amounts of the Project Area are surrounded by dense vegetation and open space, as well as older commercial areas leading to the Project Area, that have significant crime issues.

V. PROPOSED METHOD OF FINANCING, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING DIVISION OF TAXES PURSUANT TO SECTION 33670

Section 33352(e) of the CRL provides that the Report to City Council contain the proposed method of financing the Merged Project Area in sufficient detail so that the legislative body may determine the financial feasibility of the Merger. This Report to the Council includes an assessment of economic feasibility and the reasons for including a provision for the division of taxes pursuant to Section 33670 of the CRL. Economic feasibility, for purposes of this analysis, is defined to be a comparative analysis of anticipated costs for implementation of the Merged Project Area, as amended, and the resulting revenues expected to be generated. Economic feasibility is determined through a feasibility cash flow analysis of the Project Fund for the Merged Project Area as summarized on the Exhibit 5.

A. ESTIMATED TOTAL PROJECT COSTS

A determination of economic feasibility requires an identification of the future resources to finance future costs associated with redevelopment of the Merged Project Area and the elimination of remaining blighting conditions. Redevelopment could require significant participation from the Agency in activities to promote and achieve the desired goals and objectives of the Redevelopment Plans and to address blighting conditions.

These redevelopment programs have been more fully described in an earlier section of this Report. The Affordable Housing Programs for both Project Areas are very similar and for purposes of affordable housing production, the production requirements will be merged in limited circumstances. The non-housing programs for the Central City East Project Area include: (1) a retail tenant and commercial recruitment program; (2) a façade improvement program; (3) a historic preservation program; (4) a major employer incentive program; (5) a land assembly and relocation program; (6) a community facilities program; (7) a public/private development program; and (8) an infrastructure improvement program. The non-housing programs and projects for the Oak Knoll Project Area include: (1) a retail tenant and commercial recruitment program, (2) a historic preservation program, (3) community and recreational facilities, (4) infrastructure improvements, and (5) security enhancements.

These programs are designed to address the most significant blighting conditions in the Merged Project and are intended to serve as catalysts in the removal of these blighting conditions, as well as to spur the preservation, improvement and creation of affordable housing in the community. In addition to funding the proposed redevelopment programs, the Agency anticipates other costs associated with meeting the financial obligations for implementing an effective redevelopment program.

Exhibit 5
Economic Feasibility Analysis - Summary
Merger of Oak Knoll & Central City East Redevelopment Projects
Oakland Redevelopment Agency
(000's Omitted)

	Memo Total	NPV 5.0%	% Total
I. Source of Funds			
Gross T.I. Central City East	5,275,895	1,333,763	80.1%
Gross T.I. Oak Knoll	1,312,572	303,914	18.3%
TA Bond Proceeds (Oak Knoll)	22,000	17,238	1.0%
TA Bond Proceeds (CCE)	7,000	5,485	0.3%
Other Payments/ Housing Credits (CCE)	4,000	3,275	0.2%
Interest Earnings	1,692	899	0.1%
Total Sources	6,623,159	1,664,573	100.0%
II. Use of Funds			
Bond Debt Service Assumed	42,421	22,530	1.4%
Pass Through Central City East	1,651,024	384,690	23.1%
Pass Through Oak Knoll	386,312	79,311	4.8%
Housing at 25% CCE	1,318,974	333,441	20.0%
Housing at 25% Oak Knoll	328,143	75,978	4.6%
Personnel/ O&M (CCE T.I. at 15%)	140,402	58,386	3.5%
Personnel/ O&M Oak Knoll (per RDA)	1,450	1,093	0.1%
Redevelopment Programs (see below)	2,754,434	709,143	42.6%
Total Uses	6,623,159	1,664,573	100.0%

III. Proposed Redevelopment Program Costs:

Oak Knoll Project (1):

Use of TA Bond Proceeds (Oak Knoll)	22,000	17,238	2.4%
Other Discretionary Costs	12,374	9,149	1.3%
Subtotal Oak Knoll	34,374	26,386	

Central City East Project (1):

Retail Tenant & Comm'l Recruitment	136,003	34,138	4.8%
Façade Improvements	136,003	34,138	4.8%
Historic Preservation	136,003	34,138	4.8%
Major Employer Incentives	136,003	34,138	4.8%
Land Assembly & Relocation	544,012	136,551	19.3%
Community Facilities	272,006	68,276	9.6%
Public/ Private Development	544,012	136,551	19.3%
Infrastructure Improvement	816,018	204,827	28.9%
Subtotal Central City East	2,720,059	682,756	

Total Proposed Redevelopment Programs 2,754,434 709,143 100.0%

(1) Upon termination of each Redevelopment Plan (30 year effectiveness), the Agency can continue to receive tax increment to repay Project Area indebtedness. This feasibility analysis assumes the debt repayment (years 31 to 45) is proportionately allocated among the projected programs assumed on this table.

These include costs for statutory pass through requirements set forth under Health and Safety Code Section 33607.5, administrative costs for personnel and the operations and management of the Merged Project Area, and the assumed repayment of potential loans or indebtedness incurred over the course of the Merged Project Area's implementation.

The redevelopment program described in this Report outlines a set of activities to be implemented by the Agency for the purpose of facilitating private reinvestment in the Merged Project Area and eliminating physical and economic blighting influences, and increasing, improving and preserving the community's supply of low and moderate income housing. The estimated cost of the proposed redevelopment programs over the effective term of the respective Project Areas and with the set of assumptions set forth in this analysis is summarized on Exhibit 5.

1. Bond Debt Service

The Agency will consider funding alternatives allowable under the CRL to finance the anticipated redevelopment programs, including the issuance of tax allocation bonds. The Agency may utilize tax increment revenues to secure the debt service of tax allocation bonds to assist in the financing of anticipated project costs and the feasibility strategy assumed by Agency staff is based upon such a \$29 million bond issue by FY 2010-11. Agency staff has assumed that \$22 million will be committed to qualified Oak Knoll uses and \$7 million will be committed to qualified Central City East uses in 2010-11. The issuance of tax-exempt bonds and the use of said proceeds are subject to certain federal tax restrictions. The sale of tax allocation bonds is timed to coincide with the fifth year of the proposed Implementation Plan and are based on the assumption that Agency-identified new development values will be reflected on the property tax rolls at such time of sale.

2. Pass Through Obligations

The Merged Projects are subject to the statutory pass through requirements of AB 1290 that provides for specific formulas for payments to be made by the Agency to affected taxing entities. Health and Safety Code Section 33607.5 provides the formula by which a portion of annual tax increment revenues are allocated to all affected taxing agencies, based upon the following parameters: (1) from the first fiscal year in which the Agency receives tax increment until the last fiscal year in which the Agency receives the tax increment, 25 percent of the tax increments are passed through to the entities (net of the 20 percent housing set aside); (2) commencing in the eleventh year, an additional 21 percent of the tax increment in excess of the tenth year tax increment is passed through to the entities (net of the 20 percent housing set aside); and (3) commencing in the thirty first year, an additional 14 percent of the tax increment in excess of the thirtieth year tax increment is passed through to the entities (net of the 20 percent housing set aside).

The timing of Redevelopment Plan limits and the triggering of the statutory pass through for the Oak Knoll Redevelopment Project are governed by Health and Safety Code Sections 33492.9 and 33492.13. Under these provisions, the Plan time limits and the start of the statutory pass through payments are calculated from the date the County Auditor certifies the date of the final day of the first fiscal year in which \$100,000 or more of tax increment funds from the Oak Knoll Project Area are paid to the Agency. Based upon the tax increment projection prepared by KMA, the certified date for the Oak Knoll Redevelopment Project is projected to be June 30, 2007 (fiscal year 2006-07).

3. Affordable Housing Program

As required by State law, 20 percent of the gross tax increment funds received by the Agency must be deposited into a fund that assists in the preservation and production of affordable housing. However, the attached tax increment projection assumes that the Agency will elect to annually set aside 25 percent as a deposit into the Agency's Low and Moderate Income Housing Fund to fund a variety of programs to develop affordable housing in the community:

- Production: The Agency can participate in land acquisition, land cost write-down, developer recruitment, credit enhancement, and other participation to cause affordable housing to be developed. The Agency may also acquire land and directly build housing.
- Preservation: The Agency may offer low-interest or no-interest loans or grants to assist lower and moderate income homeowners in making repairs to existing residences. Additionally, such programs can be extended to owners of rental properties to make repairs to affordable rental housing.
- Affordability Assistance: The Agency can provide direct subsidies to lower the cost of producing housing or provide first-time homebuyer programs to assist very-low to moderate income families with the down payment and closing costs for the purchase of a home. Seniors households in the low to moderate income category may also be targeted in such programs.

4. Personnel and O&M

The Agency's ongoing administration of the redevelopment program includes staff salaries, services and supplies necessary for the operation and oversight of the Merged Project Area. The feasibility cash flow projection assumes that 15 percent of net tax increment from Central City East (net of housing set aside and statutory pass through allocations) will be used to fund personnel and O&M of the Central City East Project

Area. Agency staff estimated an annual expenditure for the Oak Knoll Project Area ranging from \$100,000 to \$150,000 per year over the next ten years.

5. Oak Knoll – Discretionary Programs

In order to provide projects and programs for the redevelopment of Oak Knoll and expedite the redevelopment of Central City East, the Agency has developed a program that will fund redevelopment programs in the Oak Knoll Project Area up to the amount of the original tax increment cap of \$87 million unless bonds are sold. In the event that bonds are sold, the dollar amount would not exceed \$87 million plus bond issuance costs and interest expense. Tax increment funds generated in excess of \$87 million will be utilized to alleviate the blighting conditions in the Central City East Project Area. The specific programs and projects for the Oak Knoll Project Area (which are described in Section IV of this Report) include: 1) Retail and Commercial Tenant Recruitment, 2) Historic Preservation, 3) Community and Recreational Facilities, 4) Infrastructure Improvements, and 5) Security Enhancements.

6. Central City East - Retail Tenant and Commercial Recruitment Program

It is assumed that five percent of the annual net tax increment (net of housing set aside, statutory pass through payments, Agency personnel and O&M expenses and Oak Knoll discretionary expenses assumed) could be used to fund ongoing retail tenant and commercial recruitment programs in the Central City East Project Area. The Retail Tenant and Commercial Recruitment Program will enable the Agency to offer financial assistance in the form of low interest or zero-interest participatory loans and grants. One aspect of this program can be used to assist property owners with rehabilitation of retail and commercial properties to create and improve ground floor retail and commercial spaces and attract new tenants to underutilized and vacant buildings. Another aspect of this program can include loans or grants to tenants for interior improvements or for needed capital to expand, replace equipment, or modernize.

7. Central City East - Façade Improvement Program

It is assumed that five percent of the annual net tax increment could be used to fund ongoing façade improvement programs in the Central City East Project Area. The Façade Improvement Program provides matching grants to existing businesses for the purposes of storefront improvements and façade treatments. This program provides assistance to businesses to encourage restoring, modernizing and improving the facades of commercial structures to enhance the attractiveness and visibility of the area. Typical improvements could include paint, signage, lighting, awnings, window and door replacement, limited parapet additions, finishes and decorative features designed to

highlight building characteristics. Edge treatment grants could also be made available for improvements (such as landscaping and fencing) to the frontage of properties.

8. Central City East - Historic Preservation Program

It is assumed that five percent of the annual net tax increment could be used to fund ongoing historic preservation programs in the Central City East Project Area. Significant historic buildings can be made into viable retail, commercial, or residential properties through Agency-sponsored efforts such as a Historic Façade Improvement Program, an un-reinforced Masonry Grant program, and through other forms of Agency assistance.

9. Central City East - Major Employer Incentive Program

It is assumed that five percent of the annual net tax increment could be used to fund ongoing major employer incentive programs in the Central City East Project Area. Selected infill and reuse areas can be identified for use by businesses that provide employment to area residents. The Agency can use various tools to recruit employers to the area through the use of financial assistance in the form of low-interest or zero-interest participatory loans or grants or through the use of property tax rebates. This program can be designed to assist property owners with rehabilitation of existing properties, through seismic and sprinkler upgrades, to attract employers that would benefit the community.

10. Central City East - Land Assembly and Relocation Program

It is assumed that twenty percent of the annual net tax increment could be used to fund ongoing land assembly and relocation programs in the Central City East Project Area. These programs could assist private, public, and non-profit developers in assembling small, underutilized and/or poorly configured parcels of property into sites suitable for new development. The Agency's efforts in assembling land for private use would be applied in selective cases and only upon selection of a qualified developer. The Agency could assist in the selective assembly of land through voluntary purchase, negotiated purchase, or eminent domain. Land assembly would likely take place in response to property owner, developer or Agency initiated efforts to assemble property needed for the expansion of existing uses or for the creation of sites capable of development for new uses. Through an OPA or DDA the Agency may grant or loan money to assist new retail, commercial, or housing development or expansion of existing facilities.

The Agency may also choose to participate in the acquisition of property for infrastructure or public facilities purposes, which would primarily benefit the Merged Project Area. The program may also include site preparation activities such as demolition and clearance, and assistance for environmental remediation. The Agency could provide relocation assistance as required by California State Housing and

Community Development Regulations and Agency Guidelines. This will ensure that uniform, fair, and equitable treatment is afforded to displaced businesses and residents as a result of the Agency's land assembly and relocation program.

11. Central City East - Community Facilities Program

It is assumed that ten percent of the annual net tax increment could be used to fund ongoing community facilities improvement programs in the Central City East Project Area. Community-based projects focus on the need for new or improved community facilities such as parks, community centers, libraries, open space and cultural facilities. Such facilities can be provided in conjunction with public schools to enrich the educational experience. Projects are anticipated for development using Agency and/or other funds from the City, State and Federal governments.

12. Central City East - Public/Private Development Program

It is assumed that twenty percent of the annual net tax increment could be used to fund ongoing public/private development programs in the Central City East Project Area. Public/private coordination occurs when the Agency participates in significant private development projects. Through an OPA or DDA, the Agency may grant or loan moneys to assist new commercial developments or expansion of existing commercial properties. Such a program may fund construction, landscaping, façade upgrades, parking lot improvements and the City's public works development requirements.

13. Central City East - Infrastructure Improvements Program

It is assumed that thirty percent of the annual net tax increment could be used to fund ongoing infrastructure improvement programs in the Central City East Project Area. Infrastructure improvements cover a variety of public works projects ranging from correcting utilities, traffic capacity projects, mass-transit improvements, parking facilities, new streets, undergrounding overhead transmission lines, storm drainage and sanitary sewers, bridges and under- or over-crossings, flood control improvements, freeway noise walls, and many other assorted capital projects. This may also include streetscape projects including constructing new curbs, gutters and sidewalks where they do not exist or where broken curbs, gutters and sidewalks require replacement; installing street trees and shrubs; constructing both decorative and handicapped accessible crosswalks; constructing new medians with landscaping; adding visual and safety improvements to existing medians; installing street furniture, such as trash receptacles and newspaper racks; and improving area lighting by increasing the number of luminaries, increasing the wattage of individual streetlights or adding pedestrian streetlights.

B. FINANCING METHODS AVAILABLE TO THE AGENCY

The respective Redevelopment Plans are prepared with the intent of providing the Agency with the necessary legal authority and flexibility to implement the revitalization of the Project Area. The Plans authorize the Agency to finance the Project Area with financial assistance from any or all of the following sources: (1) City of Oakland; (2) State of California; (3) federal government; (4) tax increment funds in accordance with provisions of the existing CRL; (5) Agency bonds; (6) interest income; (7) loans from private financial institutions; (8) lease or sale of Agency-owned property; (9) donations; and (10) any other legally available public or private sources. The identified redevelopment programs are assumed to be funded solely from future tax increment revenues anticipated from the Merged Project Area.

Current provisions of the CRL provide authority to the Agency to create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of a redevelopment plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants for various public facilities or other project costs.

The projected funding sources assumed to be available to fund the proposed personnel and O&M costs and the proposed redevelopment programs previously summarized above over the respective term of the feasibility cash flow are summarized on Exhibit 5.

1. Tax Increment Revenues

A summary of the projection of the incremental taxable values and resulting tax increment revenues for each Project Area over the remaining term of the respective Redevelopment Plans is shown on Exhibit 6 and Exhibit 7.

The projected gross total tax increment revenues for the Oak Knoll Project Area amounts to \$1,312 million, of which \$328 million would be required for deposit into the Housing Fund and applied towards affordable housing programs, and \$386 million would be allocated to affected taxing entities under the statutory pass through formula required under the existing CRL. The net tax increment revenues generated by the Oak Knoll Project Area over the remaining term totals \$598 million. The maximum gross tax increment that can be allocated to the Agency is \$1.5 billion in accordance with the Oak Knoll Redevelopment Plan.

The projected gross total tax increment revenues for the Central City East Project Area amounts to \$5,276 million, of which \$1,319 million would be required for deposit into the Housing Fund and applied towards affordable housing programs, and \$1,651 million would be allocated to affected taxing entities under the statutory pass through formula

required under the existing CRL. The net tax increment revenues generated by the Central City East Project Area over the remaining term totals \$2,306 million. Tax increment revenues are based upon increases in the annual incremental assessed valuation of the Project Area, which generally result from transfers of property ownership or new construction activities and from the annual inflationary increase (to a maximum of two percent) allowable under Proposition 13. The following assumptions were incorporated in the tax increment revenue projections shown on Exhibit 6 and Exhibit 7:

- A. Future Merged Project Area values are based only upon assessed values reported by the Alameda County Auditor-Controller for FY 2005-06.
- B. Currently reported secured values increase by an assumed annual increase of 5.5 percent. This growth factor allows for the assumed valuation increases caused by the annual two percent Real Property growth factor allowed under Proposition 13 and any value added from miscellaneous new developments or transfers of ownership that may occur in the Central City East Project Area. The growth factor for the Oak Knoll Project Area was assumed to be six percent.
- C. Commencing in FY 2006-07 and continuing over an eight-year period, the Agency staff projects that \$734.8 million in new taxable value could be added to the property tax rolls as a result of future residential and commercial development activities in the Oak Knoll Project Area.
- D. Commencing in FY 2008-09 through FY 2010-11, the Agency staff projects that \$400 million in new taxable value could be added to the property tax rolls as a result of future port development activities in the Central City East Project Area.
- E. Annual tax increment will be subject to a Housing Set Aside deposit of 25 percent per year pursuant to the Agency's election to allocate an annual percentage deposit exceeding that mandated under the CRL.

2. Future Bond Proceeds

The Agency may pledge tax increment revenues to secure the principal and interest payments of tax allocation bonds issued to finance anticipated program costs. The issuance of tax-exempt bonds and the use of said proceeds are subject to federal tax restrictions. The economic feasibility of the financing plan includes the Agency's consideration to issue \$29 million in tax allocation bonds by FY 2010-11. Of this amount, Agency staff has assumed that \$22 million in bond proceeds would be used in the Oak Knoll Project Area and \$7 million in bond proceeds would be available for use in the Central City East Project Area.

