CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: February 9, 2010

RE: **A Supplemental Report Summarizing Additional Information Furnished to the *Planning Commission* and the *Planning Commission's* Recommendations Concerning the Central Estuary Plan Community-Preferred Alternative**

SUMMARY

At the February 9, 2010, Community and Economic Development (CED) Committee meeting, the Strategic Planning Division of CEDA and its consultants developing a Specific Plan for the Central Estuary area will present the land use and transportation concepts for the Plan Area to solicit preliminary input from the CED Committee. The Central Estuary Plan Area is generally encompassed by 19th Ave. to the north, 54th Ave. to the south, I-880 to the east and the Oakland Estuary to the west. This report presents additional information about the three land use alternatives and the community-preferred land use alternative for the Central Estuary Plan related to economic and fiscal impacts that were not available at the time the original agenda-related materials were filed.

City staff has consulted a number of public bodies including the Parks and Recreation Advisory Board (PRAC), the Landmarks Preservation Advisory Board (LPAB) and the Planning Commission and asked for their recommendation of the community-preferred alternative to the City Council as a basis for development of the draft Specific Plan. Both the PRAC and LPAB recommended adoption of the community-preferred alternative. The Planning Commission requested that staff provide additional information about the economic and fiscal impacts of the alternatives before making a recommendation on the preferred alternative. The Planning Commission was provided with this information at a subsequent meeting (January 20, 2010). Fourteen members of the public, representing a range of stakeholders including property owners from the Tidewater area (north and south of Tidewater Avenue), East Bay Regional Parks District (EBRPD), advocates of affordable housing, waterfront access, industrial land/job preservation and historic resource reuse and preservation, spoke on this item. Although some Commissioners had concerns about the community-preferred alternative and whether it adequately emphasized (well-paying) job creation and preservation of industrial land, the Commissioners all recognized that the community-preferred alternative was the result of a community process that has been praised as highly inclusive. Therefore, after hearing public comment and a detailed discussion, the Commission decided to recommend to the City Council to adopt the community-preferred alternative as a basis for developing the Specific Plan, and to further recommend that an alternative that studies both the Owens Brockway site and the area

south of Tidewater Avenue with industrial uses be included as part of the environmental impact report, and that public access to the waterfront and community benefits be discussed as part of the specific plan that will be prepared.

City staff requests that the CED Committee recommend adoption of the draft community-preferred alternative to the City Council as a basis for preparation of the draft Specific Plan and its environmental review document. Based on input from the advisory bodies, Planning Commission and City Council, the preferred alternative will be refined and a draft Specific Plan prepared including proposed land uses, as well as design standards and guidelines reflective of community and City priorities. Once the draft Specific Plan is prepared, it will be presented to the community, advisory bodies, Planning Commission and City Council for comment, which will be incorporated into the final Specific Plan.

PROGRAM DESCRIPTION

Through an extensive community outreach and involvement process, including a series of six community workshops attended by between 40 to 70 participants, three draft alternative development concepts and a draft preferred alternative for the area were developed. The three draft alternatives offered a variety of different configurations of proposed future land uses and street networks and included extensive analysis of transportation, economic, demographic, public health, and sustainability impacts. Based on these alternatives, the community expressed preferences for maintaining and expanding industry and jobs that have economically and environmentally beneficial impacts. Additionally, they supported creating targeted opportunities for redevelopment to support the expansion of the existing Kennedy Tract neighborhood and providing healthier, safer and higher-quality conditions for the neighborhood, the Plan Area, the City and the region. In a well-attended and interactive workshop, diverse interest groups including residents, business owners and interested advocacy groups coalesced around a preferred alternative that reflects these priorities.

The community preferred alternative is a hybrid of the three draft land use alternatives, incorporating certain components from each alternative. The preferred alternative includes: (a) West Subarea, *mixed-use infill, maintain specialty food producing industrial area*; (2) Central West Subarea, preserve the existing neighborhood including live/work uses; (3) Central East Subarea, new mixed-use residential development; and (4) East Subarea, industrial uses and limited residential development buffered by research and development. (See ***Attachment A*** for the Community-Preferred Alternative Map, updated January 8, 2010.[1] For reference, a map of existing land uses in the Plan Area is provided as ***Attachment B***.)

[1] The Community-Preferred Alternative Map was updated to reflect the PG&E site remaining with its current use; it is no longer shown to redevelop with new light industrial and R&D space around a technology incubator. Additionally, the Community-Preferred Alternative Map was updated to show the ultimate alignment of the Bay Trail.

FISCAL IMPACT

A projection of potential fiscal impacts found that the three Plan Alternatives, described under the Program Description, would have widely disparate impacts on the overall fiscal health of the city. At build out—which will be achieved in 2035—the development outlined in Alternative 1 would have the largest positive fiscal impact, with a net increase of revenue to the General Purpose Fund for that year of $2,736,000. In contrast, Alternative 2 would generate more new costs than new revenue for that year, leading to a net loss of $285,000. This is partly due to a lack of Sales Tax-generating land uses and an overall lower level of new, Real Estate Transfer Tax-generating development. In Alternative 3, while the additional expenditures entailed by the plan would be higher than either of the other alternatives, they would be more than offset by the additional revenues, leading to a net increase of $1,047,000. However, each of these expenditures and revenues varies considerably over time. Because all three alternatives are highly dependent on the Real Estate Transfer Tax, the timing of development plays a critical role in determining whether net revenue is positive or negative in a given year, including at build-out.

