



CITY OF OAKLAND

AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, Department of
Economic and Workforce
Development

SUBJECT: SUPPLEMENTAL - Clay Street
Garage

DATE: April 15, 2022

City Administrator Approval

Date: Apr 14, 2022

REASON FOR SUPPLEMENTAL REPORT

At the March 3, 2022 Rules and Legislation Committee meeting, an agenda item was scheduled to “Adopt A Resolution Authorizing And Directing The City Administrator To Issue A Notice Of Development Opportunity (NODO) For A 100% Affordable Housing Project On The City-Owned Clay Street Garage Parcel On The Block Bounded By Clay Street, 14th Street, 16th Street and City Hall” (Site). Subsequently, at the March 10, 2022 Rules and Legislation Committee meeting, the Committee asked that the item be heard at the Special Community and Economic Development (CED) Committee on March 22, 2022 and directed staff to provide a supplemental report with background information related to this item.

This supplemental report provides the requested background on the Site, including the history of prior feasibility studies and information about site constraints.

BACKGROUND

Clay Street Garage

The Site is located at 1414 Clay Street in downtown Oakland. The Site is approximately 28,800 square feet, and currently contains a 146,000 square-foot three-story concrete parking structure with 335 parking spaces, including one level of basement parking. The Site is located next to Oakland’s historic City Hall, at 1 Frank H. Ogawa Plaza. The Clay Street Garage was permanently closed on December 3, 2016, after the structure was determined to be seismically unsafe. In 2015, the estimated cost to demolish the garage was approximately \$3,300,000 to \$4,100,000.

City Council
April 19, 2022

The current zoning for the Site is Central Business District General Commercial Zone (CBD-C). The intent of the CBD-C Zone is to create, maintain, and enhance areas of the Central Business District appropriate for a wide range of ground-floor office and other commercial activities. Upper-story spaces are intended to be available for a wide range of residential, office or other commercial activities.

Legislative History/2015 Conditions Assessment and 2018 Feasibility Analysis

In 2015, the firm Murakami/Nelson completed the Clay Street Garage Conditions Assessment. An executive summary of that assessment and a related supplemental report from 2018 is attached herein as **Attachment A**. In the report, Murakami/Nelson concluded that the Clay Street Garage had high potential for collapse in a major earthquake. Murakami/Nelson estimated that the costs to demolish the garage at that time were between \$3,300,000 to \$4,100,000.

In November 2016, the City Council accepted an informational report on the Clay Street Garage announcing the administrative decision to close the parking facility in the interest of public safety based on the report's findings.

In April 2018, at a joint meeting of the Public Works and CED Committees, staff shared a feasibility analysis conducted by Willdan Financial Services for a potential mixed-use development on the Site with either office or hotel use, ground-floor retail, and either partial replacement of public parking or only minimal parking for the new uses. The presentation also covered past City actions regarding transportation and parking policy and the closure of the garage due to public safety concerns. In its report, staff suggested that an office use would be a compatible use with the existing land uses surrounding the Site (primarily office buildings) and recommended soliciting proposals for office development with minimal parking in order to maximize the value of the Site.

The past report and 2018 feasibility analysis completed by Willdan Financial is attached as **Attachment B**.

At the May 22, 2018 meeting of the Public Works Committee, staff was directed to provide a report with an analysis of the Site's potential for affordable housing; an item regarding the Site was then placed on the agenda for a joint Public Works and CED Committee meeting on July 10, 2018, which was subsequently cancelled. Instead, the Site was included in a report on a public lands policy that staff first presented to the CED Committee on June 28, 2018 and later to the full City Council.

The 2018 report included an analysis of the Site's potential for affordable housing. The report concluded that the high value of the Site made it very expensive to develop affordable housing on the property. The report estimated an affordable housing project would need a City subsidy of approximately \$103,000 per unit, plus a land write-down of \$6,525,000 (the estimated land value in 2018) or \$102,000 per unit, which included a deduction for the demolition costs, for a

total per unit subsidy of \$205,000. A typical City subsidy at that time for an affordable unit was approximately \$125,000. All figures would be higher in 2022.

California Surplus Lands Act

The California Surplus Land Act (SLA) regulates how local agencies dispose of public land no longer necessary for agency use (surplus land) with priority for affordable housing, open space, or school purposes. Pursuant to the SLA, unless the City is pursuing an eligible use that would allow the Site to be designated “exempt surplus land,” such as a 100 percent affordable housing development,¹ prior to disposing of public land, the City must declare the site as “surplus land” at a public meeting and send a Notice of Availability (NOA) to public agencies and private entities that have expressed interest in developing affordable housing to the California Department of Housing and Community Development (State HCD). If qualifying proposals are received within an initial 60-day NOA period, jurisdictions are required to negotiate in good faith for a minimum period of 90-days.

Parties responding to the NOA that propose a residential development must restrict at least 25 percent of the total number of units developed on the parcel to be affordable to lower income households, and the City must prioritize low- and moderate-income housing development proposals over other land uses. The City is not required to, but may, dispose of the property for less than fair market value.

The Clay Street Garage Site has not been declared as surplus land or exempt surplus land.

ANALYSIS

Clay Street Garage Site Constraints

The Site contains several development constraints. These additional costs would need to be borne by the project, likely through deeper subsidy from the City or other affordable housing funding sources.

First, before any new construction can take place on the Site, the existing 146,000-square-foot parking structure must be demolished. According to the Clay Street Garage Conditions Assessment from 2015, an order-of-magnitude estimate to demolish the garage could vary from \$3,285,000 to \$4,106,000. This estimate would have to be adjusted to reflect today’s costs.

In the case of a 100 percent affordable housing development on this Site, it is anticipated that the City would have to bear the cost of demolition for an affordable project to be feasible, significantly increasing the per unit cost of the affordable units. It would do this by providing

¹ California Government Code Section 54221(f)(1)(F)(i)

more affordable housing funding than it otherwise would – straining the City’s limited resources available to support affordable housing elsewhere.

In addition, the Site abuts Oakland City Hall, a designated Oakland Landmark (with an A1+ rating on the Oakland Cultural Heritage Survey) on the National Register of Historic Places. This proximity will add regulatory complexity and additional cost for any project on the Site to avoid impacts to this important historic resource.

The significant cost to develop the Site should also be considered in relation to the relatively high value of land in Downtown Oakland. A developer proposing a mixed-use project, rather than a 100 percent affordable housing project, through a fair market disposition of the Site, may be able to absorb the additional cost of demolishing the existing garage, without relying on additional City subsidy.

For questions regarding this report, please contact Jens Hillmer at (510) 238-3317.

Respectfully submitted,



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Attachments (2):

- A. Supplemental Report (April 24, 2018): Clay Street Garage Site Redevelopment and Murakami/Nelson Seismic Survey, Executive Summary
- B. Agenda Report (April 10, 2018): Clay Street Garage Site Redevelopment and Willdan Clay St. Central Business District (CBD) Site Feasibility Analysis Report

City Council
April 19, 2022