3. *Other Payments and Housing Credits*

The Agency may consider all funding sources allowable under the CRL to finance the anticipated redevelopment programs discussed above, including the Agency staff's assumption that \$4 million in estimated housing credits could be available in the initial four years of the merger for use in the Central City East Project Area.

4. *Interest Earnings*

The Agency may receive interest earnings generated from funds on deposit in the bond reserve funds, project operating funds, housing set aside funds and other special funds established for the Merged Project. Upon issuance of the tax allocation bonds in FY 2010-11, the cash flow assumes bond reserve interest earnings.

C. PROPOSED FINANCING METHOD, ECONOMIC FEASIBILITY AND REASONS FOR INCLUDING TAX INCREMENT FINANCING

The anticipated costs to implement a program of revitalization in the Merged Project Area will require significant participation from the Agency as it implements activities that promote and achieve the stated goals and objectives of the Amended Plans. Economic feasibility of the Merged Project Area has been determined based upon a cash flow analysis of the anticipated costs for implementation of the proposed redevelopment program to the resulting projected resources expected to be generated over the life of the Merged Project Area.

The financial feasibility analysis was created to represent one scenario of economic feasibility. At the discretion of the Agency, other funding sources discussed above may also represent viable funding alternatives for economic feasibility of the Plan Merger. Although the Agency may consider other funding sources, not all of the funding sources may be available or be feasible for the Agency to use in financing future redevelopment activities. In the event that neither the City nor the private market acting alone could fully bear the costs associated with revitalization of the Merged Project Area, the implementation of a redevelopment program utilizing tax increment revenues must be considered as a viable financing tool.

**Exhibit 6
Oak Knoll Redevelopment Project
Oakland Redevelopment Agency
(000's Omitted)**

Impl Yr	Fiscal Yr	Secured			Projected Total Value	Increment Over Base 0	Gross Increment Revenue 1.1705%	Housing Set Aside -25%	Statutory Pass Through	Net Tax Increment Remaining
		1	2	3						
		Secured 6.0%	New Dev (1)	Total Secured						
1	2006-07	996	100,500	101,496	101,496	101,496	1,188	(297)	0	891
2	2007-08	1,056	102,510	103,566	103,566	103,566	1,212	(303)	(5)	904
3	2008-09	1,119	195,043	196,163	196,163	196,163	2,296	(574)	(222)	1,500
4	2009-10	1,187	330,427	331,613	331,613	331,613	3,882	(970)	(539)	2,372
5	2010-11	1,258	470,720	471,977	471,977	471,977	5,524	(1,381)	(867)	3,276
6	2011-12	1,333	577,818	579,152	579,152	579,152	6,779	(1,695)	(1,118)	3,966
7	2012-13	1,413	679,857	681,271	681,271	681,271	7,974	(1,994)	(1,357)	4,623
8	2013-14	1,498	783,938	785,436	785,436	785,436	9,194	(2,298)	(1,601)	5,294
9	2014-15	1,588	799,616	801,204	801,204	801,204	9,378	(2,345)	(1,638)	5,396
10	2015-16	1,683	847,593	849,277	849,277	849,277	9,941	(2,485)	(1,751)	5,705
11	2016-17	1,784	898,449	900,233	900,233	900,233	10,537	(2,634)	(1,870)	6,033
12	2017-18	1,891	952,356	954,247	954,247	954,247	11,169	(2,792)	(2,074)	6,303
13	2018-19	2,005	1,009,497	1,011,502	1,011,502	1,011,502	11,840	(2,960)	(2,291)	6,589
14	2019-20	2,125	1,070,067	1,072,192	1,072,192	1,072,192	12,550	(3,138)	(2,520)	6,892
15	2020-21	2,253	1,134,271	1,136,524	1,136,524	1,136,524	13,303	(3,326)	(2,764)	7,214
16	2021-22	2,388	1,202,327	1,204,715	1,204,715	1,204,715	14,101	(3,525)	(3,022)	7,554
17	2022-23	2,531	1,274,467	1,276,998	1,276,998	1,276,998	14,947	(3,737)	(3,295)	7,915
18	2023-24	2,683	1,350,935	1,353,618	1,353,618	1,353,618	15,844	(3,961)	(3,585)	8,298
19	2024-25	2,844	1,431,991	1,434,835	1,434,835	1,434,835	16,795	(4,199)	(3,892)	8,704
20	2025-26	3,015	1,517,910	1,520,925	1,520,925	1,520,925	17,802	(4,451)	(4,218)	9,134
21	2026-27	3,195	1,608,985	1,612,180	1,612,180	1,612,180	18,871	(4,718)	(4,563)	9,590
22	2027-28	3,387	1,705,524	1,708,911	1,708,911	1,708,911	20,003	(5,001)	(4,929)	10,073
23	2028-29	3,590	1,807,856	1,811,446	1,811,446	1,811,446	21,203	(5,301)	(5,317)	10,585
24	2029-30	3,806	1,916,327	1,920,133	1,920,133	1,920,133	22,475	(5,619)	(5,728)	11,128
25	2030-31	4,034	2,031,306	2,035,341	2,035,341	2,035,341	23,824	(5,956)	(6,164)	11,704
26	2031-32	4,276	2,153,185	2,157,461	2,157,461	2,157,461	25,253	(6,313)	(6,626)	12,314
27	2032-33	4,533	2,282,376	2,286,909	2,286,909	2,286,909	26,768	(6,692)	(7,115)	12,961
28	2033-34	4,805	2,419,319	2,424,123	2,424,123	2,424,123	28,374	(7,094)	(7,634)	13,646
29	2034-35	5,093	2,564,478	2,569,571	2,569,571	2,569,571	30,077	(7,519)	(8,185)	14,373
30	2035-36	5,399	2,718,346	2,723,745	2,723,745	2,723,745	31,881	(7,970)	(8,768)	15,143
Plan Effectiveness Limit	31	2036-37	5,723	2,881,447	2,887,170	2,887,170	33,794	(8,449)	(9,386)	15,960

**Exhibit 6
Oak Knoll Redevelopment Project
Oakland Redevelopment Agency
(000's Omitted)**

Impl Yr	Fiscal Yr	1	2	3	4	5	6	7	8	9	
		Secured			Projected Total Value	Increment Over Base 0	Gross Increment Revenue 1.1705%	Housing Set Aside -25%	Statutory Pass Through	Net Tax Increment Remaining	
		Secured 6.0%	New Dev (1)	Total Secured							
	32	2037-38	6,066	3,054,334	3,060,400	3,060,400	3,060,400	35,822	(8,955)	(10,208)	16,659
	33	2038-39	6,430	3,237,594	3,244,024	3,244,024	3,244,024	37,971	(9,493)	(11,079)	17,400
	34	2039-40	6,816	3,431,850	3,438,665	3,438,665	3,438,665	40,250	(10,062)	(12,002)	18,185
	35	2040-41	7,225	3,637,761	3,644,985	3,644,985	3,644,985	42,665	(10,666)	(12,981)	19,017
	36	2041-42	7,658	3,856,026	3,863,684	3,863,684	3,863,684	45,224	(11,306)	(14,019)	19,900
	37	2042-43	8,117	4,087,388	4,095,505	4,095,505	4,095,505	47,938	(11,984)	(15,118)	20,835
	38	2043-44	8,605	4,332,631	4,341,236	4,341,236	4,341,236	50,814	(12,704)	(16,284)	21,827
	39	2044-45	9,121	4,592,589	4,601,710	4,601,710	4,601,710	53,863	(13,466)	(17,520)	22,878
	40	2045-46	9,668	4,868,144	4,877,812	4,877,812	4,877,812	57,095	(14,274)	(18,829)	23,992
	41	2046-47	10,248	5,160,233	5,170,481	5,170,481	5,170,481	60,520	(15,130)	(20,218)	25,172
(2)	42	2047-48	10,863	5,469,847	5,480,710	5,480,710	5,480,710	64,152	(16,038)	(21,690)	26,424
	43	2048-49	11,515	5,798,038	5,809,552	5,809,552	5,809,552	68,001	(17,000)	(23,250)	27,751
	44	2049-50	12,206	6,145,920	6,158,126	6,158,126	6,158,126	72,081	(18,020)	(24,903)	29,157
	45	2050-51	12,938	6,514,675	6,527,613	6,527,613	6,527,613	76,406	(19,101)	(26,656)	30,648
TI Receipt Limit	46	2051-52	13,714	6,905,556	6,919,270	6,919,270	6,919,270	80,990	(20,248)	(28,514)	32,228
Total							1,312,572	(328,143)	(386,312)	598,117	
NPV at 5.0%							303,914	(75,978)	(79,311)	148,624	

**Exhibit 7
Central City East Project Area
Oakland Redevelopment Agency
(000's Omitted)**

Plan Yr	FY	1			2			3			4			5			6			7			8			9			10		
		Secured			Unsecured			Projected			Increment			Gross			Housing			Statutory			Net Tax								
		Secured 5.5%	New Dev (1)	Total Secured	0.0%			Total Value	1,973,539			Increment Revenue 1.1705%			Set Aside -25%			Pass Through			Increment Remaining										
3	2006-07	2,913,907	0	2,913,907	137,759	3,051,666	1,078,127	12,619	(3,155)	(2,524)	6,941																				
4	2007-08	3,074,171	0	3,074,171	137,759	3,211,930	1,238,392	14,495	(3,624)	(2,899)	7,972																				
5	2008-09	3,243,251	150,000	3,393,251	137,759	3,531,010	1,557,471	18,230	(4,558)	(3,646)	10,027																				
6	2009-10	3,421,630	303,000	3,724,630	137,759	3,862,389	1,888,850	22,109	(5,527)	(4,422)	12,160																				
7	2010-11	3,609,819	409,060	4,018,879	137,759	4,156,638	2,183,099	25,553	(6,388)	(5,111)	14,054																				
8	2011-12	3,808,359	431,558	4,239,918	137,759	4,377,677	2,404,138	28,140	(7,035)	(5,628)	15,477																				
9	2012-13	4,017,819	455,294	4,473,113	137,759	4,610,872	2,637,333	30,870	(7,717)	(6,174)	16,978																				
10	2013-14	4,238,799	480,335	4,719,134	137,759	4,856,893	2,883,355	33,750	(8,437)	(6,750)	18,562																				
11	2014-15	4,471,933	506,754	4,978,687	137,759	5,116,446	3,142,907	36,788	(9,197)	(7,732)	19,859																				
12	2015-16	4,717,889	534,625	5,252,514	137,759	5,390,273	3,416,735	39,993	(9,998)	(8,768)	21,227																				
13	2016-17	4,977,373	564,029	5,541,403	137,759	5,679,162	3,705,623	43,374	(10,844)	(9,860)	22,670																				
14	2017-18	5,251,129	595,051	5,846,180	137,759	5,983,939	4,010,400	46,942	(11,735)	(11,013)	24,193																				
15	2018-19	5,539,941	627,779	6,167,720	137,759	6,305,479	4,331,940	50,705	(12,676)	(12,230)	25,799																				
16	2019-20	5,844,638	662,307	6,506,944	137,759	6,644,703	4,671,165	54,676	(13,669)	(13,513)	27,494																				
17	2020-21	6,166,093	698,734	6,864,826	137,759	7,002,585	5,029,047	58,865	(14,716)	(14,867)	29,282																				
18	2021-22	6,505,228	737,164	7,242,392	137,759	7,380,151	5,406,612	63,284	(15,821)	(16,295)	31,168																				
19	2022-23	6,863,015	777,708	7,640,723	137,759	7,778,482	5,804,944	67,947	(16,987)	(17,802)	33,159																				
20	2023-24	7,240,481	820,482	8,060,963	137,759	8,198,722	6,225,183	72,866	(18,216)	(19,391)	35,258																				
21	2024-25	7,638,708	865,608	8,504,316	137,759	8,642,075	6,668,536	78,055	(19,514)	(21,068)	37,473																				
22	2025-26	8,058,837	913,217	8,972,054	137,759	9,109,812	7,136,274	83,530	(20,883)	(22,838)	39,810																				
23	2026-27	8,502,073	963,444	9,465,516	137,759	9,603,275	7,629,737	89,306	(22,327)	(24,704)	42,275																				
24	2027-28	8,969,687	1,016,433	9,986,120	137,759	10,123,879	8,150,340	95,400	(23,850)	(26,674)	44,876																				
25	2028-29	9,463,019	1,072,337	10,535,356	137,759	10,673,115	8,699,577	101,829	(25,457)	(28,751)	47,620																				
26	2029-30	9,983,486	1,131,316	11,114,801	137,759	11,252,560	9,279,021	108,611	(27,153)	(30,943)	50,515																				
27	2030-31	10,532,577	1,193,538	11,726,115	137,759	11,863,874	9,890,335	115,766	(28,942)	(33,256)	53,569																				
28	2031-32	11,111,869	1,259,182	12,371,051	137,759	12,508,810	10,535,272	123,315	(30,829)	(35,695)	56,791																				
29	2032-33	11,723,022	1,328,437	13,051,459	137,759	13,189,218	11,215,679	131,280	(32,820)	(38,269)	60,190																				
30	2033-34	12,367,788	1,401,502	13,769,290	137,759	13,907,049	11,933,510	139,682	(34,920)	(40,985)	63,777																				
31	2034-35	13,048,016	1,478,584	14,526,600	137,759	14,664,359	12,690,821	148,546	(37,137)	(44,577)	66,832																				

**Exhibit 7
Central City East Project Area
Oakland Redevelopment Agency
(000's Omitted)**

	Plan Yr	FY	Secured			Unsecured 0.0%	Projected Total Value	Increment Over Base 1,973,539	Gross Increment Revenue 1.1705%	Housing Set Aside -25%	Statutory Pass Through	Net Tax Increment Remaining
			Secured 5.5%	New Dev (1)	Total Secured							
	32	2035-36	13,765,657	1,559,906	15,325,564	137,759	15,463,322	13,489,784	157,898	(39,474)	(48,368)	70,056
	33	2036-37	14,522,768	1,645,701	16,168,469	137,759	16,306,228	14,332,690	167,764	(41,941)	(52,366)	73,457
	34	2037-38	15,321,521	1,736,215	17,057,735	137,759	17,195,494	15,221,956	178,173	(44,543)	(56,585)	77,045
	35	2038-39	16,164,204	1,831,706	17,995,911	137,759	18,133,670	16,160,131	189,154	(47,289)	(61,036)	80,830
	36	2039-40	17,053,236	1,932,450	18,985,686	137,759	19,123,445	17,149,906	200,740	(50,185)	(65,731)	84,824
	37	2040-41	17,991,163	2,038,735	20,029,899	137,759	20,167,658	18,194,119	212,962	(53,241)	(70,685)	89,037
	38	2041-42	18,980,677	2,150,866	21,131,543	137,759	21,269,302	19,295,763	225,857	(56,464)	(75,911)	93,482
	39	2042-43	20,024,615	2,269,163	22,293,778	137,759	22,431,537	20,457,998	239,461	(59,865)	(81,424)	98,171
	40	2043-44	21,125,969	2,393,967	23,519,936	137,759	23,657,695	21,684,156	253,813	(63,453)	(87,241)	103,119
(2)	41	2044-45	22,287,897	2,525,635	24,813,532	137,759	24,951,291	22,977,752	268,955	(67,239)	(93,378)	108,338
	42	2045-46	23,513,731	2,664,545	26,178,276	137,759	26,316,035	24,342,497	284,929	(71,232)	(99,852)	113,844
	43	2046-47	24,806,986	2,811,095	27,618,082	137,759	27,755,841	25,782,302	301,782	(75,445)	(106,883)	119,654
	44	2047-48	26,171,371	2,965,705	29,137,076	137,759	29,274,835	27,301,296	319,562	(79,890)	(113,889)	125,783
TI Receipt Limit	45	2048-49	27,610,796	3,128,819	30,739,615	137,759	30,877,374	28,903,835	338,319	(84,580)	(121,491)	132,248
SB1045 Extension	46	2049-50	29,129,390	3,300,904	32,430,294	137,759	32,568,053	0	0	0	0	0
Total								5,275,895	(1,318,974)	(1,651,024)	2,305,897	
NPV at 5.0%								1,333,763	(333,441)	(384,690)	615,632	

(1) New development value added increases 2% per year until development stabilization, after which time values are assumed to increase 5.5% per year.

(2) The Agency assumes that all of the goals and objectives from this merger will be reached by this point and tax increment revenue will no longer be required in the last 5 years

D. RELATIONSHIP BETWEEN THE INCREASE IN THE TAX INCREMENT AND BONDED INDEBTEDNESS LIMITS AND THE COSTS TO ERADICATE THE REMAINING BLIGHT

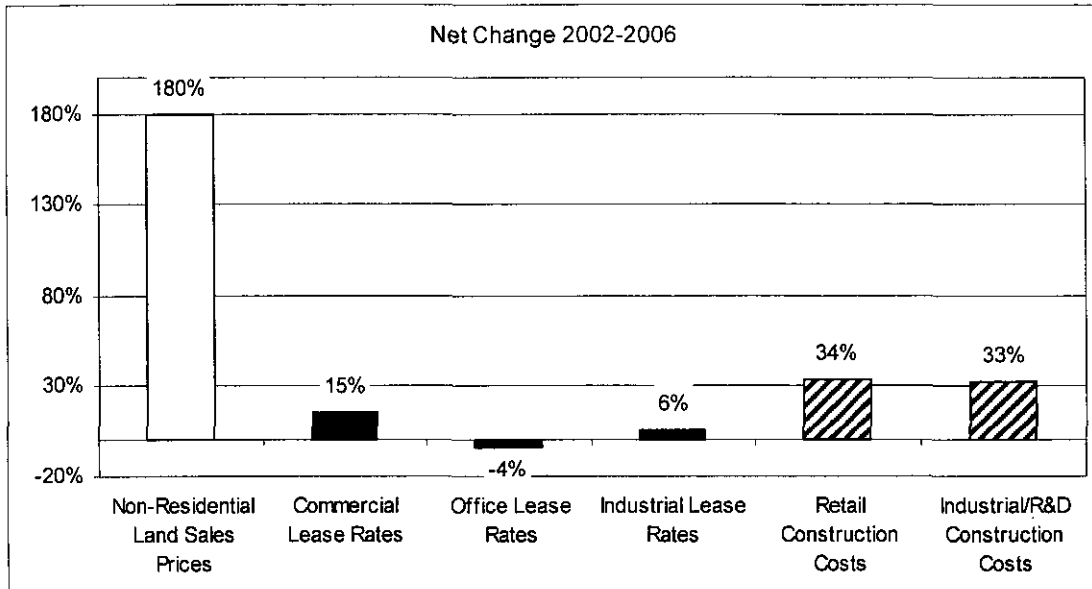
The Agency will be able to use the additional tax increment generated in the Oak Knoll Redevelopment Project (in excess of the \$87 million original tax increment limit) and the higher bonded indebtedness limit to eradicate blight more quickly in Central City East, to provide additional funds for community facilities in both Project Areas, to provide funding for the development and rehabilitation more affordable housing units throughout Central City East, and at the same time, offset the unanticipated high escalation of costs (such as land acquisition costs) that have added significantly to the costs of redevelopment.