Although a projection of revenues and expenditures at build-out is a more common means of assessing fiscal impact, examining the cumulative impacts over the 25-year period can be useful as a tool for planning long-term investments in the area. On this measure, Alternative 3 performs the best, with a positive impact of $29 million over the period. Alternative 1 would generate a somewhat less positive impact of $25 million, while Alternative 2 would only result in a positive impact of $10 million. As with the one-year fiscal impact, however, these outcomes are highly dependent on the phasing of development: the later development is phased, the lesser the impact.

A preliminary draft fiscal impact analysis of the preferred alternative was completed following the December 16, 2009, Planning Commission meeting (See ***Attachment C***). Over the course of the 25 year period of this plan, the fiscal impact of the preferred alternative will be variable and highly dependent upon the phasing of new development and redevelopment. At build-out (2035), however, it is projected that the plan will be strongly fiscally positive, with marginal revenues to the general fund exceeding marginal expenditures by $1.3 million (2009 dollars). More than 50 percent of this marginal revenue will be derived from the real estate transfer tax, much of which will be driven by the redevelopment of the Owens Brockway site. Nearly 45 percent of the increase in costs will be in the form of increased demands on the police department, which will need to provide significantly enhanced services to an area that currently has a small residential population. Cumulatively, the Preferred Alternative would generate $28 million over the 25-year period of the plan, only slightly less than the best performing of the three Plan Alternatives.

The fiscal impact only addresses changes to costs and revenues related to on-going operations and maintenance, not the up-front costs associated with new infrastructure. However, a significant investment in new road construction, demolition, and land remediation will be necessary to support the new development outlined in the plan. While some of this will be funded by developers, much of this investment would need to precede new development,

suggesting that a source of public infrastructure funding, such as from the Oakland Redevelopment Agency (ORA), may be required. Nonetheless, over the course of the 25-year period of the plan, the preferred alternative will yield a significant return to the ORA. From 2010 to 2035, the ORA would collect approximately $82 million in tax increment, including $42 million that is not part of the required set-aside for schools or housing.

Compared to the three alternatives initially proposed, the preferred alternative would have a more positive fiscal impact at build out than both Alternative 2 and Alternative 3, though less positive than Alternative 1. Similarly, the preferred alternative would generate more non-set-aside tax increment for the ORA than Alternative 1 and Alternative 2, but less than Alternative 3 ($66,000,000).

KEY ISSUES AND IMPACTS

Staff has summarized the additional information furnished to the Planning Commission about the economic impacts of the land use alternatives and the community preferred alternative as follows.

1. Key Land Use Assumptions

Key land use assumptions used to calculate the total net new population and jobs that would be generated from the draft and preferred alternatives, including multipliers for Value, Density, Holding Period (sales turnover), Vacancy rates, and Occupancy rates are described and shown below.

Key Land Use Assumptions*

Land Use Type	Value	Density (persons per household, or sq. ft. per employee)	Holding Period (years)	Vacancy	Occupancy
Residential (per unit)					
Multi-family	$459,313	2.30	7	5%	95%
Nonresidential (per sq. ft.)					
Retail	$364	500	15	10%	90%
Office	$270	300	15	10%	90%
Industry (in)	$150	(see text below)	15	10%	90%
Industry (out)	$111	(see text below)	15	10%	90%

Job and Population Estimates (Density and Occupancy)

Many of the costs and revenues in the fiscal analysis were calculated based on the net increase in population and jobs resulting from the alternatives. Strategic Economics applied the following assumptions to derive population and job estimates from the housing unit and square footage estimates provided by Community Design + Architecture.

- Residential Household Size. Strategic Economics derived a density of 2.30 persons per household based on the average household size for renters in Oakland, using the 2006-2008 three-year estimate of the average household size for renters in Oakland from the U.S. Census American Communities Survey. Renters were used as the basis for household-size despite the likelihood that much of the new housing might be owner-occupied. This is because households in multi-family housing tend to be smaller than those in single-family homes, regardless of tenure. Renters are a good proxy for

occupants of multifamily housing in general, as on average renter-occupied multifamily households tend to be somewhat larger than owner-occupied multifamily households.

- Non-Residential Density. Table 5.6 uses rule-of-thumb estimates of the number of square feet per employee for a range of non-residential building types (office, retail, and industrial). Strategic Economics assumed 500 square feet of retail space per employee, and 300 square feet of office space per employee. The density of industrial space varies among the three alternatives, depending on the relative share of industrial space that will be developed as high-density R&D space, rather than lower density warehouses and manufacturing buildings. Alternative 3 assumes a higher-density mix of space. Generally, net gains in industrial employment were derived from forecasts created by the Center for Community Innovation, and assumed employment densities range from 445 to 775 square feet per employee.

2. Summary Comparison of Draft Alternatives and the Preferred Alternative

The net gain in housing units, square feet of non-residential development, and estimated population and job growth within the Plan Area at build-out of all three alternatives, as well as the preferred alternative is summarized in the table below (Table 5.4 excerpted from Central Estuary Plan: Alternatives Report and updated on January 11, 2009). Many of these analyses were based on a detailed, parcel-by-parcel consideration of redevelopment potential of each site, as described in the Identifying Potential for Change section of the Alternatives Report (***Attachment D***).[2] Traffic, economic, and workforce impacts, for example, all depend on not only qualitative but also quantitative understanding of the impacts of proposed land use changes.