After the adoption of the Central City East Redevelopment Plan, the Agency undertook a more detailed analysis of the community facilities (parks, libraries, and recreational facilities) in the Project Area. Based upon data provided by the libraries and the Department of Parks and Recreation, the Agency has determined that the need for such facilities is even greater than first contemplated. Therefore, the additional tax increment generated in the Oak Knoll Project Area will also be utilized, in part, to assist with the rehabilitation of existing and construction of new community facilities where needed. The Agency may also utilize portions of the non-housing set-aside tax increment to rehabilitate and increase the supply of new affordable housing units and home ownership opportunities in the Merged Project Areas.

Since the adoption of the Oak Knoll Project in 1998, land costs have rapidly escalated in Oakland as well as most of the Bay Area. Land costs have continued to increase faster than building costs and rents since the adoption of the Central City East Project in 2003. Since rents have not kept pace with these increases, it has made it more difficult for both the public and private sectors to effectively redevelop properties in the Project Areas. Figure 3 illustrates the increase in land costs relative to the increases in construction costs and rents for non-residential development in Oakland. Figure 4 compares the relative increases in these same costs for multi-family residential development.

As shown in Figure 3, commercial lease rates have increased by fifteen percent on average, while office lease rates declined by an average of four percent, and industrial lease rates have increased by only six percent on average since 2002. Yet during the same time period, retail construction costs have increased by thirty-four percent and industrial and office/R&D construction costs have increased by thirty-three percent since 2002. In addition, land sales prices have increased by 180 percent since 2002. As described in Section III of this Report, property values have increased significantly in Oakland and in the Project Area as well, despite the fact that there has been limited reinvestment and redevelopment in the Project Area. These data illustrate that while development costs have increased significantly since 2002, lease rates have been relatively stagnant, making it more difficult for the public and the private sector to undertake development and rehabilitation projects that meet normal market return requirements.

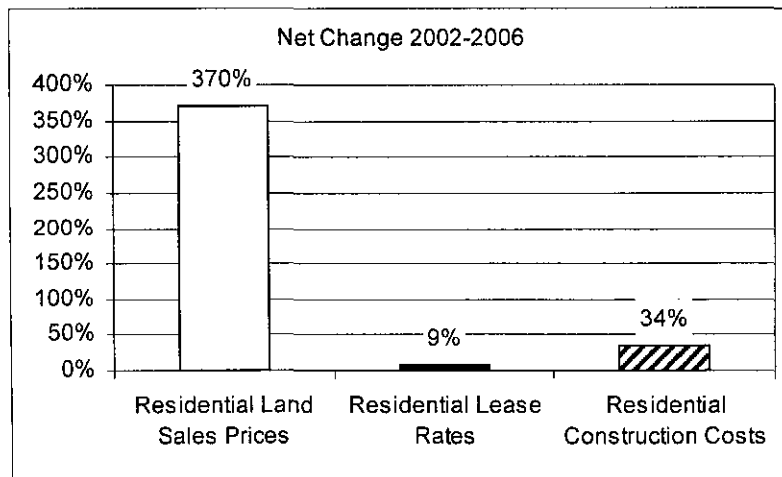
Figure 3: Change in Non-Residential Land Prices, Lease Rates and Construction Costs



Source: Reis, CoStar Group, Marshall & Swift

Similarly, while average rents for apartments in Oakland have increased by only nine percent since 2002, construction costs for apartments have increased thirty-four percent and residential and sales prices have increased by 370 percent (see Figure 4).

Figure 4: Change in Residential Multi-family Land Prices, Rents and Construction Costs



Source: Reis, CoStar Group, Marshall & Swift

VI. IMPLEMENTATION PLAN

Per Section 33352(c) of the CRL, the Implementation Plan prepared as part of the Report to the City Council must describe the specific goals and objectives of the Agency, specific projects proposed by the Agency, including a program of actions and expenditures proposed to be made within the first five years of the adoption of the Redevelopment Plan, a description of how these projects will improve or alleviate the blighting conditions in the Project Area, and show how the requirements for low and moderate income housing in the community will be met.

The Central Center East and Oak Knoll Redevelopments have separate Implementation Plans, which will be maintained as separate Implementation Plans after the Merger. The Implementation Plan that was prepared the Central City East Redevelopment Project at the time of adoption in July of 2003, is in effect through June of 2008 (fiscal years 2003-04 through 2007-2008).

On March 21, 2006, the Agency approved the Second Amendment to the Central City East (CCE) Five Year Plan and related actions, and also held a public hearing for the mid-term review on the progress of implementing the Central City East Implementation Plan. In all other respects, the Agency approved continuing implementation of the same projects and programs identified in the current Implementation Plan. Furthermore, the proposed amendment to the Implementation Plan will not change the overall proposed expenditures identified in the Central City East Implementation Plan.

The Implementation Plan for the Oak Knoll Project Area was adopted at the time of the Project adoption in 1998. The Implementation Plan period was from 1998-99 through 2002-03. However, due to the lack of development activity and the fact that the Navy retained control of most of the Base property until 2006, a new Implementation Plan could not be prepared due to the uncertainty around the actual timing of development activities and possible generation of tax increment funding for Agency activities (refer to page 6 for a description of the activities of the Agency, OBRA, and the Navy relative to the disposition of the Base property). The Agency has prepared a new Implementation Plan for the current year and subsequent four years (2006-07 through 2010-11) that is included in this Report.

The proposed Merger alone will not result in any changes to the Implementation Plans for the Central City East Redevelopment Area. The Implementation Plan for the Oak Knoll Project Area is provided in Appendix A and the existing amended Implementation Plan for the Central City East Project Area is provided in Appendix B.

VII. METHOD OR PLAN FOR RELOCATION

A. INTRODUCTION

Section 33352(f) of the CRL requires that the Agency's Report to the City Council contain a "Method or Plan" for "the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the project area, which...shall include the provision required by Section 33411.1." Additionally, Section 33411 of the CRL requires the Agency to prepare a feasible "method or plan" for relocation of nonprofit local community institutions to be temporarily or permanently displaced from facilities actually used for institutional purposes in the project area.

Section 33411.1 requires the legislative body to insure that "...such method or plan of the Agency...shall provide that no persons or families of low and moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by such displaced person or family at rents comparable to those at the time of their displacement. Such housing units shall be suitable to the needs of such displaced persons or families and must be decent, safe, sanitary, and otherwise standard dwelling. The Agency shall not displace such person or families until such housing units are available and ready for occupancy."

The following method or plan for relocation is applicable to both the Central City East and Oak Knoll Redevelopment Project Areas. This plan or method of relocation is not intended to be a "Relocation Plan" within the meaning of Section 6038 of the "Relocation Assistance and Real Property Acquisition Guidelines" promulgated by the California Department of Housing and Community Development (California Code of Regulations, Division 1 of Title 25, commonly called the "State Guidelines"). A Section 6038 Relocation Plan is not prepared until the Agency initiates negotiations for the acquisition of real property and prior to proceeding with any phase of a public improvement or facility project or other implementation activity that would result in any displacement other than an insignificant amount of non-residential displacement.

B. RELOCATION RULES

Section 33411 of the California Health and Safety Code requires the preparation of a feasible method or plan for relocation of all families, persons and non-profit organizations to be temporarily or permanently displaced from facilities in a redevelopment project area. Section 33411.1 provides that said method or plan for relocation shall include the provision that no persons or families of low or moderate income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by the displaced person or family at rents comparable to those at the time of their displacement. Both Redevelopment Plans presently include relocation rules that have been in place since Plan adoption; none of these rules will be modified or affected by this Merger Amendment.

C. POTENTIAL FOR DISPLACEMENT

The Redevelopment Plan for the Central City East Project Area contains provisions for the acquisition of real property in the Central City East Project Area. However, the Agency's authority to acquire real property through eminent domain is subject to a number of conditions and limitations set forth in the Redevelopment Plan. The Redevelopment Plan also authorizes the Agency to undertake demolition, rehabilitation, reconstruction, and other activities in the Project Area in furtherance of Plan goals. Acquisition and redevelopment activities have the potential of displacing residents and businesses in the Project Area. It is anticipated that very few, if any, residents or businesses will actually be displaced as a result of the Redevelopment Plan. Nevertheless, the Agency will assume lead responsibility for implementation of any relocation activities resulting from the Project should there be displacement of any Project Area occupants.

The Redevelopment Plan for the Oak Knoll Redevelopment Project includes eminent domain authority. There are only a few existing businesses and no existing residents in the Project Area. As a result a plan and method of relocation is not required. However, this plan and method of relocation has been prepared to include possible business relocation and, although unlikely, potential future relocation of residents.

1. Implementation

Sections 323 through 325 of the Central City East Redevelopment Plan and Sections 313 through 315 of the Oak Knoll Redevelopment Plan outline the Agency's responsibilities in providing assistance in the displacement of Project Area occupants. Any occupant displaced as a result of acquisition by the Agency of real property, or displaced as a result of rehabilitation, demolition or other displacing activities undertaken by the Agency or any person having an agreement with the Agency or acting on behalf of the Agency, may be entitled to relocation assistance. Prior to any significant displacement of residents or businesses in the Project Areas, the Agency will prepare and adopt a plan for the relocation of such residents or businesses which contains all elements required by law.

As outlined below, the Redevelopment Plans provide that the Agency will: (1) provide any displaced occupants with advisory assistance in finding comparable replacement housing or business facilities; (2) make relocation payments to displaced occupants as required by applicable laws and regulations; (3) be authorized to make additional discretionary relocation payments which it may deem reasonable and necessary; and (4) provide either directly or indirectly, for the replacement of any low or moderate income dwelling units destroyed or removed by Project activities on a minimum one-to-one basis.

D. RELOCATION ASSISTANCE FOR DISPLACED RESIDENTS

Section 324 of the Central City East Redevelopment Plan and Section 314 of the Oak Knoll Redevelopment Plan provide that the Agency will provide advisory assistance to assist all homeowners and renters displaced by the Project in finding comparable replacement housing.

Section 325 of the Central City East Redevelopment Plan and Section 315 of the Oak Knoll Redevelopment Plan also provide that the Agency will make monetary relocation payments to residents displaced by the Project as may be required by law. Such relocation payments will be made pursuant to the California Relocation Assistance Law (Government Code Section 7260 *et seq.*), state relocation regulations (25 California Code of Regulations Section 6000 *et seq.*), and any Agency rules and regulations adopted pursuant thereto. Such payments may include payments for moving expenses and replacement housing costs for homeowners and tenants. The Agency is authorized to make such additional payments to displaced residents as may be appropriate and for which funds are available.

No resident shall be displaced unless comparable replacement housing is available. Comparable replacement housing means a dwelling unit that is (a) decent, safe and sanitary, (b) comparable to the displacement dwelling in terms of the number of rooms, living space, and quality of construction, (c) in an area not subjected to unreasonable adverse environmental conditions, and not less desirable with respect to public utilities, public and commercial facilities, and neighborhood conditions, including schools and municipal services, (d) reasonably accessible to the displaced occupant's place of employment, and (e) within the financial means of the displaced occupant. If comparable replacement housing is not available in the housing market, the Agency shall provide "last resort housing" assistance to the displaced resident, including making additional monetary payments as needed to make a comparable replacement unit available to the resident, or developing, constructing, or rehabilitating a comparable replacement housing unit for the resident. Any displaced resident shall be given preference, or have a right of first refusal, to rent or purchase housing units developed in the Project Area with Agency assistance, if the displaced resident otherwise meets the qualifications for renting or purchasing the new unit.

1. Replacement Housing

Section 329 of the Central City East Redevelopment Plan and Section 330 of the Oak Knoll Redevelopment Plan provide that the Agency, within four years of destruction or removal of dwelling units housing persons and families of low and moderate income as part of the Project, will cause to be rehabilitated, developed or constructed a number of dwelling units equal to the number destroyed or removed. These units shall be for rental or sale to persons and families of low and moderate income at affordable housing costs

E. RELOCATION ASSISTANCE TO DISPLACED BUSINESSES

Section 324 of the Central City East Redevelopment Plan and Section 314 of the Oak Knoll Redevelopment Plan provide that the Agency will assist all businesses and institutional occupants displaced by the Project in finding a replacement location with minimum of hardship to person, business concerns and others.

Section 324 of the Central City East Redevelopment Plan and Section 314 of the Oak Knoll Redevelopment Plan also provide that the Agency will make monetary relocation payments to displaced businesses and institutional occupants as may be required by law. Such relocation payments will be made pursuant to the California Relocation Assistance Law (Government Code Section 7260 *et seq.*), state relocation regulations (25 California Code of Regulations Section 6000 *et seq.*), and any Agency rules and regulations adopted pursuant thereto. Such payments may include payments for moving expenses, reestablishment expenses, personal property losses, search costs, and in-lieu payments. The Agency is authorized to make such additional payments to displaced businesses as may be appropriate and for which funds are available.

Businesses that might be displaced will be: personally interviewed to determine their relocation needs and preferences; provided with general and special information material; assisted in preparing relocation claims; assisted in finding other suitable locations within or outside the Project Area; and referred to other groups or agencies for assistance in achieving a satisfactory relocation. As the situation requires, relocation staff will refer these displaced businesses to, and maintain liaison between, the Small Business Administration, trade associations, chambers of commerce, lending institutions, real estate agencies, brokers and multiple listing real estate boards in order that they may be assisted in obtaining suitable relocation premises, financial help and guidance in re-establishing their operations.

1. Administrative Organization

The Redevelopment Agency is the local public agency that is responsible for the relocation of residents, businesses, and others that are displaced as a result of Project activities. The Agency may meet its relocation responsibilities through qualified City staff or consultants that will manage the complexities of providing relocation advisory assistance.

The Agency's staff and/or consultants will perform the following functions:

- Interpret the Agency's program to all displaced occupants and the general public to enlist their understanding and support, and to answer questions about the Project and its effect upon Project occupants.

- Determine the relocation needs and desires of displaced occupants and keep each informed of their rights and responsibilities under the redevelopment program, as well as apprise them of the relocation resources, special services, and forms of assistance to which they are entitled.
- Enlist the cooperation of real estate professionals, home builders, property management firms, social service agencies, civic groups and others in locating suitable relocation accommodations for displacees and provide other services deemed essential for the successful relocation of displaced occupants.
- Locate, inspect, evaluate, or stimulate the development of housing facilities to meet the needs of all displaced occupants and refer and otherwise assist displaced occupants to secure housing which they require.
- Secure priority consideration for persons eligible for and desiring subsidized housing or any other housing to which displacees are entitled, and take other appropriate steps as necessary to expedite their placement into such housing.
- Advise and assist affected Project Area owners and business occupants in understanding and utilizing the owner participation and business preference opportunities provided for in the Redevelopment Plan and in the rules governing owner participation and business preferences adopted for the Project.
- Assist affected prospective homebuyers in obtaining appropriate mortgage financing and advise them of special FHA, VA and other financial aids available.
- Make referrals to community, social, welfare and other similar agencies, when such referrals are deemed advisable, and cooperate with these agencies on an individual basis to assist in the solution of specific problems affecting the relocation of displacees.
- Maintain liaison services between businesses, occupants and commercial property brokers, real estate boards, chambers of commerce, the Small Business Administration, lending institutions and other appropriate resources for advice and assistance in effecting the satisfactory relocation of displaced occupants.
- Assist displaced occupants in preparing all claims for relocation payments to which they are entitled, and establish records, maintain files and provide ongoing reports to the Agency Administrator on field relocation activities.
- Coordinate relocation activities with other Agency operations.

The Agency will establish and maintain a relationship with Project Area occupants and as appropriate and needed, will apprise occupants and the general community of its plans and programs through the distribution of informational materials, public meetings, mailings and personal interviews.

2. Grievance Procedures

Residents or businesses that might be subject to displacement during the course of Project implementation would be informed by the Agency staff/consultants of their right of appeal of relocation payment claims, or other decisions made affecting their relocation. Such appeals would be reviewed in accordance with the informal and formal grievance procedures adopted by the Agency pursuant to applicable state and federal relocation laws and regulations. The City of Oakland's Housing, Residential Rent, and Relocation Board acts as the relocation appeals board for the Agency.

VIII. REPORT AND RECOMMENDATION OF THE PLANNING COMMISSION AND REPORT REQUIRED BY SECTION 65402 OF THE GOVERNMENT CODE

Section 33352(h) of the CRL requires that the Agency's Report to the City Council contain the report and recommendations of the Planning Commission on the proposed Amendment. Section 33352 (j) of the CRL requires that the Agency's Report to the City Council contain the report required by Section 65402 of the Government Code (conformance with General Plan). Section 65402(c) states among other things, that no real property should be acquired by dedication or otherwise for public purposes, no real property shall be disposed of, no street shall be vacated or abandoned, and no public building or structure shall be constructed or authorized until such activities have been submitted to and reported upon by the local planning agency as to conformity with the jurisdiction's adopted general plan.

Section 33453 of the CRL requires that the Amendments be submitted to the Planning Commission for its report and recommendation prior to submission to the City Council. The Planning Commission has 30 days from the date the Amendments are submitted to the Commission to issue its report and recommendation. If the Commission does not issue its report within 30 days, Section 33453 provides that the Planning Commission is deemed to have waived its report and recommendation, and the Amendments may be adopted without such a report and recommendation.

On February 15, 2006, the Planning Commission received, discussed and adopted its report and recommendations on the proposed Fiscal Amendments only. The Planning Commission found the Amendments in conformance with the General Plan and approved recommending that the Agency and City Council approve the Amendments. Since the Redevelopment Agency *determined that it was necessary to expand the Oak Knoll and Central City East Oakland Redevelopment Project Area Merger actions and amend the Oak Knoll Redevelopment Plan*, it was necessary to return to the Planning Commission for their review and recommendations on the additional proposed Plan Amendments.

On September 20, 2006, the Oakland Planning Commission received, discussed and adopted its report and recommendation on the following actions:

- Merging the Central City East and Oak Knoll Project Areas into a Merged Project Area ("Merged Project Area") for fiscal purposes; and
- Merging some of the affordable housing production requirements for the Central City East and Oak Knoll Project Areas under limited circumstances.