Net Change in Development within the Plan Area at Build-Out

Land Uses	Alternative 1	Alternative 2	Alternative 3	Preferred Alternative
Net Residential Units	1,930	1,416	3,730	2,463
Net Retail SF	436,412	-34,809	71,503	210,232
Net Office SF	0	163,095	201,500	39,200
Net Industrial SF	-1,558,286	-903,504	-1,864,364	-1,071,675
Net Park/Trail SF	114,714	107,348	283,699	415,361
Estimated Net New Population	*4,216*	*3,094*	*8,150*	*5,381*
Estimated Net New Job Growth	*361*	*697*	*220**	*372*

*Note: The original estimate of 618 new jobs in Alternative 3 was revised to remove the effect of redeveloping the PG&E site.

An important consideration of each of the draft alternatives includes how each proposal can fund needed infrastructure improvements to support the proposed development. One way of assessing the relative ability of each alternative to self-finance infrastructure improvements is by comparing the total value of new development in each alternative, relative to the infrastructure improvements that are needed. This method assumes that there is a fixed percentage of the total value that may be captured through exactions or community assessment districts while enabling the development to be financially feasible to build. The higher the value of development, the

[2] The complete Alternatives Report is available on the project website at: www.oaklandnet.com/central_estuary_plan

more money available for infrastructure. Under this method, the significantly higher value development planned in Alternative 3 would be able to carry the cost of significantly more infrastructure improvements than the other two; Alternative 2 would be able to carry the least amount of cost. It is important to note, however, that Alternative 3 would also require far more total infrastructure investment than either of the other two, while Alternative 2 would also involve relatively little new infrastructure. (For a detailed analysis see the Infrastructure Financing section of the Fiscal Impact Analysis chapter of the Alternatives Report, ***Attachment E***). Infrastructure financing capacity for the preferred alternative will be assessed, in detail, as part of the development of the draft Specific Plan's Implementation element. Based on the overall amount of new development contemplated the infrastructure carrying capacity of the community preferred alternative would likely fall somewhere between that of Alternative 1 and Alternative 3).

3. Summary of the Community-Preferred Alternative

As shown in the table above, the community preferred alternative would result in the following net changes in residential units, office, retail, and industrial space, and jobs:

- Adds 2,465 new residential units for a total of 3,039 units
- Adds approximately 250,000 square feet of office and retail (mostly new regional retail along High Street) for a total of approximately 628,000 square feet
- Net loss of 1,071,675 square feet of industrial space (mostly reflecting redevelopment of the Owens Brockway site) for a total of approximately 4,171,000 square feet
- Net gain of 372 jobs

As shown in the table below, in the preferred alternative, 729 existing jobs would be lost as a result of the redevelopment of existing employment uses. The vast majority of these (526) would be in the Central-East Subarea, where the Owens-Brockway site and most of the Warehouse Triangle is slated for conversion to residential, retail, and park uses. These new uses would support 383 new jobs, for a net loss of 143 jobs. A smaller cluster of jobs would be lost in the East Subarea, with the conversion of some of the industrial land south of Tidewater to higher density industrial and high density residential uses. However, in this case, the 158 lost jobs are more than replaced by the addition of approximately 672 jobs related to in-fill R&D industrial and incubator development, resulting in a net gain of approximately 514 jobs in the subarea. In all, the 729 jobs lost to redevelopment are off-set by approximately 1,101 new jobs for a net gain of approximately 372.

NET CHANGE IN EMPLOYMENT BY SUBAREA, COMMUNITY-PREFERRED ALTERNATIVE

	West	Central-West	Central-East	East	Total
Displaced Jobs	*0*	*44*	*526*	*158*	*729*
New Jobs	*9*	*37*	*383*	*672*	*1,101*
Net New Jobs	*9*	*-7*	*-143*	*514*	*372*

Center for Community Innovation 2010, Strategic Economics 2010

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council adopt the draft community-preferred land use alternative for the Central Estuary Plan Area.

As discussed above, the consultant team has solicited feedback from public bodies including the Landmarks Preservation Advisory Board and the Parks and Recreation Advisory Commission both of which recommended adoption of the community-preferred land use alternative to the City Council as the basis for developing the draft Specific Plan. The Planning Commission requested additional information about the economic and fiscal impacts of the alternatives, which was furnished to them at a subsequent meeting. After the public comment period and a far-reaching discussion among the Commissioners, the Commission decided to make a recommendation to the City Council to adopt the community-preferred alternative as a basis for developing the Specific Plan, and to further recommend that an alternative that studies both the Owens Brockway site and the area south of Tidewater Avenue with industrial uses be included as part of the environmental impact report, and that public access to the waterfront and community benefits be discussed as part of the specific plan that will be prepared.

Thus far, six community input meetings have been held. Based on outreach to the community, PRAC, LPAB and Planning Commission, and on additional input pending from the City Council, the preferred alternative will be refined and a draft Specific Plan prepared, including proposed land uses, design standards, and guidelines reflective of community and City priorities. Once the draft Specific Plan is prepared, it will be presented to the advisory bodies, Planning Commission and City Council for comment; the comments will be incorporated into the final Specific Plan.