The following additional amendments will also be made to the Oak Knoll Redevelopment Plan:

- An increase in the tax increment limit from \$87 million to \$1.5 billion;
- An increase in the bonded indebtedness limit from \$21 million to \$400 million;
- All references to the "Reuse Plan" will be changed to the "General Plan:"
- The requirement that the Agency not expend tax increment funds in the Project Area until the City Council make a finding that Oak Knoll Reuse Plan is consistent with the General Plan will be removed;
- The obsolete land use map contained in the Plan will be replaced with a current land use map that conforms to the General Plan; and
- The list of public improvements will be updated.

The Commission found that all of the Merged actions and Plan Amendments in conformance with the General Plan and approved recommending that the Agency and City Council approve the proposed Merged and Plan Amendments.

IX. SUMMARY REQUIRED BY SECTION 33387 OF THE CRL

Section 33352(i) of the CRL requires that the Agency's Report to the City Council contain the summary referred to in Section 33387. Section 33387 refers to the minutes of the Project Area Committee (PAC) and the record of information exchanged between the PAC and the Agency.

The Agency held a community information meeting on December 15, 2005, to present the Amendments to owners and occupants in the Central City East and Oak Knolls projects and other interested persons. The announcement was mailed to Oak Knoll Project interested parties, part of the Oakland Planning Commission's mailing list; the property owners within 300 feet of the Oak Knoll Project Area boundaries as listed by the City Planning Department; a list of individuals provided by various homeowners associations in the Oak Knoll area, and a list of residents provided by the Council Member offices representing the general Oak Knoll area. Approximately 70 persons attended the meeting. Staff presented an overview of the CRL provisions which allow for mergers, a historical summary of the Oak Knoll Redevelopment Project, the purpose of the Merger of the Central City East Oakland Project Area and the Oak Knoll Project Area, and the timeline for various actions related to the approval of the Merger. Attendees had many questions related to the redevelopment of the Oak Knoll property, which staff recommended should be directed to the Oak Knoll master developer. Other questions were related to the boundaries of the Oak Knoll Project Area, benefits to the surrounding neighborhood and concerns about major infrastructure and traffic problems that could be created by the reuse of the Oak Knoll property. Staff committed to sharing the various Oak Knoll neighborhood concerns with the master developer and work with the Council Members' offices to provide regular updates.

Staff has kept all interested parties informed since the initial fiscal merger action began. In April 2006, staff recommended that the public hearings adopting the fiscal merger action be delayed so that additional outreach could be conducted. As required, all property owners and other affected parties in the Central City East Redevelopment Area (92,000+), the Oak Knoll Community mailing list (500+) and other interested parties, including the taxing agencies, were notified of the delay. Staff committed to hold several meetings over summer 2006 to address all community concerns. In conjunction with the master developer/property owner, the Agency contacted over 500 individuals in the surrounding Oak Knoll community and held two informational meetings on July 12, 2006, and July 26, 2006. At the July 12th meeting, over 100 residents attended and on July 26th, approximately 65 individuals attended the meeting held in the greater Oak Knoll community. All outreach and notices have been coordinated with the property owner/developer and all 500+ subscribers to developer's mailing list have received notices.

Additionally, staff has provided oral and written updates to the Central City East Project Area Committee ("CCE PAC") in April, May, June, July, August and September 2006. On August 28, 2006, the CCE PAC held a special meeting and approved two motions in support of the merger and plan amendment actions. The CCE PAC had approved the fiscal merger of the two Project

Areas on January 6, 2006 at a regular meeting of the Central City East PAC. The January 6th PAC's report and recommendations are incorporated in a resolution adopted by the PAC and is included in Appendix D. Minutes from the PAC meeting are included in Appendix E. At the August 28, 2006 Special PAC meeting, the PAC approved the two staff recommendations. The CCE PAC approved a motion that the Merger be formulated so that the CCE has the option to sell affordable housing credits to Oak Knoll and that the actual price and amount of credits would be approved by the PAC at future date. The second motion approved by the Central City East PAC was approval of a tax increment sharing system whereby the allocation of Oak Knoll tax increment funds will be staggered to the Central City East Redevelopment Area until the initial bond is retired, so that tax increment will be dedicated to the assisting Oak Knoll redevelopment project could fund eligible public improvements. Therefore, the majority of the Oak Knoll net tax increment would be allocated to assisting the Central City East Redevelopment Area with its redevelopment program, given the tremendous amount of required redevelopment improvements that are required in the Central City East Project Area. The August 28, 2006 motion is included in Appendix D and the minutes from the various PAC meetings (April – September 2006) are included in Appendix E.

X. ENVIRONMENTAL IMPACT REPORT

Section 33352 (k) of the CRL requires that the Agency's Report to the City Council contain the report required by Section 21151 of the Public Resources Code (environmental compliance document). Since the proposed Amendments are fiscal in nature and only consist of merging the existing Projects for purposes of allocating tax increment revenues, it was determined that the proposed Amendments did not qualify as a project as defined by the California Environmental Quality Act (CEQA) and a Notice of Exemption will be prepared. A copy of the Notice of Exemption is included as Appendix G.

This determination is based upon Section 15061 (b) (3), Section 15262, Section 15378 (b) (4), Section 15301 and Section 15061 (b) (3) of the CEQA Guidelines, which state that possible exemptions from CEQA include an "activity [that] is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

Furthermore, when merging redevelopment project areas, CEQA Guidelines Section 15378 (b)(4) also applies which states that a "project" does not include the "creation of government financing mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment". Similarly, the proposal to increase the tax increment limit and the bonded indebtedness limit will, in and of themselves, not result in a physical impact on the environment. Any future site specific and/or physical development projects within each Project Area will be subject to CEQA review per Section 15262. Therefore, the proposed merger and other fiscal actions are not considered to be a "project" and are not subject to CEQA review.

The project also meets the requirements of CEQA Section 15301 which consists of the operation, maintenance, permitting, leasing, licensing, etc. of existing public or private facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. Both the Oak Knoll and Central City East Redevelopment Plans are approved redevelopment plans per certified EIR's. The fiscal merger of the two plans, as stated above, will not involve a change to either of the approved plans and will not result in a change to the physical environment not previously anticipated or evaluated.

XI. NEIGHBORHOOD IMPACT REPORT

Section 33352(m) of the CRL requires that the Agency's Report to City Council contain a neighborhood impact report if the redevelopment project contains low or moderate income housing. The purpose of the neighborhood impact report is to describe in detail the impact of the proposed actions upon the residents of the Project Area and surrounding areas in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood. The neighborhood impact report is also to include: (a) the number of dwelling units housing persons and families of low or moderate income expected to be destroyed or removed from the low and moderate income housing market as part of the redevelopment project; (b) the number of persons and families (households) of low or moderate income expected to be displaced by the project; (c) the general location of housing to be rehabilitated, developed, or constructed pursuant to Section 33413 of the CRL; (d) the number of dwelling units housing persons and families of low and moderate income planned for construction or rehabilitation, other than replacement housing; (e) the projected means of financing the proposed dwelling units for housing persons and families of low and moderate income planned for construction or rehabilitation; and (f) a projected timetable for meeting the relocation, rehabilitation and replacement housing objectives.

The Oak Knoll Redevelopment Project Area does not contain low or moderate income housing; therefore a neighborhood impact report was not prepared for this Project Area. Because the Central City East Project Area contains persons and families with low or moderate incomes, a neighborhood impact report is included herein.

A neighborhood impact report for the Central City East Project Area was prepared at the time of adoption in July 2003. Since Project adoption there have been no significant changes in the Project Area or potential impacts to the residents resulting from implementation of the Redevelopment Plan. The following are the findings of the neighborhood impact report included in the Report to Council at the time of adoption of the Central City East Redevelopment Project. These findings continue to be valid today and will be unchanged by the proposed Merger Amendments. References below to the Redevelopment Plan EIR or Project EIR reference the Environmental Impact Report prepared for the adoption of the Central City East Redevelopment Project. All references to "Project" in the neighborhood impact analysis are referencing the Central City East Redevelopment Project.

A. IMPACTS ON RESIDENTS IN THE PROJECT AREA AND SURROUNDING AREA

1. Relocation

The Project Area contains residential dwelling units, the majority of which are assumed to be occupied by persons or families of low or moderate income. The EIR prepared for

the Project adoption indicates that there are approximately 27,260 households in the Project Area. Should future revitalization projects involve the displacement and relocation of low and moderate income residents, displacement will be mitigated by relocation assistance including financial payments, advisory assistance, and replacement housing plan provisions of state law relating to Agency assisted developments.

Residents will not be displaced due to Agency-assisted development unless and until there are suitable relocation facilities available for occupancy at rents or costs comparable to those paid at the time of displacement. The Agency will assist residents in finding housing, that is decent, safe and sanitary and within their financial means, in reasonably convenient locations and otherwise suitable to their needs. Any displacement which occurs as a result of Agency redevelopment activities will be mitigated by relocation assistance including financial payments, advisory assistance, and replacement housing plan provisions of state law relating to Agency assisted developments. Additionally, the Agency will offer reentry opportunities where feasible to existing business owners and tenants on a preferential basis. These provisions are further described in this Report in Section VI - Method or Plan for Relocation.

2. Environmental Quality

The EIR prepared for the Project evaluated possible environmental impacts resulting from the adoption of the Redevelopment Plan on land use; transportation; air quality; noise; hazards and hazardous materials; public infrastructure, public services; and cultural and historic resources. The EIR concluded that the implementation of the Central City East Redevelopment Plan would result in significant and unavoidable impacts on traffic and cultural and historic resources.

Traffic: Of the twenty-three intersections analyzed, one - the intersection of High Street and International Boulevard in the Project Area - is projected to operate at a level of service (LOS) "F" under future cumulative conditions, a LOS that is below the City's standard.¹⁴ Future growth and development within the Project Area, consistent with the assumptions and projections of the City General Plan, and as may be assisted or facilitated by the implementation of the Redevelopment Plan, would contribute to this cumulative condition. No feasible mitigation measures have been identified that are capable of reducing this cumulative impact to a level of less than significant.

Historic Resources: The 9th Avenue Terminal building has been identified as a structure potentially eligible for inclusion on the National Register of Historic Places and is therefore considered a historic resource under CEQA. However, the *Estuary Policy Plan*

¹⁴ According to the Redevelopment Plan EIR, the City of Oakland's LOS standard is LOS D outside of Downtown and LOS E within Downtown.

(City and Port of Oakland 1999) anticipates demolition or substantial alteration to the 9th Avenue Terminal building in order to create a new public park. The impact of demolishing or substantially altering this building in order to create a new public park was fully analyzed and addressed in the *Oakland Estuary Plan EIR* (City and Port of Oakland, June 1999). As there was no specific project that would involve the demolition or alteration of the 9th Avenue Terminal building at the time that the *Oakland Estuary Plan EIR* was prepared, the EIR noted that there were "potential measures" that could be mitigation measures to lessen any impacts. While the Redevelopment Plan does not contain specific proposals for demolition or alteration of the 9th Avenue Terminal building, the Agency's activities may assist or facilitate in the implementation of the *Oakland Estuary Policy Plan* and thus impact this historic resource. Therefore, the Redevelopment Plan EIR recommended the adoption of the "potential" mitigation measures identified in the *Estuary Policy Plan EIR*. While these mitigation measures can reduce or offset the impacts associated with demolition or alteration, they cannot reduce this impact to a level of less than significant.

3. Traffic Circulation

As indicated in the Redevelopment Plan EIR, the implementation of the programs and other activities contemplated in the Redevelopment Plan are anticipated to assist either directly or indirectly in achieving the population and employment growth projections contemplated in the City General Plan due to their location within the Project Area. The anticipated growth in population and employment will have some impact on traffic circulation in and around the Project Area. While implementation of the Redevelopment Plan is not expected to increase the population or employment levels beyond those contemplated in the General Plan, a conservative approach was used to analyze the potential impacts of the Redevelopment Plan as future projects may be impacted by implementation of the Redevelopment Plan due to their location in the Project Area.

The proposed projects and programs for the Project Area include mass-transit improvements, parking facilities, street improvements, visual and safety improvements to existing street medians and lighting improvements designed to increase public safety and enhance traffic circulation.

The Redevelopment Plan EIR examined potential impacts on freeways; local roadways; public transit; motor vehicle, bicycle and pedestrian safety; and parking. The impact of the Project Area on the freeways was considered to be less than significant. The Project Area would contribute to the cumulative impacts of decreased levels of service on four *signalized intersections and two non-signalized intersections in the Project Area*. For three of the four signalized intersections and both of the non-signalized intersections, mitigation measures were identified that could reduce these impacts to less than significant. The mitigation measures for the signalized intersections include modifying traffic signal phasing, adding turning lanes, and increasing traffic signal lengths at

specific intersections. At the non-signalized intersections, installation of traffic signals was identified as potential mitigation measures.

At one signalized intersection (High Street and International Boulevard) the level of service (LOS) would be reduced to F, i.e., below the LOS E standard established by the City for intersections outside of the Downtown area. The most feasible mitigation measure for alleviating the impacts at this intersection would require widening High Street to provide dual left-turn lanes and three through lanes. However, the secondary impacts of this mitigation measure (acquisition and loss of businesses along High Street) *render this mitigation unfeasible. Therefore, the residual cumulative impacts of the Redevelopment Plan at this intersection were deemed significant and unavoidable.*

New growth and development within the Project Area is expected to increase average ridership on AC Transit lines and impact BART service at fare gates. However, these impacts were determined to be less than significant. Impacts on motor vehicle, bicycle, and pedestrian safety, and parking were also determined to be less than significant.

4. Community Facilities and Services

The population increases and growth that could occur in the Project Area as a result of redevelopment could potentially increase the demand for public services and therefore affect schools, police and fire protection, solid waste services, and other community facilities such as schools, local community centers, libraries and cultural facilities. It is anticipated that the Agency may participate in the development of new or rehabilitation of community facilities in cooperation with local agencies using City, state for federal funding. These investments will encourage further public and private investment in the *neighborhoods in and around the Project Area, making them more desirable places to visit and live.*

The Redevelopment Plan EIR evaluated the potential impacts or the Redevelopment Plan on local parks, police and fire protection, and solid waste services.

5. Parks

There are twenty-three parks and recreation facilities in the Project Area under the jurisdiction of the City's Office of Parks and Recreation, and nine parks in the City or immediately to the east of the City, but outside of City limits under the jurisdiction of the East Bay Regional Park District (EBRPD) that serve the Project Area. The amount of parkland in the City and the Neighborhood Planning Areas that include the Project Area do not meet the City's standard of four acres per 1,000 residents.¹⁵ The number of acres

¹⁵ Source: Central City East Redevelopment Plan Draft EIR, page 10-2.

per resident in Project Area neighborhoods ranges from 0.68 to 1.73 acres per 1,000 residents.

Implementation of the Redevelopment Plan is expected to encourage the growth and demand for park space anticipated in the City's General Plan and, therefore, increase the deficit of park space in some portions of the Project Area and the City. However, this affect will be offset to some degree by development of new park space contemplated by the City's *Estuary Policy Plan* and the *Open Space Conservation and Recreation Element (OSCAR)* of the General Plan. These policy documents anticipate the creation of approximately 43 acres of new parkland in the Project Area – nearly three times the amount of new parkland that the projected new residential development within the Project Area anticipated under the General Plan would create (12 acres). In addition, mitigation measures were identified in the Redevelopment Plan that could help the City address the overall deficit in available parkland in the City and the Project Area. These include coordination with the Office of Parks and Recreation to develop and initiate a land acquisition program for new parks in underserved areas; coordinate with the Office of Parks and Recreation and local churches, private recreation providers and, non-profit agencies to promote joint use agreements and partnerships that maximize the use of on-park recreation facilities; and the use of Agency funds (at the Agency's discretion and as part of the overall redevelopment of the Project Area) to augment existing funding for parkland acquisitions and improvements.

6. Police and Fire Protection Services

As described in Section II.F.2 - Fire Response and Section III.E.4 - High Crime Rates, the Project Area has a disproportionate share of fires, emergency calls, and violent crime. Implementation of redevelopment activities is anticipated to increase population and employment in the Project Area, resulting in a potential increase in demand for police and fire protection. However, the redevelopment programs proposed for the Project Area are also expected to improve the economic vitality of the area, increase the number of jobs, and cause the rehabilitation and reuse of existing vacant, abandoned, or under-utilized structures. These impacts could potentially decrease crime in the Project Area and reduce the fire hazards associated with the number of vacant and abandoned buildings, code violations and other hazardous conditions described in Section III.D.1.a – Building Code Violations. In addition, the EIR for the General Plan identifies numerous policies and mitigation measures to be implemented Citywide that would offset the potentially negative impacts of increased demand for police and fire protection services, including the sequencing and timing of development so as to provide a balance of between land use and population growth, and public services; giving special priority to reducing deficiencies and disparities between existing residential areas in the City's capital improvement and public service programs, developing target ratios of police officers and firefighters to population for annual budgeting purposes and to assess the feasibility and merits of service fees on new development to finance additional police

and fire protection services; and the solicitation of comments from local police and fire agencies on major new development proposals to ensure that law enforcement and fire protection impacts are appropriately addressed and mitigated. The policies and mitigation measures would be implemented Citywide – including the Project Area.

7. Solid Waste

Per the Redevelopment Plan EIR, the existing landfill capacity at the two landfills available to the City (Altamont and Vasco Road landfills) should be capable of accommodating the additional volume of solid waste that would be produced by an *increase in population and the generation of construction/demolition waste* by implementation of the Redevelopment Plan. In addition, the EIR for the Land Use and Transportation Element of the General Plan (LUTE) identifies mitigation measures to be used Citywide to reduce solid waste, including the continued implementation of the City's solid waste reduction programs.

8. School Population and Quality of Education

The school-age population in the Project Area is currently served within three high school attendance areas (HSAAs): Oakland High, Fremont High, and Castlemont HSAAs. In general, the elementary, middle and high schools throughout the City and in the Project Area are overcrowded, although school enrollment is expected to stabilize or grow slightly according to the Oakland Unified School District. The imbalance in number of pupils vs. number of available classrooms is currently being addressed by measures such as year-round schools and the use of portable classrooms.

The analysis in the Redevelopment Plan EIR indicated that while the anticipated increase in population and thus the number of school-age children in the Project area would have a less-than-significant impact, the increase would contribute to a cumulatively considerable deficit in existing school capacity. The General Plan contemplates an increase in approximately 1,010 students within the three HSAAs that serve the Project Area.

However, the Redevelopment Plan includes provisions that will enable the Agency to assist the School District in alleviating school overcrowding, including assistance with the identification and acquisition of appropriate sites for school development. The Agency may also be able to pursue possible joint use projects that would retain existing schools and lease or sell air rights above or below for development, or joint ventures with the City's Office of Parks and Recreation to develop shared school grounds/public park space. Future Agency undertakings could also include funding for capital improvements to alleviate school overcrowding, or the construction and leasing of school buildings to the School District with the title to vest in the School District upon termination of the lease.

9. Property Assessments and Taxes

The proposed Redevelopment Plan will not cause the property taxes paid by property owners to increase. Regardless of whether property is in the Project Area or not, the County Tax Assessor may increase property valuations for existing properties at the maximum rate of two percent per year, as allowed under Proposition 13. In general, tax increases above the two percent allowed under Proposition 13 occur in two circumstances: when property is sold and when improvements are made. During the life of the Redevelopment Plan, taxable valuations of property within and adjoining should increase as development of that property occurs. New development within the Project Area will be assessed at market value, as determined by the County Tax Assessor. In cases where property changes hands, the Assessor will reassess the added value to property and improvements due to any new development or rehabilitation that occurs.

Another matter potentially affecting property taxes in the Project Area and surrounding areas would be the possibility of additional levies resulting from formation of special assessment districts. The financing of the redevelopment program, as outlined in this Report, assumes no special assessments within the Project Area, and there are no proposals for formation of special assessment districts at this time.

B. RELOCATION AND LOW AND MODERATE INCOME HOUSING

1. Housing Units to be Destroyed or Removed

Implementation of the proposed Redevelopment Plan may include Agency acquisition of property within the Project Area as provided for by the Redevelopment Plan. The Agency does not have any specific plans for the acquisition of any uses and in particular low and moderate income housing.

Should Agency acquisition of property result in the removal of dwelling units occupied by person or families of low and moderate incomes, the Agency will be required to construct, develop or rehabilitate, or cause the construction, development or rehabilitation of, *low and moderate income dwelling units equal in number to those destroyed or removed*. These "replacement housing units" must be constructed within four years of the destruction or removal of the original units, and must be available at affordable housing cost too, and occupied by, persons in the same or a lower income category (low-, very-low or moderate) as the persons displaced from those destroyed or removed units. The units must remain affordable throughout the period of land use controls established in the Redevelopment Plan for the Project. For the purposes of this section, the period of land use controls shall be equal to the affordability covenants set forth in the California Health and Safety Code Section 33334.3.

2. Projected Residential Displacement

As mentioned above, the Agency does not have any specific plans that would involve the removal of low and moderate income housing units or displacement of low and moderate income residents. Should such displacement be contemplated, the Agency will conduct individual household surveys to determine the exact number, type, and location of comparable replacement housing units and the required number of referrals thereto prior to displacement of any person of low or moderate income. Section VII – Method or Plan for Relocation in this Report provides an overview of the relocation process that must be undertaken by the Agency prior to displacing any person(s) or family(ies).

3. Number and Location of Replacement Housing Units

The specific number and type of replacement housing units required pursuant to CRL Section 33413 has not been determined. Should housing units be destroyed or removed from the low and moderate income housing market by the Agency, suitable replacement housing will be made available within the Project Area or other areas of the City that are appropriate for the construction of residential units per the City's zoning ordinances, General Plan, and other land use policies and guidelines.

The City Council and the Agency will make findings as may be necessary to provide such replacement housing. When the Agency acquires property, enters into a disposition and development agreement, participation agreement or other agreement, or undertakes any other activities requiring or causing the destruction or removal of housing units from the low and moderate income housing market, the Agency will provide replacement housing required pursuant to Section 33413 of the CRL and replacement housing plan pursuant to Section 33413.5.

4. Number and Location of Low and Moderate Income Housing Units Planned Other Than Replacement Housing

The Agency plans to assist in the construction, rehabilitation and preservation of low and moderate income housing in the Project Area under its housing program. These housing programs are described in the Five-Year Implementation Plan for the Project (Appendix B of this Report).

The table below provides an estimate of the number of housing units that may be developed over the first five-year period of the Implementation Plan (2002-03 through 2006-07), over the second five-year period (2007-08 through 2011-12), and over the remaining term of the Redevelopment Plan (2012-13 through 2032-33). The table also shows the resulting minimum number of low and moderate income units that will need to

be developed in order for the Agency to comply with the requirements of Section 33413 of the CRL.

FUTURE ESTIMATE OF HOUSING UNITS

	<u>Total Units</u> ⁽¹⁾	<u>Very Low Units</u> <u>(6% of Total)</u> ⁽²⁾	<u>Low and</u> <u>Moderate Units</u> <u>(9% of Total)</u>	<u>Total</u> <u>Affordable Units</u> <u>(15% of Total)</u>
First Five Year Period (2002-03 through 2006-07)	325	20	29	49
Subsequent Five Year Period (2007-08 through 2011-12)	325	20	29	49
Total – 10 Year Period	650	40	58	98
Remaining 20 Year Period (2012-13 through 2032-33)	490	46	45	91
Plan Total	1,440	86	103	189

(1) Total units, including both market rate and affordable units.

(2) The 6% Very Low units equals 40% of the minimum 15% of total affordable units as required by the CRL.

5. Financing Method for Proposed Low and Moderate Income Dwelling Units Planned for Construction or Rehabilitation

The Agency will employ as necessary any of the methods outlined in this Report to meet replacement housing requirements and other obligations under the Community Redevelopment Law. The CRL requires that not less than 20 percent of all taxes which may be allocated to the Agency pursuant to Section 33670 of Article 4 of the CRL (gross tax increment) be used by the Agency for purposes of increasing, improving, preserving the supply of low and moderate income housing available at affordable housing cost to persons and families of low or moderate income and very low income households. However, due to high land and development costs, the limited availability of funding sources for affordable housing, and other factors that aggravate the affordable housing shortage in Oakland, in 2001 the Agency adopted a resolution requiring that 25 percent of gross tax increment funds be used for low and moderate income housing. This source of funding is expected to be utilized for replacement housing should the Agency be required to create such housing.

6. Timetable for Provision of Relocation and Housing Objectives

If replacement housing is to be provided pursuant to Section 33413 of the CRL, the Agency shall take necessary steps to cause the construction, rehabilitation or development of such housing in accordance with the time limits prescribed by law.

The relocation plan(s) prepared by the Agency for a particular development activity shall contain schedules to insure comparable replacement housing is available in accordance with the requirements of the CRL and the State Relocation Guidelines.

C. OTHER MATTERS AFFECTING THE PHYSICAL AND SOCIAL QUALITY OF THE ENVIRONMENT

The Amendments will have beneficial impacts on residents, property owners and businesses in the Project Area. Implementation of the specific projects consistent with the objectives of the General Plan will bring about coordinated growth and development and improvements in the public infrastructure system, making the Project Area a more attractive area, which in turn should stimulate reinvestment. More importantly, the Redevelopment Plan will provide more housing opportunities for current and future residents within the Project Area. Furthermore, the Redevelopment Plan will enhance the ability of the Agency to eliminate blighting influences, which deter and negatively impact the Project Area as a whole. Catalyst development projects brought about as a result of redevelopment action will stimulate the local economy and increase the employment opportunities for surrounding residents and residents of the City as a whole. The Agency's proposed public improvements programs would improve vehicular access, circulation and parking in the Project Area.

XII. REPORT OF THE COUNTY FISCAL OFFICER AND THE AGENCY'S ANALYSIS THEREOF, INCLUDING A SUMMARY OF CONSULTATIONS WITH AFFECTED TAXING AGENCIES

Pursuant to Section 33352(n) of the CRL, this Report must include a summary of the consultations of the Agency, or attempts to consult by the Agency, with each of the affected taxing agencies. If any of the affected taxing agencies have expressed written objections or concerns with the proposed Amendment as part of these consultations, the Agency shall include a response to these concerns, additional information, if any, and, at the discretion of the Agency, proposed or adopted mitigation measures.

There are (15) taxing agencies receiving ad valorem property tax revenues from the Project Areas. These agencies are listed in the Fiscal Officer's Report included in the Appendices of this Report and include the following:

- County of Alameda
- City of Oakland
- Peralta Community College District
- Oakland Unified School District
- County Superintendent of Schools
- County Flood Control
- Flood Zone No. 12
- Bay Area Air Quality Mgmt. District
- Mosquito Abatement District
- A.C. Transit District No. 1
- Bay Area Rapid Transit District
- East Bay Regional Park District
- East Bay Municipal Utility District
- East Bay Municipal Utility District No. 1
- Educational Revenue Augmentation Fund

These taxing entities received the following information:

- Notification of the intent to adopt the redevelopment Amendment;
- The Preliminary Report;
- Draft Redevelopment Plan Amendments for the Oak Knoll and Central City East Redevelopment Plans;
- Environmental Notice of Exemption; and
- Notice of a Joint Public Hearing for the Merger and Plan Amendment Approvals.

Section 33328 of the CRL requires the Agency prior to the publication of a notice of the joint public hearing on the proposed Amendments, to consult with each affected taxing agency with respect to the Amendments' impact on the allocation of tax increment revenues.

On August 24, 2006, the Agency transmitted a *Notice of Intent to Merge* describing the Agency's plans to merge certain provisions of the Redevelopment Plans for the Oak Knoll and Central City East Redevelopment Projects and adopt other Plan Amendments along with the Preliminary Report to the taxing agencies.

On September 21, 2006, the Agency sent the proposed Plan Amendments and information that the City of Oakland has prepared a *Notice of Exemption* for the proposed actions to the taxing agencies.

On September 29, 2006, the Agency sent the *Notice of a Joint Public Hearing* of the City Council and the Redevelopment Agency of the City of Oakland on Amendments to the Oak Knoll Redevelopment Plan and the Central City East Redevelopment Plan to Merge the Redevelopment Project Areas to the taxing agencies.

The letters invited all affected taxing entities to contact the Agency regarding questions concerning the proposed documents and the Project. No taxing agencies expressed an interest in consulting with the Agency. As of the preparation of this Report, no written objections or concern has been received by the Agency from affected taxing entities. If written objections or concerns are received, they will be submitted to the City Council at the joint public hearing in a supplement to this Report.

APPENDICES

APPENDIX A

Implementation Plan for the Central City East Redevelopment Plan

ATTACHMENT A
SECOND AMENDED AND RESTATED
CENTRAL CITY EAST IMPLEMENTATION PLAN
(AMENDED AND APPROVED AS OF March 21, 2006)

A. Introduction

The Central City East Redevelopment Project was adopted by the City Council on July 29, 2003. An initial five-year implementation plan covering 2003 through 2008 was adopted at that time in compliance with Article 16.5 of the Community Redevelopment Law ("CRL"). . The first amended and restated implementation plan was adopted on January 18, 2005. This is the second amended and restated implementation plan for the Project Area.

This Implementation Plan is composed of two separate components: a Redevelopment Component and a Housing Component. The Redevelopment Component revisits the proposed goals and objectives of the Redevelopment Plan; defines the Agency's strategy to achieve these goals and objectives; presents the projects, programs and expenditures (other than those relating to low and moderate income housing) that have been developed as a means to achieve the goals and objectives; and describes how the goals and objectives, projects, programs and expenditures will eliminate blight within the Project Area. Article 16.5 also requires that an Implementation Plan explain how the components of the Implementation Plan will implement various CRL requirements regarding low- and moderate-income housing. Generally, the goals, activities, and expenditures included in the Redevelopment Component do not implement the housing requirements of the CRL. The activities that do implement these requirements are contained in the Housing Component. The Housing Component shows how the Agency will meet the statutory requirements for the set-aside and expenditure of tax increment for housing purposes.

This Implementation Plan is a policy statement rather than an unalterable course of action. It has been prepared to set priorities for redevelopment activities within the Project Area for the five-year period covered by this Plan and through to the Project Area's termination. The Implementation Plan incorporates currently known financial constraints of the Agency in developing a program of activities to accomplish revitalization efforts for the Central City East Project Area. However, new issues and opportunities may be encountered during the course of administering the Redevelopment Plan for the Project Area. Therefore, this Implementation Plan may be amended, if necessary, to effectuate its purposes.

The purpose of this Implementation Plan is to provide a clear and reasonable statement of the Agency's near-term intent regarding activities in the Project Area and to establish a nexus between Agency goals and objectives, program activities and the purpose of redevelopment, which is to eliminate blight and to develop and preserve affordable housing.

B. Redevelopment Component

Reasons for Adoption of the Project Area

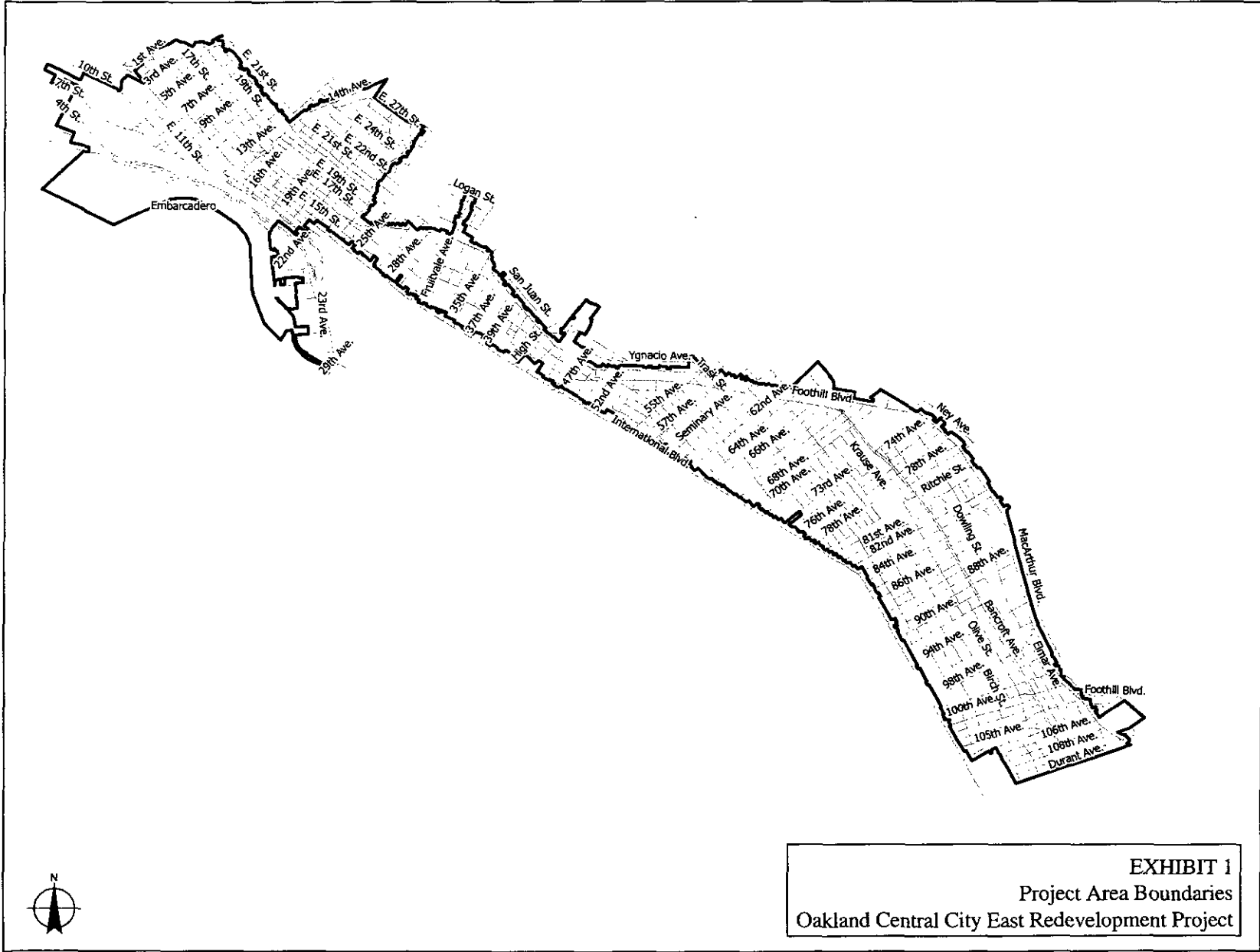
a. Request for Assistance

In early 2001, neighborhood groups in the MacArthur Boulevard area from 73rd to 106th Avenues requested that the City Council include the area in a redevelopment project. Residents were frustrated with deteriorating conditions along the commercial corridors in the central and eastern portions of the City and the impact on the adjacent residential areas. Residents cited deteriorated and vacant buildings, prostitution and drug trafficking as specific problems impacting the area. *The merchants joined the request, which included Foothill and Bancroft Boulevards from High Street to 73rd Avenue.* Later Fruitvale and Eastlake neighborhoods asked to be included.

b. Project Area Setting

The Central City East Redevelopment Project (Project or Project Area) encompasses approximately 3,339 acres beginning at the southern border of the downtown and extending east to Durant Street. The linear Project Area borders the existing Coliseum Redevelopment Project on the south along International Boulevard and to the north along MacArthur Boulevard between Durant Street and 73rd Avenues. At 73rd Avenue, the northern boundary of the Project Area follows Foothill Boulevard in a southwesterly direction to 23rd Avenue where the boundary jogs up to 27th Street then follows 14th Avenue to 20th Street and continues along 20th Street to the western boundary along 1st Avenue. The boundary includes the deletion of one parcel owned by *Silveira et. el. along the 5th Avenue area, that was included in the original Project Area (Exhibit 1).*

Excluding streets and public rights-of-way, the Project Area encompasses 16,675 parcels that comprise approximately 2,410 acres. The Project Area is primarily developed with single-family residences, with retail uses located in the northwest portion of the Project Area adjacent to the downtown, and along International, MacArthur and Foothill Boulevards. In addition, there is small peninsula of industrial uses along Embarcadero just south of the Nimitz (880) Freeway.