The next public workshop (the seventh of a total of eight) will be held in March, when key elements of the draft Specific Plan will be presented for public input. The public review draft Specific Plan is anticipated to be circulated in April and presented to the City advisory bodies, Planning Commission and City Council for review and comment in June. Based on this input, a revised public review draft will be prepared and circulated in August, and following inclusion of public and City comments, the Specific Plan will be finalized. Development of the EIR will

begin after the preferred alternative is selected. Once the Specific Plan and EIR are complete, adoption hearings will be held before the advisory bodies and the City Council.

The adoption of a preferred alternative does not commit the City Council to a particular course of action, nor does it prevent the City Council from making changes to the draft or final specific plan, including selecting a new preferred alternative, provided appropriate CEQA review is conducted for the new preferred alternative.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council approve the resolution adopting the draft preferred land use alternative for the Central Estuary Plan Area.

Respectfully submitted,

Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Eric Angstadt, Deputy Director, CEDA

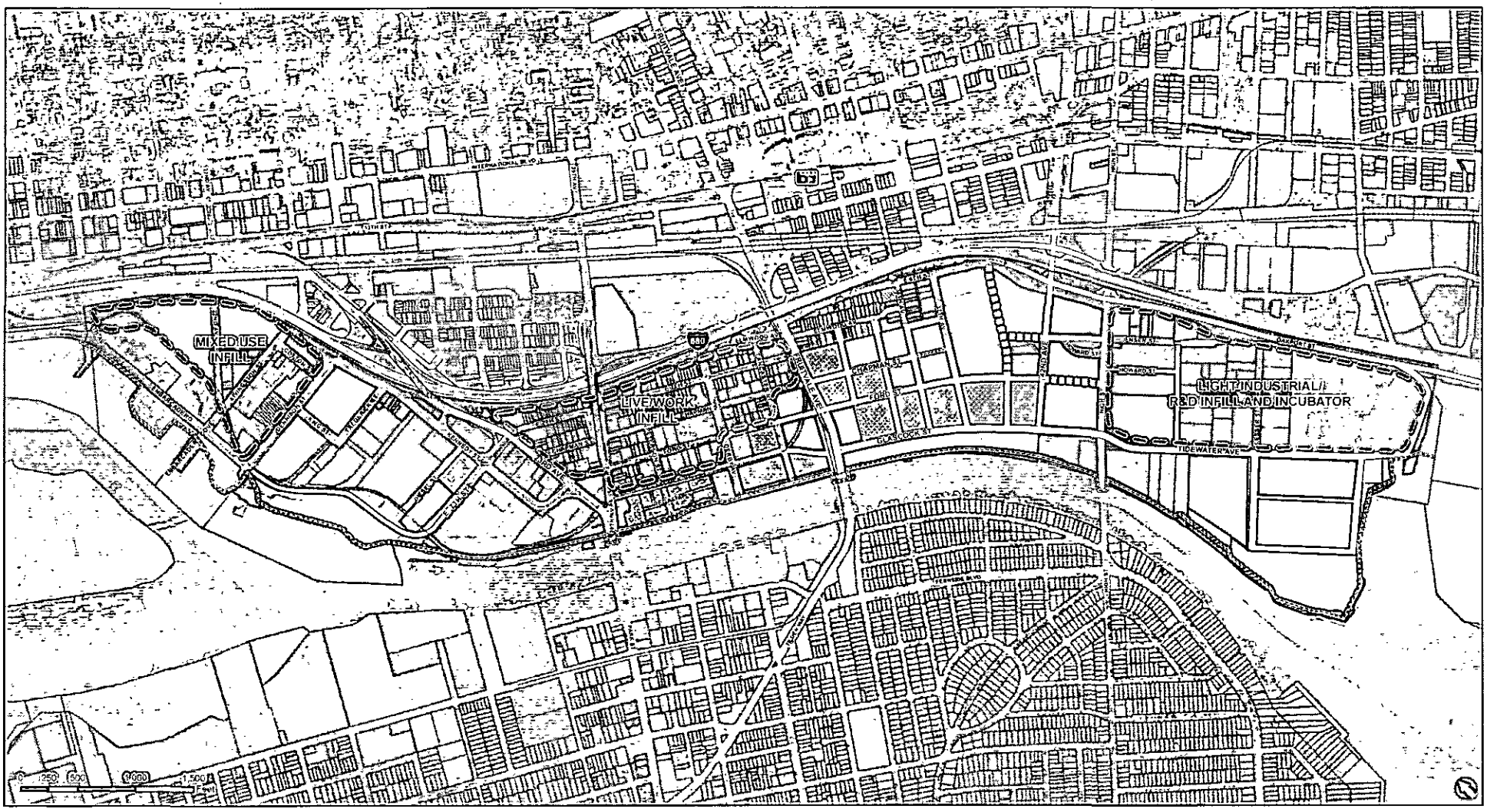
Prepared by:
Alisa Shen, Planner III
Strategic Planning

APPROVED AND FORWARDED TO THE
COMMUNITY ECONOMIC DEVELOPMENT COMMITTEE:

Office of the City Administrator

ATTACHMENTS:

A. Community-Preferred Alternative Map
B. Existing Land Uses in the Plan Area
C. Fiscal Impact Analysis of Preferred Alternative
D. Identifying Potential for Change
E. Infrastructure Financing



DRAFT Preferred Alternative

January 5, 2010

Subarea Boundaries

Land Use
- Industrial (Heavy)
- Industrial (Light) / R&D
- Industrial (Warehouse)
- Utilities
- Automotive
- Single-Family Res
- Medium-Density Res
- High-Density Res
- Live/Work
- Mixed Use
- Retail/Commercial
- Office
- Institutional
- Industrial Lot
- Commercial Lot
- Vacant Lot
- Parking Lot
- Publicly Owned
- Parks
- Bay Trail
- Drive Aisle
- Public Street
- Rail (non-BART)
- Underpass
- Ped/Bike Underpass
- Live/Work Infill
- Mixed Use Infill
- Light Industrial/R&D Infill and Incubator

CITY OF OAKLAND

CENTRAL ESTUARY PLAN

COMMUNITY DESIGN + ARCHITECTURE

Attachment B: Existing Land Uses

Source: City of Oakland Zoning Data January 2009

Existing Land Uses

- Subarea Boundaries

Existing Land Use

- Industrial (Heavy)
- Industrial (Light)
- Industrial (Warehouse)
- Utilities
- Automotive
- Residential
- Condominium
- Mixed Use
- Retail/Commercial
- Office
- Institutional
- Publicly Owned
- Industrial Lot
- Commercial Lot
- Vacant Lot
- Parking Lot
- Parks - Existing/Under Construction

Figure 2, above, shows how this portion of the tax increment financing (TIF) revenue in the preferred alternative compares to the three initial plan alternatives. This shows that, again, the preferred alternative provides more revenue to the Oakland Redevelopment Agency (ORA) that could be used to finance infrastructure than two of the three alternatives. However, as with the total value of development, this is largely dependent on the conversion of the Owens-Brockway site to residential use. With that land use change, the preferred alternative would generate approximately $42 million in non-set-aside TIF; this is reduced almost by half, to $22 million, if the site is instead redeveloped as an industrial business park in the model of Alternative 1.

Regardless of these rough comparisons, the actual ability of development to pay for infrastructure depends on several factors not yet determined: 1) the profitability of new development, 2) the cost and phasing of new infrastructure, 3) which components of the infrastructure will be paid for by the RDA, and 4) whether infrastructure will be supported by one-time exactions, an on-going community facilities district, or both. By looking at the physical placement of new infrastructure, one can determine if developer agreements make the most sense (as improvements would be on or adjacent to new development sites), or if a CFD, RDA, impact fee, or other collective source of revenue across multiple property owners is necessary to finance infrastructure improvements.

Overall Ability of Development to Pay for Infrastructure in Preferred Alternative

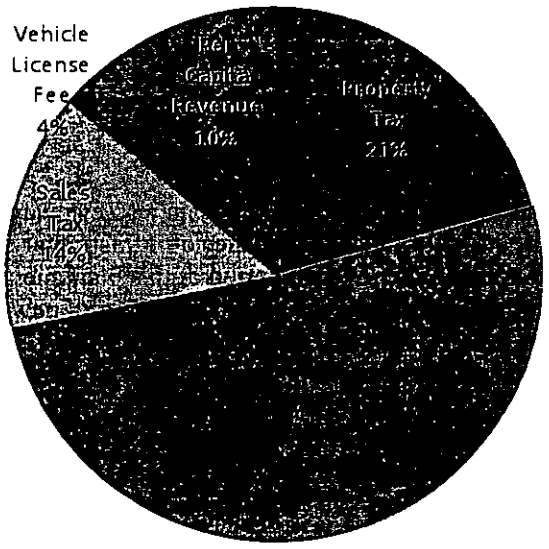
A preliminary cost of infrastructure improvements in the Plan Area, including improvements and expansions of streets and utilities, is estimated to be up to $84 million dollars. The true cost would be much higher, as this figure does not include new parks, environmental remediation, and right-of-way acquisition. However, given that even the more modest figure for streets and utilities is equal to approximately 5 percent of the total value of new development, it is likely that other sources of revenue will be necessary to fully fund the infrastructure and other investments necessary for the success of the Preferred Alternative. This may require the ORA to direct tax increments generated from other portions of the Coliseum RDA toward the Plan Area.

Fiscal Impact of the Preferred Alternative at Build-out

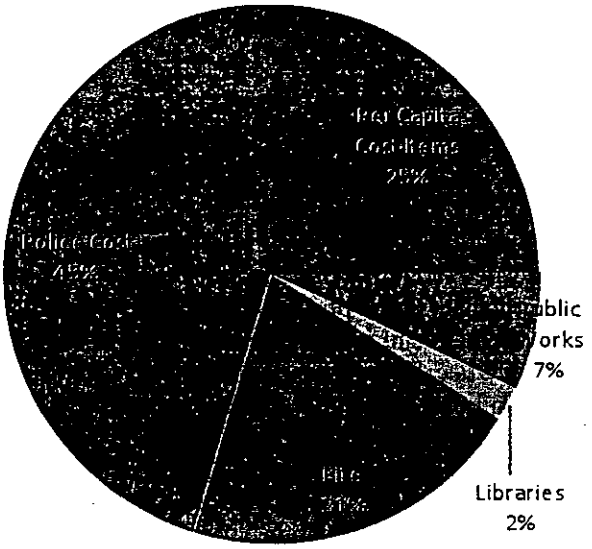
In addition to examining the carrying capacity for capital investments, the consultant team also evaluated the likely fiscal impacts to the City for city services and the operation and maintenance of infrastructure associated with the proposed new development. Over the course of the 25-year period of this plan, the fiscal impact of the preferred alternative will be variable and highly dependent upon the phasing of new development and redevelopment. At build-out (2035), however, it is projected that the plan will be strongly fiscally positive, with marginal revenues to the general fund exceeding marginal expenditures by $1.3 million (2009 dollars). More than 50 percent of this marginal revenue will be derived from the real estate transfer tax, much of which will be driven by the redevelopment of the Owens Brockway site. Nearly 45 percent of the increase in costs will be in the form of increased demands on the police department, which will need to provide significantly enhanced services to an area that currently has a small residential population.

Fiscal Impact of Preferred Alternative at Build-Out (2035)

	Preferred Alternative
Revenues	
Property Tax	$1,439,000
Real Estate Transfer Tax	$3,534,000
Sales Tax	$988,000
Vehicle License Fee	$238,000
Per Capita Revenue	$720,000
Subtotal	$6,919,000
Expenditures	
Per Capita Cost Items	$1,380,000
Public Works	$397,000
Libraries	$116,000
Fire	$1,157,000
Police Cost	$2,523,000
Subtotal	$5,573,000
Net Impact on General Fund	**$1,346,000**



Revenues



Expenditures

The fiscal impact only addresses changes to costs and revenues related to on-going operations and maintenance, not the up-front costs associated with new infrastructure. However, a significant investment in new road construction, demolition, and land remediation will be necessary to support the new development outlined in the plan. While some of this will be funded by developers, much of this investment would need to precede new development, suggesting a source of public infrastructure funding, such as from Oakland Redevelopment Agency (ORA), may be required. Nonetheless, over the course of the 25-year period of the plan, the preferred alternative will yield a significant return to the ORA. From 2010 to 2035, the ORA will collect approximately $82 million in tax increment, including $42 million *that is not part of the required set-aside for schools or housing.*

Total Tax Increment Captured by ORA by year 2035

General Activities	$42,000,000
Housing Set-Aside	$37,000,000
School Set-Aside	$3,000,000
Total	**$82,000,000**

Compared to the three alternatives initially proposed, the preferred alternative has a more positive fiscal impact at build out than both Alternative 2 and Alternative 3, though less positive than Alternative 1. Similarly, the preferred alternative generates more non-set-aside tax increment for the ORA than Alternative 1 and Alternative 2, but less than Alternative 3 ($66,000,000).

Fiscal Impact at Build-Out: Comparison of Alternatives

Alternative 1	$2,700,000
Alternative 2	-$300,000
Alternative 3	$1,000,000
Preferred Alternative	**$1,400,000**

Non-Set-Aside Tax Increment Captured by ORA: Comparison of Alternatives

Alternative 1	$25,000,000
Alternative 2	$29,000,000
Alternative 3	$66,000,000
Preferred Alternative	**$42,000,000**

Alternatives Development

Identifying Potential for Change

The analysis below draws on a range of qualitative and quantitative data to isolate the parcels in the Plan Area that represent the greatest opportunities for change over the short- and long-term horizons. This assessment is based on the physical and economic characteristics of individual properties, with a focus on identifying the sites with the fewest barriers to redevelopment and those that are most likely to support higher intensity uses.

Key findings from this analysis include:

- The majority of parcels in the Central-West Subarea are small and owner-occupied; these are unlikely to be redeveloped in the near future.
- Residential and commercial development opportunities may conflict with employment opportunities. Without protections for their current use, many of the most important employment centers in the Plan Area will also represent major opportunities for redevelopment.
- The largest primary opportunity site is the 27-acre Owen-Brockway site in the Central-East Subarea.
- While Con-Agra is not a primary opportunity site, it has an important influence on the viability of redevelopment on adjacent sites. Con-Agra's rail service and industrial character both act as a buffer against conversion of industrial land and a deterrent to new residential development.
- The highest concentration of opportunity sites is in the East Subarea.
- Opportunity sites will change depending on infrastructure improvements and on the location and type of new development.

Methodology

The Opportunity Sites Assessment began by determining which parcels are NOT likely to be redeveloped (known as "Hard Sites," for the purposes of this analysis). These include parcels on which new buildings have been constructed recently, parcels with highly valuable buildings, parks, schools, and some single family homes.

After the Hard Sites were removed from consideration, the Primary Opportunity Sites were identified. These are sites that, given their physical and economic attributes, are likely to be most attractive to investors interested in converting parcels into more intensive uses. Redevelopment is unlikely to proceed until the regional housing and commercial real estate and national credit markets recover. Furthermore, the amount and type of development interest will depend greatly on the policies enacted in the Plan Area. However, these sites possess characteristics such that they are likely to be seen as strong development opportunities in the near-to-mid term time horizons, even in the absence of redevelopment on adjacent parcels. These were determined by looking at factors such as proximity to the water, parcel size, the character of the buildings, and ownership characteristics.