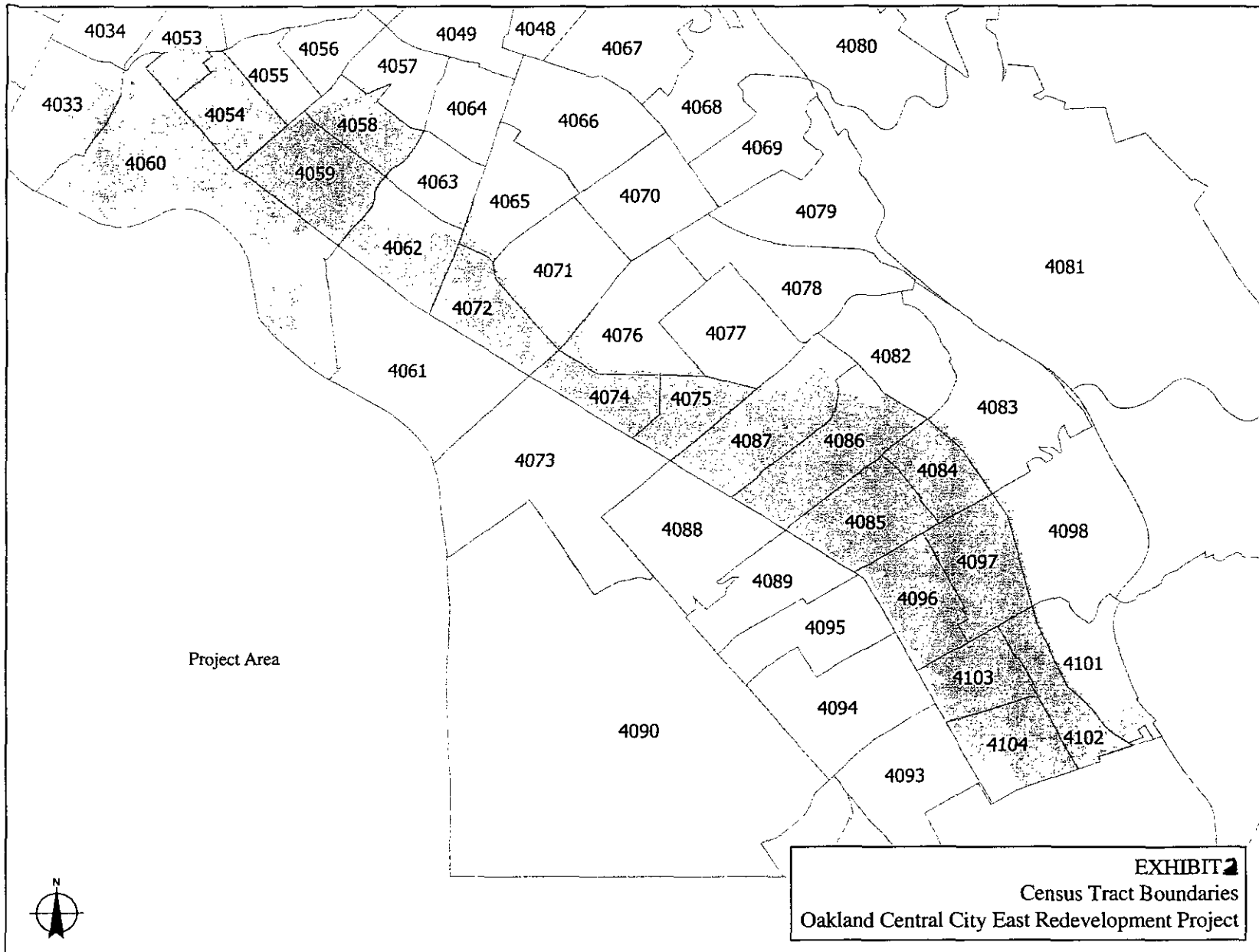
c. Project Area Demographics

In general, the Project Area has larger but poorer households than the City and Alameda County. These factors have a direct bearing on the ability of residents to address many of the blighting conditions that exist in the Project Area. The 2000 population of the Project Area is estimated to be 92,094. The number of households is estimated to be 27,259, resulting in 3.38 persons per household on average.¹ When compared to the 2.47 persons per household for the balance of City and 2.79 persons per household for Alameda County, it is evident that households in the Project Area are large on average.

Income, education, and housing characteristics were compiled for 2001 by census tract (including territory outside of the Project Area). The Project Area generally conforms to the Census tract boundaries and is believed to be reflective of condition in the Project Area (see Exhibit 2). Median household income is 15 percent below the median for the City, and 41 percent below the median for Alameda County. Per capita income in the Project Area is 35 percent below the Citywide median and 50 percent below the median for Alameda County. The relatively low per capita income in the Project Area is due to the fact that households in the Project Area are larger (3.07 persons per household vs. 2.65 for the City). Residential Overcrowding, the high cost of housing in the Bay Area and the relatively low incomes of households in the Project Area has made it difficult for households to pay for housing and maintain their properties. In addition, the lack of affordable housing has contributed to the overcrowded housing conditions in the Project Area. The Project Area also has a lower level of home ownership, with only 38 percent of the housing occupied by owners versus 43 percent in the balance of the City and 55 percent Countywide. The tendency of some absentee owners to not maintain their properties is a problem in the Project Area. Code enforcement officials indicate that some of the worst absentee landlords in the City own property in the Project Area. In addition, there are a large number of vacant and abandoned buildings in the Project Area.

The relatively low education levels and high unemployment rate also affects blighting conditions in the Project Area in that many of it's young people have become involved in gangs and crime as a means of earning money and as a source of self-esteem. Overall crime rates and violent crime rates are among the highest in the City.

¹ Source: Hausrath Economic Group for 2000 statistics.



Another important differentiating factor is the higher level of dependency on public transportation that exists in the Project Area. As shown in Exhibit 3, the percentage of persons without access to at least one automobile is higher in the Project Area than in the City and County. Convenient shopping and adequate local services are critical for the vitality of the neighborhoods in the Project Area.

As discussed in the following section, the Agency, with input from the Central City East Project Area Committee (PAC), has identified a number of goals and objectives to address these blighting conditions.

Goals and Objectives

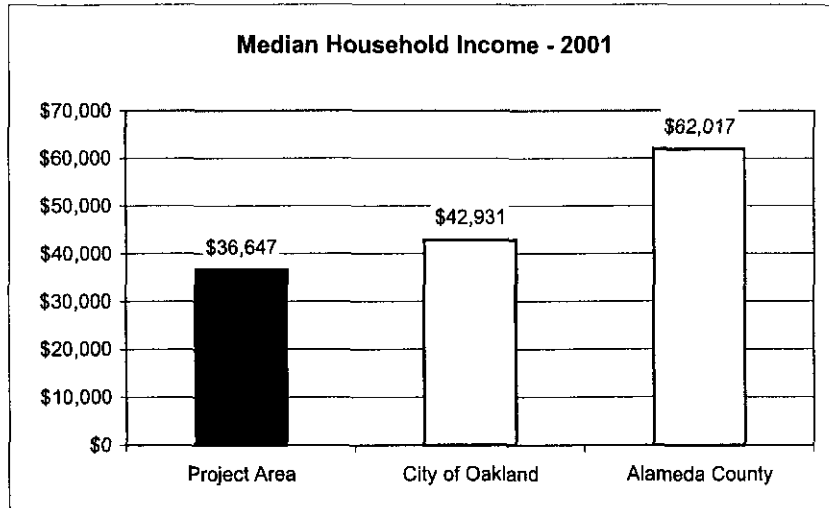
Goals and objectives as described in the Central City East Redevelopment Plan include:

- a. Stimulate in-fill development and land assembly opportunities on obsolete, underutilized and vacant properties in the Project Area.
- b. Stimulate opportunities for adaptive re-use and preservation of existing building stock in the Project Area.
- c. Attract new businesses and retain existing businesses in the Project Area, providing job training and employment opportunities for Project Area residents.
- d. Improve transportation, open space, parking, and other public facilities and infrastructure throughout the Project Area.
- e. Stimulate home ownership opportunities in the Project Area.
- f. Improve the quality of the residential environment by assisting in new construction, rehabilitation and conservation of living units in the Project Area, including units affordable to low- and moderate-income households.
- g. Revitalize neighborhood commercial areas and strengthen retail in the Project Area.

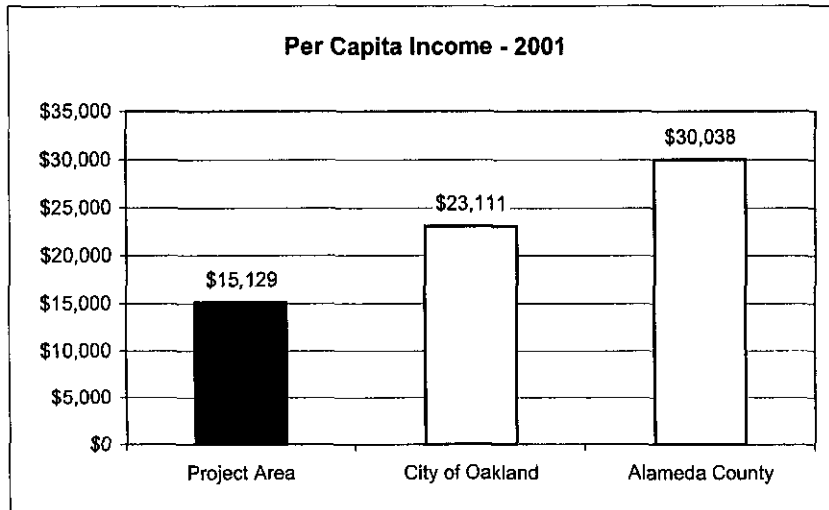
The PAC may develop Equitable Development Criteria that may be considered as part of the potential development plans for the Project Area.

**EXHIBIT 3
PROJECT AREA DEMOGRAPHICS
OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

Income Characteristics:



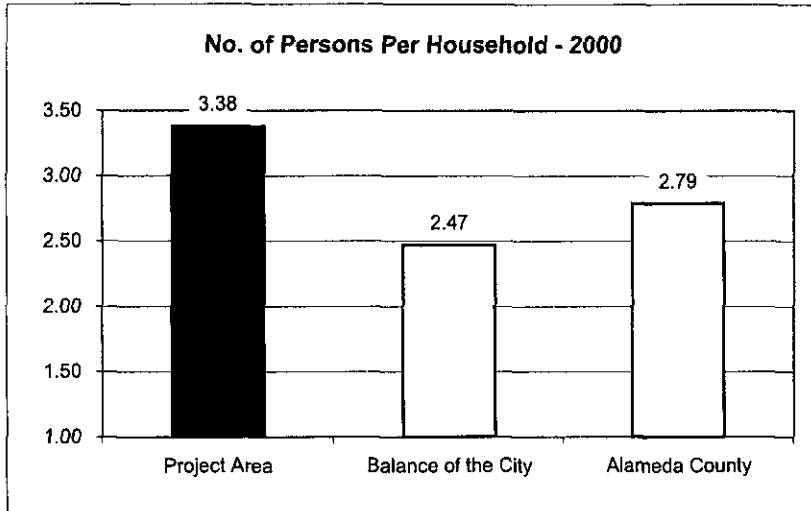
Source: Claritas



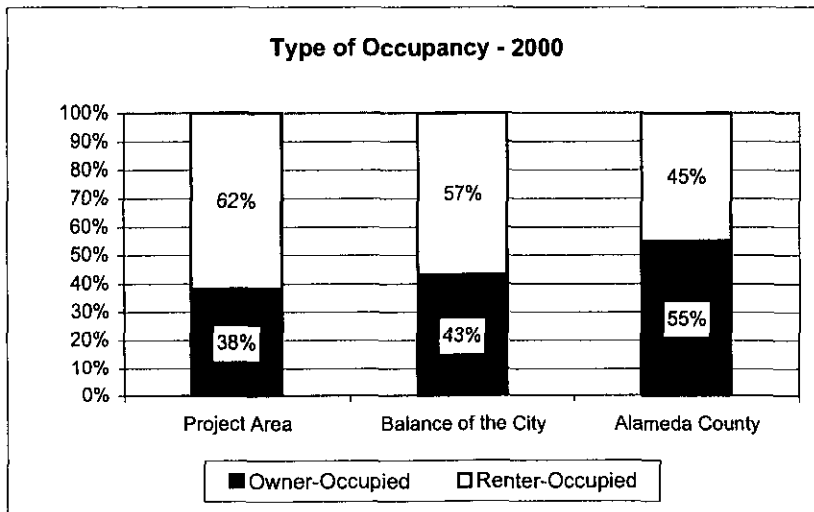
Source: Claritas

**EXHIBIT 3
PROJECT AREA DEMOGRAPHICS
OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

Housing Characteristics:



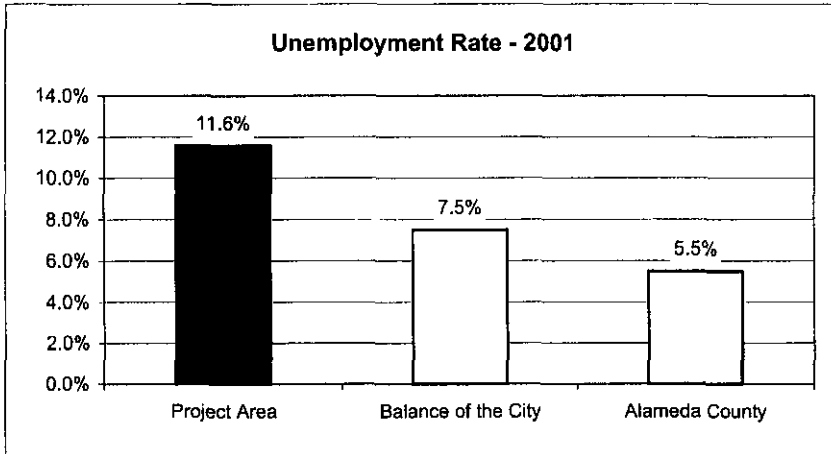
Source: Hausrath Economics Group



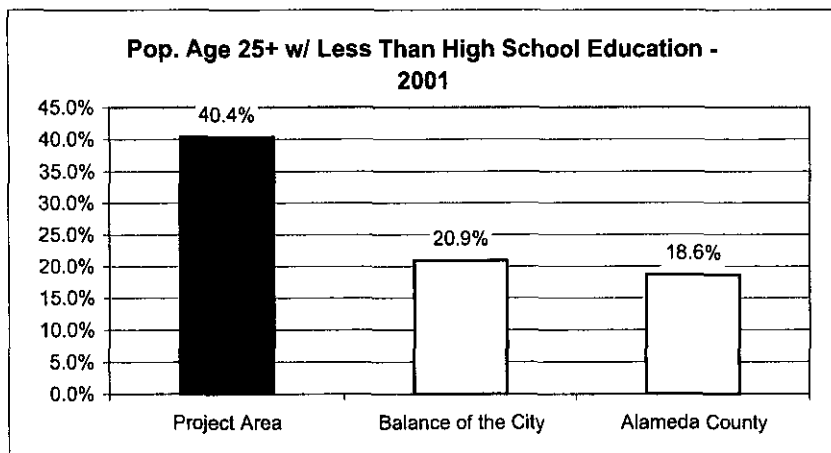
Source: Claritas

**EXHIBIT 3
PROJECT AREA DEMOGRAPHICS
OAKLAND - CENTRAL CITY EAST REDEVELOPMENT PROJECT**

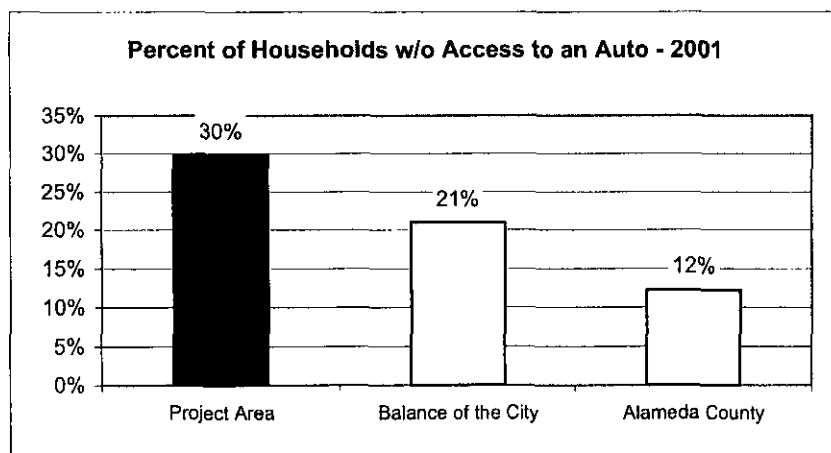
Employment, Education & Transportation:



Source: Claritas



Source: Claritas



Source: Claritas

The Agency proposes to focus its activities in the near-term on eliminating physical and economic blight conditions through the construction of public improvements and utilities, and assisting the private sector in developing vacant and/or underutilized properties. It is the Agency's hope and intent that the Redevelopment Implementation Plan as proposed will encourage further private sector investment in both commercial and residential designated areas.

During the first five-year term of the Project, the Agency anticipates assisting in projects and programs that will begin to address all of the goals and objectives identified in the *Redevelopment Plan*.

Specific Programs and Program Actions During the First Five Years of the Redevelopment Plan and Relationship to Blight Elimination

The Agency anticipates funding the following projects and program during the first five years of the Redevelopment Plan. These are the same projects and programs as identified earlier in the Report to Council. The degree to which the Agency will actually participate in the projects and programs will depend in part on developer interest and the Agency's ability to attract development that will eliminate blight and meet the goals and objectives of the Redevelopment Plan. The relationship between the goals and objectives, project and program and blight elimination is provided in Exhibit 4.

d. Retail and Commercial Recruitment Program

The Retail Tenant and Commercial Recruitment Program enables the Agency to offer financial assistance in the form of low interest or zero-interest participatory loans and grants within the Redevelopment Project Area. One aspect of this program can be used to assist property owners with rehabilitation of retail and commercial properties to create and improve ground floor retail and commercial spaces and attract new tenants to underutilized and vacant buildings.

Another aspect of this program may include loans to tenants for interior improvements. Some existing community businesses may need capital to expand, replace equipment, or modernize.

By providing these loans and grants, the Agency will make rehabilitation feasible for many properties and businesses for which improvement would not be considered possible because of the unlikelihood of an adequate return on the investment. This program will also have the effect of attracting businesses, thereby providing a wider range of retail and commercial uses.

e. Façade Improvement Program

The Façade Improvement Program provides matching grants to existing businesses for the purposes of storefront improvements and façade treatments. The matching grant can be structured in different ways, e.g., the Agency may provide \$1 of grant for each \$2 of improvement value, or some other ratio. The business would be required to fund the remaining amount. This program provides assistance to businesses to encourage restoring, modernizing and improving

the facades of commercial structures to enhance the attractiveness and visual appearance of the area. Typical improvements would include paint, signage, lighting, awnings, window and door replacement, limited parapet additions, finishes and decorative features designed to highlight building characteristics. Edge treatment grants could also be made available for improvements (such as landscaping and fencing) to the frontage of properties.

By eliminating physical deterioration and improving the substandard (obsolete) appearance of the retail and commercial buildings and surrounding sites, more patrons will be attracted to the area, which will improve declining retail sales. The increased business activity should slow the rate of business closures and attract new businesses to the Project Area. Also, by improving the buildings, property values should increase.

f. Historic Preservation Program

Portions of the Project Area that include significant historic buildings can be made into viable retail, commercial, or residential properties through Agency-sponsored efforts such as a Historic Façade Improvement Program, Unreinforced Masonry Grant program, and through other forms of Agency assistance.