Finally, a set of Secondary Opportunity Sites were selected. These are properties whose current physical and economic characteristics do not suggest that they represent prime development opportunities. However, these sites generally have at least one of the characteristics that make them attractive for development, as used to identify the Primary Opportunity Sites. In addition, these properties are adjacent either to major arterials or to a cluster of Primary Opportunity Sites. Consequently, these properties may be considered the long-term development opportunities in the Plan Area. Under current conditions, it is

unlikely that they will be redeveloped; depending on the character and extent of redevelopment on Primary Opportunity Sites, however, these parcels may represent the next wave of opportunities.

Sites identified as either opportunity or hard sites by a variety of criteria are indicated on maps included under Appendix A of this report.

Limitations of the Analysis

There are several important caveats to keep in mind when considering the opportunity sites analysis:

- *The analysis does not consider the strength of existing businesses.* Generally, the key opportunity sites are either vacant or feature low-value industrial buildings. Nevertheless, these properties may be associated with businesses that are profitable and that have little desire to relocate. In these cases, the physical and economic characteristics of the parcel may overstate the likelihood of redevelopment.
- *The analysis does not consider cost of environmental remediation.* While thorough environment assessment of parcels has not been completed, it is likely that a significant amount of the soil in the Plan Area has been contaminated by current or past industrial uses. The cost of remediation or mitigation may make development on some parcels infeasible; in other cases, the costs would only be warranted in the context of a relatively large, high density project. These costs and constraints are not factored into this assessment.
- *The potential for particular land uses is highly variable among opportunity sites.* Some sites, such as those adjacent to the waterfront, may be attractive to residential or office developers, but would be dismissed by retail developers as too far from the highway. Conversely, parcels adjacent to the highway might be unappealing to residential developers, due to concerns about exhaust and noise.
- *Opportunity sites will change depending on the final content of the Central Estuary Plan, as well as on the activity of adjacent parcels.* The analysis below assumes no policy constraints in redevelopment to the "highest and best use." The policies outlined in the final plan, however, will steer development toward different uses and locations; this will change which sites represent the greatest opportunities for change. Furthermore, as redevelopment occurs on some sites, the likelihood and character of potential redevelopment will change on nearby parcels.

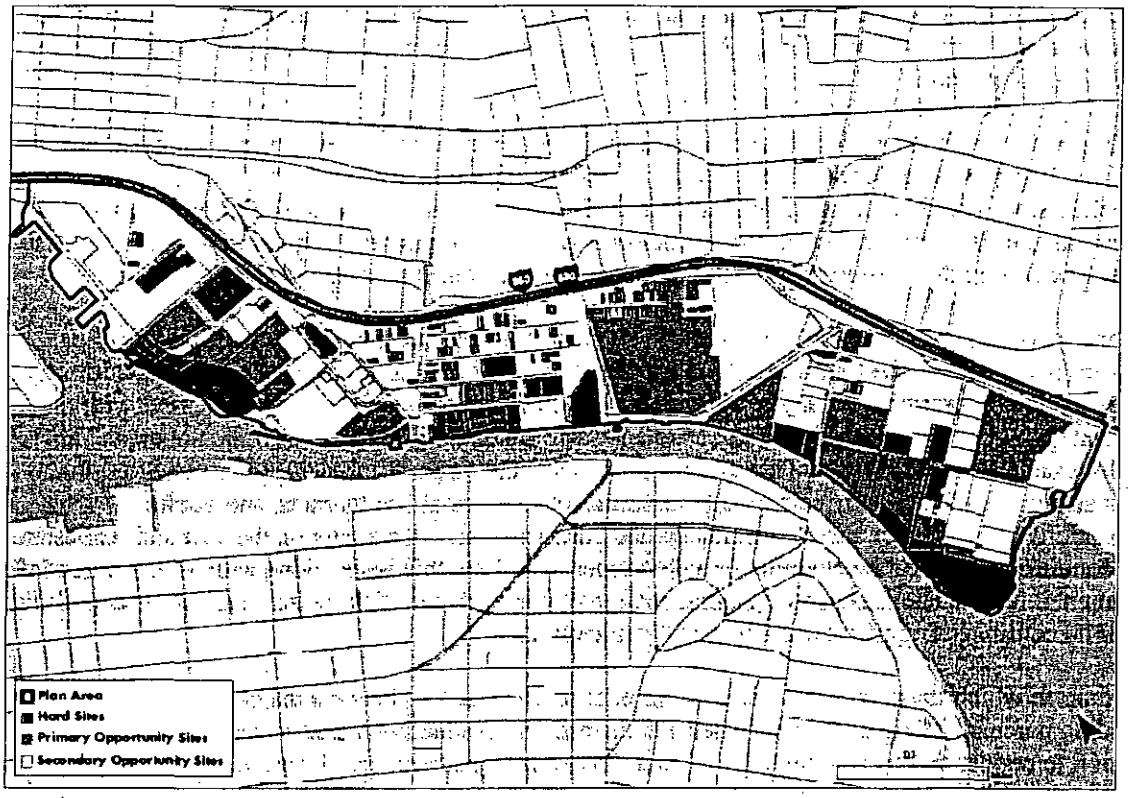
This analysis offers an assessment of what is most likely to be redeveloped, and should not be considered an indication of what should be redeveloped. Many of the opportunity sites identified are currently in use as industrial lands. There may be important reasons for preserving these industrial lands, including the desire to preserve a particular business that is a critical employment engine or goods/services provider for the city and region. The existing user may also be important in supporting a particular industrial cluster in the area or as a contributor to the local tax base. Finally, it may be desirable to preserve these industrial properties in order to foster future businesses. Consequently, while the analysis may indicate that higher intensity uses are possible on these sites, in some cases the existing use may conform better to the goals of the plan. In this sense, the same parcels that would be considered "Opportunity Sites" from the perspective of potential redevelopment could be considered "Vulnerable Sites" from the perspective of preservation. Ultimately, the overall vision for the Plan Area will be the major determinant of which of these *should* host change, and what change they should facilitate.