This program can both preserve important resources and eliminate the hazardous conditions in which people live and work by addressing issues such as seismic safety. Furthermore, rehabilitation of historic buildings provides reuse of valuable properties that may be underutilized or vacant, and preserves the character of an area.

g. Major Employer Incentive Program

The Project Area does not contain concentrations of significant employment areas. However, certain infill and reuse areas can be identified for use by businesses that provide employment to area residents. The Agency can use various tools to recruit employers to the area through the use of financial assistance in the form of low-interest or zero-interest participatory loans or grants within the Redevelopment Project Area, or through the use of property tax rebates. This program can be designed to assist property owners with rehabilitation of existing properties, through seismic and sprinkler upgrades, to attract employers that would benefit the community. By providing these financial incentives, the Agency will make rehabilitation or reuse feasible for many properties which improvement would not be considered possible because of the unlikelihood of an adequate return on the investment.

h. Land Assembly and Relocation Program

The purpose of this program is to assist private, public, and non-profit developers in assembling small, underutilized and/or poorly configured parcels of property into sites suitable for new development. The Agency's efforts in assembling land for private use would be applied in selective cases and only upon selection of a qualified developer. The Agency should avoid land

assembly in cases where there is no current agreement with a development entity for development of the site. The Agency may assist in the selective assembly of land through voluntary purchase, negotiated purchase, or eminent domain.

Land assembly would likely take place in response to property owner, developer or Agency initiated efforts to assemble property needed for the expansion of existing uses or for the creation of sites capable of development for new uses. Through an Owner Participation Agreement (OPA) or Disposition and Development Agreement (DDA), the Redevelopment Agency may provide land write downs or may grant or loan money to assist new retail, commercial, or housing development or expansion of existing facilities. By expanding existing buildings the Agency will help to reduce the number of inadequate sized buildings, which will in turn accommodate a wider variety of contemporary retail and commercial uses. By assembling small parcels, the Agency will reduce the number of inadequate sized parcels in multiple ownership and provide adequate space to develop contemporary facilities or expand existing buildings to accommodate a wider variety of uses.

The Agency may also choose to participate in the acquisition of property for infrastructure or public facilities purposes that would primarily benefit the Project Area. The program may also include site preparation activities such as demolition and clearance, and assistance for environmental remediation.

The Agency will provide relocation assistance as required by California State Housing and Community Development Regulations and Agency Guidelines. This will ensure that uniform, fair, and equitable treatment is afforded to displaced businesses and residents as a result of the Agency's land assembly and relocation program. Specific details will be provided in the actual Relocation Plan adopted by the City Council.

The use of eminent domain will be restricted as provided for in the adopted redevelopment plan.

i. Community Facilities Program

Community-based projects focus on the need for new or improved community facilities such as parks, community centers, libraries, open space and cultural facilities. Such facilities can be provided in conjunction with public schools to enrich the educational experience. Projects are anticipated for development using Redevelopment Agency and/or other funds from the City, State and Federal governments. These projects are intended to encourage further investment in the neighborhoods and make them more desirable places to visit and live.

By increasing investment in neighborhoods there will be an added benefit of assisting in the rehabilitation of deteriorated buildings and alleviate the existence of substandard structures. Also, by providing additional recreation facilities, certain crimes related to gang activity should be reduced.

j. Public/Private Development Program

Public/private coordination occurs when the Redevelopment Agency participates in significant private development projects. Through an Owner Participation Agreement or Disposition and Development Agreement, the Redevelopment Agency may grant or loan money to assist new *commercial development or expansion of existing commercial facilities*. This program may fund construction, landscaping, façade upgrades, parking improvements and City's Public Work's development requirements (e.g. fire hydrants or traffic mitigation projects, etc.)

By expanding existing buildings, the Agency will help to reduce the number of inadequate sized buildings, which will in turn accommodate a wider variety of contemporary commercial and industrial uses. By assembling small parcels, the Agency will reduce the number of inadequate sized parcels in multiple ownership and provide adequate space to develop contemporary facilities or expand existing buildings to accommodate a wider variety of uses.

k. Infrastructure Improvements Program

Infrastructure improvements cover a variety of public works projects ranging from installation of utilities, traffic capacity projects, mass-transit improvements, parking facilities, new streets, under grounding overhead distribution and communication lines, storm drainage and sanitary sewers, bridges and under- or over-crossings, flood control improvements, pedestrian and bicycle friendly areas, traffic calming, freeway noise walls, and many other assorted capital projects. This may also include *streetscape projects including constructing new curbs, gutters and sidewalks where they do not exist or where broken curbs, gutters and sidewalks require replacement; installing street trees and shrubs; constructing both decorative and handicapped accessible crosswalks; constructing new medians with landscaping; adding visual and safety improvements to existing medians; installing street furniture, such as trash receptacles and newspaper racks; and improving area lighting by increasing the number of luminaries, increasing the wattage of individual streetlights or adding pedestrian streetlights.*

Improving the infrastructure will help to attract development to the area by eliminating costs that might otherwise be born by the private sector. This should help to increase building activity and improve property values. Furthermore, public improvements such as parking structures/lots will improve the *viability of commercial property, helping to compensate for individual property site deficiencies*, and lighting improvements will create a safer environment in which to shop and reduce graffiti.

EXHIBIT 4

RELATIONSHIP BETWEEN GOALS & OBJECTIVES, PROJECTS & PROGRAMS, AND BLIGHT ELIMINATION

PROPOSED REDEVELOPMENT PROGRAMS	GOALS & OBJECTIVES							PHYSICAL BLIGHT					ECONOMIC BLIGHT					
	Stimulate Infill Development	Stimulate Adaptive Reuse & Preservation	Attract & Retain Businesses	Improve Public Facilities & Infrastructure	Stimulate Ownership	Preserve & Construct Affordable Housing	Revitalize Commercial Corridor	Building Code Violations	Unreinforced Masonry Buildings	Properties at Risk of Liquefaction and Landslides	Unsafe and Unhealthy Site Conditions	Substandard Design	Low Retail Sales	Low Levels of Building Permit Activity	Low Property Sales Prices	Abandoned Buildings & Excessive Vacant Lots	Residential Overcrowding	High Crime Rates
Affordable Housing Program	X	X			X	X		X	X	X	X	X		X	X	X	X	
Retail & Commercial Recruitment Program		X	X		X		X	X	X		X	X	X	X	X	X		
Façade Improvement Program		X	X		X		X	X	X		X		X	X	X			
Historic Preservation Program		X	X				X	X	X	X	X		X	X	X	X		
Major Employer Incentive Program	X		X					X	X			X		X	X	X	X	
Land Assembly & Relocation Program	X	X	X	X	X		X			X	X	X	X	X	X	X		
Community Facilities Programs				X				X	X					X	X	X		X
Public-Private Development Program	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	
Infrastructure Improvements Program			X	X			X						X	X				X

Expenditures During the First Five Years of the Redevelopment Plan

The Redevelopment Plan is prepared with the intent of providing the Agency with the necessary legal authority and flexibility to implement the revitalization of the Project. The Plan authorizes the Agency to finance the Project with financial assistance from any or all of the following sources: (1) City of Oakland; (2) State of California; (3) federal government; (4) tax increment funds in accordance with provisions of the existing CRL; (5) Agency bonds; (6) interest income; (7) loans from private financial institutions; (8) lease or sale of Agency-owned property; (9) donations; and (10) any other legally available public or private sources. For purposes of this Implementation Plan, the identified redevelopment programs are assumed to be funded solely from future tax increment revenues anticipated from the Project Area.

Current provisions of the CRL provide authority to the Agency to create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of a redevelopment plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants for various public facilities or other project costs.

Tax increment revenues are the projected funding source assumed to be available to fund the proposed redevelopment programs, administrative costs and loan repayments discussed herein. Summarized below are the tax increment dollars that are expected to be generated within the first five years of the Redevelopment Plan.

Anticipated Tax Increment						
Fiscal Year	Gross Tax Increment	Housing Set Aside	ERAF	Administrative Costs	Tax Sharing	Net Tax Increment
2003-04	\$0	\$0	\$0	\$0	\$0	\$0
2004-05	\$8,458,667	\$2,114,567	\$0	\$290,260	\$1,691,733	\$4,362,107
2005-06	\$10,824,277	\$2,706,069	\$662,409	\$1,004,152	\$2,827,264	\$3,624,383
2006-07	\$14,701,560	\$2,814,312	\$722,573	\$1,108,752	\$3,536,885	\$6,519,038
2007-08	\$18,293,028	\$3,658,606	\$0	\$1,164,190	\$3,658,606	\$9,811,626
	\$52,277,532	\$11,293,554	\$1,384,982	\$3,567,354	\$11,714,488	\$24,317,154

The Agency worked with the PAC to prioritize the allocation of funds during the first five-years of the Redevelopment Plan. The following are the new percentage allocations of funds for each of the categories listed. The recommendation includes a combination of the Community Facilities category with the Infrastructure category to increase the amount of funds for the first five-years. Below are illustrated the allocation of funds per fiscal year along with specific allocations of funds for the Infrastructure category:

Allocation of Tax Increment Funds for Capital Expenditures 2003-08		
Program	% Allocation of Net Tax Increment	Estimated Tax Increment for Five Years 2003-08
<u>Retail and Commercial Recruitment Program</u>	<u>8</u>	<u>\$1,945,372</u>
<u>Facade Improvement Program</u>	<u>10</u>	<u>\$2,431,715</u>
<u>Historic Preservation Program</u>	<u>4</u>	<u>\$972,686</u>
<u>Major Employer Incentive Program</u>	<u>0</u>	<u>\$0</u>
<u>Land Assembly and Relocation Program</u>	<u>10</u>	<u>\$2,431,715</u>
<u>Public/Private Development Program</u>	<u>8</u>	<u>\$1,945,372</u>
<u>Community Facilities Program *</u>	<u>0</u>	<u>\$0</u>
<u>Infrastructure Improvements Program/Community Facilities Program</u>	<u>60</u>	<u>\$14,590,292</u>
Total Capital Expenditure Cost	100%	\$24,317,154

*The Community Facilities Program is now combined with the Infrastructure Improvements Program. See Appendices.

Excludes administrative costs. * Percentages are rounded from 7.79550%, 9.97099%, 3.62582%, 9.97099%, 9.10910% & 59.52381%

**Projection of Capital Expenditure
Central City East Project Area
Fiscal Years 2003-08**

Central City East Area Wide	Carry Forward FY 2003-05	Revenue FY 2005-08	Total Capital FY 2003-08
Tenant Improvement Program	\$125,000	\$1,820,372	\$1,945,372
Façade Improvement Program	\$100,000	\$2,331,715	\$2,431,715
Historic Preservation Program	\$0	\$972,686	\$972,686
Major Employer Incentive Program	\$0	\$0	\$0
Land Assembly & Relocation Program	\$75,000	\$2,356,715	\$2,431,715
Public/Private Development	\$75,000	\$1,870,372	\$1,945,372
Community Facilities Program	\$0		\$0
Streetscape Improvements/Infrastructure Program	\$425,000	\$14,165,292	\$14,590,292
Total	\$800,000	\$23,517,154	\$24,317,154

**Committed Capital Expenditures
Central City East Project Area
Fiscal Years 2004-07**

Streetscape Improvements/Infrastructure Program	Carry Forward FY 2003-05	Revenue FY 2005-07	Total Capital FY 2003-07	Revenue FY 2007-08	Total Capital FY 2003-08
Streetscape Areas					
MacArthur Boulevard	\$0	\$2,750,000	\$2,750,000	TBD	\$2,750,000
23rd Avenue	\$100,000	\$550,000	\$650,000	TBD	\$650,000
Foothill/Fruitvale	\$125,000	\$905,000	\$1,030,000	TBD	\$1,030,000
Foothill/Seminary	\$50,000	\$700,000	\$750,000	TBD	\$750,000
EastLake/14th Avenue	\$50,000	\$800,000	\$850,000	TBD	\$850,000
East 18th Street	\$25,000	\$195,000	\$220,000	TBD	\$220,000
Melrose/Bancroft	\$75,000	\$225,000	\$300,000	TBD	\$300,000
5th Avenue	\$0	\$300,000	\$300,000	TBD	\$300,000
Streetlight Upgrades Central East Oakland	\$0	\$113,137	\$113,137	TBD	\$113,137
Contingency for Existing and Other Infrastructure Streetscape Projects	\$0	\$225,852	\$225,852	\$7,401,303	\$7,627,155
Total	\$425,000	\$6,763,989	\$7,188,989	\$7,401,303	\$14,590,292

The following information pertains to the streetscape component:

- Streetscape projects are key to the redevelopment of the Central City Redevelopment Project Area and any proposed amendment to the CCE implementation plan must be presented to and considered by the PAC for its recommendation prior to being considered by Council.
- In particular, the Elmhurst neighborhood area has deferred its redevelopment efforts so all the Central City East neighborhoods could join in the redevelopment effort, and as such should be given priority for funding the MacArthur Boulevard Streetscape Project.
- An account shall be immediately established for funds for the MacArthur Boulevard Streetscape Project and this fund shall receive any unused and uncommitted streetscape funds from the FY 2004-05 fiscal year. Once the budget amount has reached the funds allocated to the MacArthur Streetscape Project, additional funds will be used to replenish funding from areas that previously forfeited funds.

4. If any streetscape project is known to be delayed 1 year or more, the CCE PAC and the Agency may re-evaluate the streetscape allocations.
5. At the statutorily required implementation plan review period, the CCE PAC and the Agency will review the funding allocations.

As described earlier, the exact distribution will depend on private sector interest and the specific type of assistance requested. Also, as opportunities are presented the Agency may solicit development proposals that will further the goals and objectives of the Redevelopment Plan.

C. Housing Component

Implementation Plan Requirements

This Housing Component of the Implementation Plan is required by Article 16.5 of the "CRL" as contained in Sections 33000 et seq. of the California Health and Safety Code. (All citations in this portion of the Implementation Plan are to the Health and Safety Code unless otherwise specified).

This Housing Component of the Implementation Plan presents those components of the Agency's *intended program for the Project Area that deal with the expenditure of funds and activities* relating to the production of housing affordable to persons and families of low and moderate ("low-mod") income. Low-mod income is defined in the CRL by reference to Section 50093 of the Health and Safety Code, which specifies the following income levels:

- Moderate income, which is defined as household income of 80 percent to 120 percent of median income for the applicable household size (Section 50093);
- Low income, which is defined as income of 50 percent to 80 percent of median income for the applicable household size (Section 50079.5); and
- Very-low income, which is defined as income less than 50 percent of median income for the applicable household size (Section 50105).

Affordable housing cost is defined in Section 50052.5 as shown in the following table. Housing cost for rental housing includes rent plus an allowance for tenant-paid utilities. Housing cost for owner-occupied housing includes principal, interest, insurance, taxes, utilities, homeowner association dues, and maintenance.

Definition of Affordable Housing Cost

<u>Income Level</u>	<u>Rental Housing</u>	<u>Owner-Occupied Housing</u>
<u>Very Low Income</u>	<u>30% of 50% of AMI</u>	<u>30% of 50% of AMI</u>
<u>Low Income</u>	<u>30% of 60% of AMI</u>	<u>30% of 70% of AMI</u>
<u>Moderate Income</u>	<u>30% of 110% of AMI</u>	<u>35% of 110% of AMI, but no less than 28% of actual income</u>

AMI = "Area Median Income," which is the Median Family Income, adjusted for family size, for the metropolitan area (Alameda and Contra Costa Counties combined), as determined by the U.S. Department of Housing and Urban Development

The CRL provides that, in addition to the removal of blight, a fundamental purpose of redevelopment is to expand the supply of low-mod housing (Section 33071). To accomplish this purpose, the CRL contains numerous provisions to guide redevelopment agency activities with regard to low-mod housing. These provisions divide a redevelopment agency's housing responsibilities into three major categories:

1. The production and/or replacement of low-mod housing depending upon activities undertaken by an agency within its project areas;
2. The set-aside and expenditure of specified amounts of tax increment revenue for the express and exclusive purpose of increasing and improving a community's supply of low-mod housing; and
3. Preparing reports on how the Agency has met, or preparing plans on how the Agency will meet its responsibilities with regard to the first two items.

This Housing Component is part of the Agency's responsibilities under the third major category. Its contents address how the Agency's plans for the Project Area will achieve many of the housing responsibilities contained in the first and second major categories of Agency housing activities. Article 16.5 requires that the housing portion of an Implementation Plan address the applicable items presented in the list below.

a. Production of Housing Based on Activities in the Project Area:

- At least 30 percent (30%) of all new and substantially rehabilitated dwelling units developed by a redevelopment agency shall be available at affordable housing cost to persons and families of low and moderate income and shall be occupied by these persons and families (Section 33413(b)(1));

At least 15 percent (15%) of all new residential units dwelling units developed within a project area under the jurisdiction of an agency by public or private entities or persons other than the Agency shall be available at affordable housing cost to persons and families of low or moderate income and shall be occupied by these persons or families (Section 33413(b)(2));

At least 15 percent (15%) of all substantially rehabilitated units that have received agency assistance shall be available at affordable housing cost to persons and families of low or moderate income and shall be occupied by these persons or families (Section 33413(b)(2)(iii));

Suitable locations must be identified for replacement housing units rehabilitated, *developed or constructed pursuant to Section 33413(a)*, if the destruction of

removal of low-mod units will result from a project contained in the Implementation Plan (Section 33490(a)(3)).

b. Set-Aside and Expenditure of Tax Increment for Housing Purposes:

The set-aside of 20 percent of tax increment in projects adopted on or after January 1, 1977 (Section 33334.2)

The proportional expenditure of housing funds on moderate, low, and very-low income housing (Section 33334.4)

The set-aside of 20 percent of tax increment in projects adopted prior to January 1, 1977 (Section 33334.6)

The transfer of housing funds to other public entities producing housing in the community (a possible outcome of the provisions of Sections 33334.12 et seq.).

c. Additional Requirements:

- Estimates of the balances and deposits into the Housing Fund created to hold the set-aside of tax increment;
- A housing program identifying expenditures from the Housing Fund;
- An indication of housing activity that has occurred in the Project Area; and
- Estimates of housing units that will be produced in the Project Area for each of the various income categories.

2. Applicable Low and Moderate Income Housing Requirements

Applicable Housing Production Requirements

The date of adoption, the existence of low-mod housing units, and the potential for residential development are the primary determinants of the practical applicability of the various housing provisions of the CRL. Only the low-mod housing provisions applicable to the project area are discussed below:

a. Replacement Housing Obligation

The Agency is required to meet replacement-housing obligations pursuant to CRL Section 33413(a). This Section requires the Agency to replace, on a one-for-one basis, all units removed from the low and moderate income housing stock caused by Agency activities in the Project Area. Article 16.5 requires that if an implementation plan contains projects that could result in the removal of low-mod housing units, the plan must identify locations suitable for the replacement of such housing.

This Implementation Plan does not include projects or programs, which would result in the removal of housing units from the low and moderate income housing stock; therefore, there is no identification of suitable locations for replacement housing.

b. Housing Production Obligation

The Agency is required to comply with the housing unit production requirement of the CRL Section 33413(b). Subparagraph (1) of the Section requires that 30 percent (30%) of all housing units developed by the Agency be affordable to low-mod persons.

The Agency does not plan to develop housing in the next five years, rather the Agency will assist in private sector affordable housing development. Thus, the Agency is not anticipated to incur any obligations under this provision of the CRL.

The Agency will assist the private sector in developing affordable housing and it is possible that there will be some residential infill within the Project Area that is not Agency assisted. As a result, the Agency will need to create low-mod housing in order to comply with the provisions of subparagraph (2) of Section 33413(b). Subparagraph two requires that 15 percent (15%) of all housing developed in the Project Area (inclusive of restricted units) be low-mod housing. Of these low-mod units, at least 40 percent (40%) must be affordable to persons and families of very-low income.

To determine the number of units that must be developed in order to comply with this requirement, and to identify how much of this requirement will be satisfied by the activities included in this Implementation Plan, a brief review of past and anticipated housing development activity in the Project Area is presented below.

c. Future Housing Construction Activity in the Project Area since Plan Adoption

From the inception of the Project Area in 2003 through January 2006, 240 units of housing have been newly constructed or substantially rehabilitated. In addition to the 178 affordable housing units listed below, 68 market-rate units have also been constructed or substantially rehabilitated, including numerous scattered site infill projects and multifamily projects.

Newly Constructed and Substantially Rehabilitated Housing Units
July 2003 through January 2006

<u>Project</u>	<u>Total Units</u>
<u>AFFORDABLE HOUSING PROJECTS</u>	
<u>Foothill Commons - 6900 Foothill Boulevard</u>	<u>65</u>
<u>Oak Park Apts - 2618 E. 16th Street</u>	<u>35</u>
<u>Palm Villa – Various Addresses</u>	<u>33</u>
<u>Casa Velasco - 3430 Foothill Boulevard</u>	<u>20</u>
<u>Eastmont Court - 6850 Foothill Boulevard</u>	<u>19</u>
<u>Affordable Subtotal</u>	<u>172</u>

MARKET RATE PROJECTS	
Scattered Site Infill - Various Addresses	29
9451 MacArthur Boulevard	19
9884 MacArthur Boulevard	6
1539 28 th Avenue	4
2951 68 th Avenue	4
2524 108 th Avenue	3
8770 MacArthur Boulevard	3
Market Rate Subtotal	68
TOTAL UNITS	240

d. Estimate of Future Housing Construction Activity in the Project Area

The Agency estimates that approximately an additional 1,646 units of housing will be constructed or substantially rehabilitated by the end of the ten-year compliance period, fiscal year 2012/13, in the Project Area. These units consist of 190 affordable and 1,456 market-rate units, and are listed on the following table.

Estimated Future Housing Production in Central City East Project Area

<u>Project</u>	<u>Status</u>	<u>Type</u>	<u>Total Units</u>
AFFORDABLE PROJECTS			
Orchards on Foothill – 2719 Foothill Blvd.	Predevelopment	Senior	64
Foothill Plaza Apts – 6311 Foothill Blvd.	Predevelopment	Family	54
10211 Byron – 10211 Byron Avenue	Site Acquisition	Family	50
Horizon Townhomes – 98 th St & MacArthur Blvd.	Predevelopment	Family	14
Affordable Subtotal			182
MARKET RATE PROJECTS			
Oak to Ninth ^a - Oak Street and 9th Street	Predevelopment	Family	1,400
Toler Heights – 98 th Street & MacArthur Blvd.	Predevelopment	Family	6
Scattered Site Infill – Various Addresses	Various	Various	50
Market Rate Subtotal			1,456
TOTAL UNITS			1,638

a. Oak to Ninth is estimated to consist of 2,800 units in its entirety. The Agency estimates that 1,400 units will be completed by FY 2012/13. Oak to Ninth will also have an affordability component. See the table below for further details.

e. Estimated Number of Units Required for Housing Production Obligation

The Agency's housing production obligation is based on the number of completed newly constructed or substantially rehabilitated units, in addition to the units anticipated to be constructed and substantially rehabilitated by the end of the ten-year compliance period.

The completed and anticipated future projects in the Project Area will generate a total of 1,878 units over the 10-year period. Since these units will be produced by an entity other than the Agency,

15 percent of the units must meet the affordable housing production obligation, which translates to 282 units of affordable housing. The units must be restricted as follows.

1. At least 40% of the units, which equates to 113 units, must be restricted to very-low income households.; and
2. At most 60% of the units, or 169 units, can be restricted to low or moderate-income households.

f. How the Housing Production Obligation Will be Met

The Agency intends to meet its affordable housing production obligation by the end of the ten-year compliance period. The following table lists the Agency's progress and anticipated progress towards meeting its housing production obligation.

Agency's Progress Towards Meeting its Housing Production Obligation for Central City East Project Area

<u>Project</u>	<u>Type</u>	<u>Status</u>	<u>Total Units</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Unrestricted</u>
<u>Foothill Commons - 6900 Foothill Blvd.</u>	<u>Family</u>	<u>Complete (2003)</u>	<u>65</u>	<u>45</u>	<u>19</u>		<u>1</u>
<u>Casa Velasco - 3430 Foothill Blvd.</u>	<u>Senior / Preserv.</u>	<u>Complete (2003)</u>	<u>20</u>	<u>20</u>			
<u>Eastmont Court - 6850 Foothill Blvd.</u>	<u>Disabled</u>	<u>Complete (2004)</u>	<u>19</u>	<u>18</u>			<u>1</u>
<u>Oak Park Apts - 2618 E. 16th St.</u>	<u>Family</u>	<u>Complete (2004)</u>	<u>35</u>	<u>34</u>			<u>1</u>
<u>Palm Villa - Various Addresses</u>	<u>Family</u>	<u>Complete (2005)</u>	<u>33</u>			<u>33</u>	
<u>Oak to Ninth^a - Oak St. & 9th St.</u>	<u>Family</u>	<u>Predev. (2013)</u>	<u>1,400</u>	<u>84</u>		<u>126</u>	<u>1,190</u>
<u>Orchards on Foothill - 2719 Foothill Blvd.</u>	<u>Senior</u>	<u>Predev.</u>	<u>64</u>	<u>63</u>			<u>1</u>
<u>Foothill Plaza Apts - 6311 Foothill Blvd.</u>	<u>Family / Preserv. / Rehab</u>	<u>Predev. (2007)</u>	<u>54</u>	<u>45</u>	<u>8</u>		<u>1</u>
<u>10211 Byron Ave.^a</u>	<u>Family</u>	<u>Site Acq.</u>	<u>50</u>		<u>13</u>		<u>37</u>
<u>Horizon Townhomes- 98th St. & MacArthur</u>	<u>Family</u>	<u>Predev.</u>	<u>14</u>	<u>4</u>		<u>10</u>	
<u>Toler Heights - 98th St. & MacArthur</u>	<u>Family</u>	<u>Predev. (2007)</u>	<u>6</u>				<u>6</u>
<u>TOTAL</u>			<u>1,760</u>	<u>313</u>	<u>40</u>	<u>169</u>	<u>1,238</u>

a. Allocation of units has not been finalized for Oak to Ninth and 10211 Byron, and may change throughout the development process.

Based on these projections, the Agency will exceed its housing production obligation, as shown below. The Agency anticipates a surplus of 199 very-low units and 40 low and moderate-income units:

Projected Housing Production Obligation Surplus

<u>Housing Production Obligation</u>	<u>Very Low/Low/Moderate (15% of all production)</u>	<u>Very Low (40% of affordable units)</u>	<u>Low/Moderate (60% of affordable units)</u>
<u>Affordable Units to be Produced</u>	<u>522</u>	<u>313</u>	<u>209</u>
<u>Total Affordable Units Required^a</u>	<u>282</u>	<u>114</u>	<u>169</u>
<u>Total Surplus (Deficit) Units</u>	<u>240</u>	<u>199</u>	<u>40</u>

a. The required number of affordable units equals 15 percent of all housing production. At least 40 percent of the 15 percent (or 6 percent of total affordable units) are required to be very low income units. A maximum of 60 percent of the 15 percent (or 9 percent of total affordable units) are required to be low and moderate income units.

It should be noted that all of the proposed fulfillment units will be located in the Project Area and therefore can be counted on a one-for-one basis toward the housing production obligation.²

g. Applicable Deposit and Expenditure Provisions

(1) Set-Aside of Tax Increment

The Agency must comply with the Section 33334.2 requirement to allocate 20 percent of the gross tax increment (Set-Aside) to affordable housing activities. The Set-Aside is required to be deposited into a Housing Fund created to hold the monies until expended. Section 33334.2 enables the Agency to eliminate or reduce the annual housing deposit if the Agency makes findings regarding the lack of need for low-mod housing in the City of Oakland, or the sufficiency of less than 20 percent of the Project Area's tax increment to meet the need that does exist.

However, the City of Oakland passed a resolution that 25 percent of all tax increment be allocated to the construction of affordable housing. Furthermore, based on the City's commitment to affordable housing production it is unlikely Oakland would exercise the option to reduce the Set-Aside deposits in any year subject to this Implementation Plan. The projections of deposits into the Housing Fund that are included in the following section assume that the 25 percent Set-Aside will be deposited into the Housing Fund in each of the years covered by the Plan.

(2) Proportional Expenditures of Housing Fund Monies

The Project Area is subject to the Section 33334.4 requirement that the Agency expend Housing Fund monies in accordance with an income proportionality test and a non-age restriction proportionality test. These proportionality tests must be met every ten years through the termination of the Project Area life. These tests do not have to be met on an annual basis.

² If affordable units are located outside of the Project Area, they can only be counted on a one-for-two basis towards fulfillment of the housing production obligation.

(a) Very-Low and Low Income Housing Expenditures

The income proportionality test requires the Agency to expend Set-Aside funds in proportion to the housing needs that have been determined for the community pursuant to Section 65584 of the Government Code. The proportionality test used in this Implementation Plan is based on the 2000 RHNA prepared by ABAG. Based on the 2000 RHNA, the City's minimum required allocation for very-low and low-income expenditures, and maximum moderate income housing expenditures are listed in the following table below:

Housing Expenditure Proportionality by Income Category

Category	RHNA	Threshold
Very-Low Income	2,238	At least 43%
Low Income	969	At least 19%
Moderate Income	1,959	No more than 38%
Total	5,166	

Section 33334.4 requires that at least 43 percent of the Housing Fund monies dedicated to projects and programs be spent on housing for very-low income households. In addition, at least 19 percent of these funds must be spent on housing for low-income households, and no more than 38 percent of the funds can be spent on moderate-income households. However, the Agency is entitled to expend a disproportionate amount of the funds for very-low income households, and to subtract a commensurate amount from the low and/or moderate-income thresholds. Similarly, the Agency can provide a disproportionate amount of funding for low income housing by reducing the amount of funds allocated to moderate-income households. In no event can the expenditures targeted to moderate-income households exceed the established threshold amount.

The Agency will allocate its funds in such a way that these percentages are met over the ten-year period from 2003 through 2013. In addition, the City and other entities may provide assistance for the construction of units affordable to very low and low income households that may also be counted toward meeting the requirements of Section 33334.4.

The minimum and maximum allocations based upon household income levels are shown in the following table for the five year implementation plan period, FY 2003/04 through FY 2007/08.

Allocation of Housing Funds by Income Levels

Unit Income Level	Percent
Very Low	43% Min.
Low	19% Min.
Moderate	38% Max.
Total	

(4) Non-Age Restricted Housing Expenditures

Section 33334.4 also requires that the Agency assist housing that is available to all persons, regardless of age, in at least the same proportion as the population under age 65 bears to the City's total population as reported in the most recent census of the United States Census Bureau. The 2000 Census indicates that 89.5 percent of the City's population is under 65 years of age. As such, at least 89.5 percent of the Agency expenditures on affordable housing projects must be spent to assist projects that do not impose age restrictions on the residents. The following summarizes the allocation of housing fund monies.

Non-Age Restricted Housing Funds Percentage Allocations

Age Category	Percent
Senior	10.5% Max.
Unrestricted	89.5%
Total	

(5) Transfer of Housing Funds to Other Providers

The Project Area is subject to the CRL provisions requiring the transfer of housing funds to other housing producers in the Oakland area in certain circumstances. Such transfers could possibly occur if the Housing Fund contained "excess surplus." Excess surplus means any unexpended and unencumbered amount in a Project Area's Housing Fund that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited into the Housing Fund during the project's preceding four fiscal years.

The Agency does not anticipate having an excess surplus during the current Implementation Plan cycle or throughout the subsequent remaining Project Area life.

h. Housing Goals and Objectives of the Implementation Plan

The primary goal of the Agency is to comply with the affordable housing requirements imposed by the CRL in a responsible manner. The affordable housing activities identified in this proposed Implementation Plan will explicitly assist in accomplishing the intent of the CRL in regards to the provision of low-mod housing.

The CRL establishes that certain housing expenditures, and preservation and production requirements, be attained during a specified time frame. Of the requirements applicable to the Project Area, the housing production obligation and expenditure requirements must be met every 10 years, through the end of the Project Area life. It is the Agency's goal and objective for this Implementation Plan to accomplish sufficient activity and expenditures over the Implementation Plan term, and through the term of the Project Area, to comply with the applicable requirements.

i. Estimates of Housing Fund Revenues

The following table presents the actual deposits in the Housing Fund for FY 2003/04 and FY 2004/05, and estimated future deposits for FY 2005/06 through FY 2007/08. As shown below, \$12,912,000 in revenues are projected to be available over the five-year term of this Implementation Plan.

**Actual and Projected Housing Set-Aside Revenue
FY 2003/04 through FY 2007/08**

<u>Plan Year</u>	<u>Fiscal Year</u>	<u>Housing Set Aside</u>
<u>1</u>	<u>2003-04</u>	<u>0</u>
<u>2</u>	<u>2004-05</u>	<u>2,115,000</u>
<u>3</u>	<u>2005-06</u>	<u>2,706,000</u>
<u>4</u>	<u>2006-07</u>	<u>3,518,000</u>
<u>5</u>	<u>2007-08</u>	<u>4,573,000</u>
Total	For 2003-2008	\$12,912,000

j. The Housing Program and Housing Fund Expenditures

The Agency may assist in a variety of programs to develop affordable housing such as the following:

Production:

The Agency can make loans and grants from the Low and Moderate Income Housing Fund to non-profit and for-profit developers for the new construction or rehabilitation of affordable housing. Loans can be made on a deferred payment and/or below market interest rate basis.

The Agency can also participate in land acquisition, land cost write-down, developer recruitment, credit enhancement, and other participation to cause affordable housing to be developed. This is normally accomplished after identification of a housing site, development of a housing concept, and issuance of a Request for Proposals for development of housing. Such affordable housing could be rental or ownership housing. The Agency may also acquire land and directly build housing.

Preservation:

The Agency may offer low-interest or no-interest loans or grants to assist low- and moderate income homeowners in making repairs to existing residences. Such repairs could consist of correcting health and safety violations, re-landscaping, and re-painting. This preserves the affordability of the housing and extends its lifespan, as well as

improving the neighborhood. Additionally, such programs can be extended to owners of rentals properties to make repairs to affordable rental housing. In either case, covenants must be recorded to keep these properties affordable for the time period required by CRL.

Affordability Assistance:

The Agency may provide direct subsidies to lower the cost of producing housing or first-time homebuyer programs to assist very-low to moderate income families with mortgage assistance for the purchase of a home. The latter can take the form of a deferred loan with a low interest rate and equity sharing provisions. When the home is sold, the loan and equity share would be used to help another first-time homebuyer.

The above programs will make home ownership housing available to more low- and moderate-income residents in the Project Area. By making more ownership housing available the tax base for the redevelopment area will increase and in turn provide funding for additional housing and non-housing programs, and market support for community retail and commercial uses will increase. Providing incentives for landlords and homeowners to rehabilitate their properties will increase the value of the surrounding properties and provide an incentive for those not qualified for rehabilitation assistance to also improve their properties.

Preservation of Existing Affordable Housing:

The Agency may offer low-interest or no-interest loans or grants to assist low- and moderate income homeowners in making repairs to existing residences. Such repairs could consist of correcting health and safety violations, re-landscaping, and re-painting. This preserves the affordability of the housing and extends its lifespan, as well as improving the neighborhood. Additionally, such programs can be extended to owners of rentals properties to make repairs to affordable rental housing. In either case, covenants must be recorded to keep these properties affordable for the time period required by CRL.

k. Allocation of Housing Funds

Working with the PAC, the Agency has developed the following allocation of housing funds for the first five years of the Redevelopment Plan. Up to 20 percent of each list item may be reallocated.

Allocation of Housing Funds

Proposed Housing Activity	% Allocation
New Ownership Housing – Use redevelopment funds to expand the supply of new housing for low and moderate income households.	18%
New Rental Housing – Use redevelopment funds to expand the supply of new rental housing for low and moderate income households.	11%
Rehabilitation Home Ownership - Use redevelopment funds to improve the existing supply of ownership units for low and moderate income households.	35%
Rehabilitation Rental Housing – Use redevelopment funds to improve the existing supply of rehabilitated rental units for low and moderate income households.	20%
First-Time Homebuyers Program - Use redevelopment funds to assist low and moderate income households, first-time home buyers to purchase homes in the City of Oakland.	16%
Total	100%

The following are the descriptions of the activities to be funded from FY 2003/04 through FY 2007/08:

Fiscal Year 2004-2005: CCE Homeownership Rehabilitation Program

The CCE Homeownership Rehabilitation Program will provide funds to undertake exterior work in coordination with the City's existing six Home Maintenance Programs. The CCE program is a new program separate from the City's existing six Home Maintenance Programs. The CCE Homeownership Rehabilitation Program is a loan program with either a deferred or low-interest loan to eligible homeowners for work that includes interior and exterior work related to window replacements, exterior painting, landscaping, new fencing, and sidewalk repair work etc. The CCE Homeownership Rehabilitation Program will be managed by the City's Housing Services staff.

CCE Rental Rehabilitation Program

The Agency staff is working to analyze how a Rental Rehabilitation program might work in the CCE Redevelopment Area. As part of this process, the CCE PAC Housing Committee members may want to identify properties in their sub areas that should be targeted for this program. CEDA staff will gather information from Code Enforcement about properties that have been consistently listed with code violations and identify whether they are good candidates for a Rental Housing Rehabilitation Program.

First Time Homebuyers Program

In the fourth year of funding, the First Time Homebuyers program may be initiated. This would use redevelopment funds to improve the supply of ownership units for low and moderate income households. Again, this program would be coordinated with the existing City of Oakland Housing Services staff.

New Rental Housing and New Ownership Housing

The CCE PAC Housing Committee is proposing to implement a New Rental Housing and New Ownership Housing Program in the fifth year because these are new construction projects and will require a larger pool of funds to undertake. By waiting for tax increment revenues to increase in the last year, funds can be better used to subsidize new construction.

APPENDIX B

Existing Implementation Plan for the Oak Knoll Redevelopment Project