Hard Sites

Figure 1.2, below, shows the Hard Sites identified in the Plan Area. These parcels include those currently

A particularly important parcel, among these secondary opportunity sites, is the one currently occupied by the **ConAgra** mill. As a thriving business with a strong affinity for its current location, this site is unlikely to be redeveloped in the near future without eminent domain or major changes in local economic or physical conditions. However, much of the potential for change in the surrounding area, paradoxically, depends on this parcel. Currently, it is responsible for the large majority of the demand for the rail spur that runs through the Plan Area- as long as a train is running on those tracks, development potential will be limited. The heavy industrial character of the facility may further limit the potential for new residential development on adjacent parcels. If it were redeveloped, other parcels, including those currently identified as Primary Opportunity Sites, would become more viable; if it were preserved, it would serve as a buffer against the conversion of industrial land in the West Subarea.

Figure 1.4: All Opportunity Sites



Source: Urban Explorer 2009, Strategic Economics 2009

Secondary Opportunity Sites are located primarily in the eastern portion of the Plan Area. In the East-Subarea, few parcels north of Tidewater have the infrastructure, services, or amenities to support anything other than industrial uses. However, if residential or high-density commercial development occurred on opportunity sites south of Tidewater, it would likely push these uses out of the Plan Area. This would likely make parcels north of Tidewater attractive to developers, especially for retail or commercial (which could take advantage of highway visibility). Likewise, the warehouse/industrial character of the West Subarea limits the potential for new office or residential development. If some Primary Opportunity Sites were converted to residential use, however, it would likely draw more neighborhood-serving retail, which would make the Secondary Opportunity Sites more attractive to office users. In each case, a combination of restrictive land use policies and appropriate requirements through mechanisms such as design guidelines for residential and industrial development could provide better interface between new uses and industry and reduce conflicts. Such a case is explored in the south and north of Tidewater areas in Alternative 3, described later in this report.

In addition to properties that met several of these criteria, two additional parcels were considered as Primary Opportunity Sites. The **Owens-Brockway facility** is a large, water-adjacent property that has the potential to anchor a major redevelopment project in the Central-East Subarea. Furthermore, while the 27-acre Owens-Brockway site currently supports approximately 180 jobs, on-site employment has been reduced substantially in recent years and the property has been marketed for sale several times, suggesting that the site may become available in the future. The facility's current employment density of approximately one employee per 5,000 square feet is roughly one-tenth the average for fully occupied, contemporary light industrial space. The **Pacific Gas & Electric-owned lot** is a 19.5-acre parcel in the East Subarea serves functions that are duplicated by other nearby facilities. At the outset of the planning process and after initial discussions with PG&E representatives, it appeared that this large site could become available for partial redevelopment within the Plan's 25-year planning horizon. However, in a letter to staff and testimony at the December, 2009 Planning Commission hearing on the community-preferred alternative, a PG&E representative indicated that redevelopment or more intensive use of the site was not compatible with PG&E's goals. Thus, the site has been removed from consideration as a primary opportunity site.

Due partly to the prevalence of small parcels and hard sites, there are very few Primary Opportunity Sites within the Central-West Subarea. The exception to this is the majority of the block bounded by Ford, Glasscock, Derby, and Peterson Streets. There is evidence that these parcels are being aggregated for development and they are directly adjacent to several recently constructed condominium projects; these will likely be among the first properties redeveloped once the housing market recovers.

Much larger Primary Opportunity Sites exist in the West and East Subareas. These, along with the Owens-Brockway site in the Central-East Subarea, occupy a major portion of the Plan Area. Currently, the redevelopment potential of many of these parcels is limited by the existing infrastructure, with the quality and quantity of streets inadequate for non-industrial uses, especially in the East Subarea. This is especially true in the area south of Tidewater, which has many larger Primary Opportunity Sites, but which is also distant from many community amenities (such as retail, restaurants, and public transportation) and lacks a complete road/sidewalk infrastructure. Depending on the cost and real estate market conditions, it might be possible for a developer to address this issue, along with as any potential environmental remediation, as part of a larger redevelopment project. Otherwise, redevelopment of this area will be contingent upon publicly-financed improvements.

The manner in which these properties are (or are not) redeveloped will have a major impact on surrounding parcels. Many of the properties are currently in productive industrial use, and their conversion to residential or commercial uses will make additional residential uses more attractive for adjacent sites, while making industrial uses less viable. Conversely, the decision to preserve industrial land will limit the provision of the infrastructure necessary to support additional residential or commercial uses. Thus, the question of whether Opportunity Sites should be redeveloped or preserved should be evaluated with an understanding of the potential consequences on surrounding uses.

Secondary Opportunity Sites

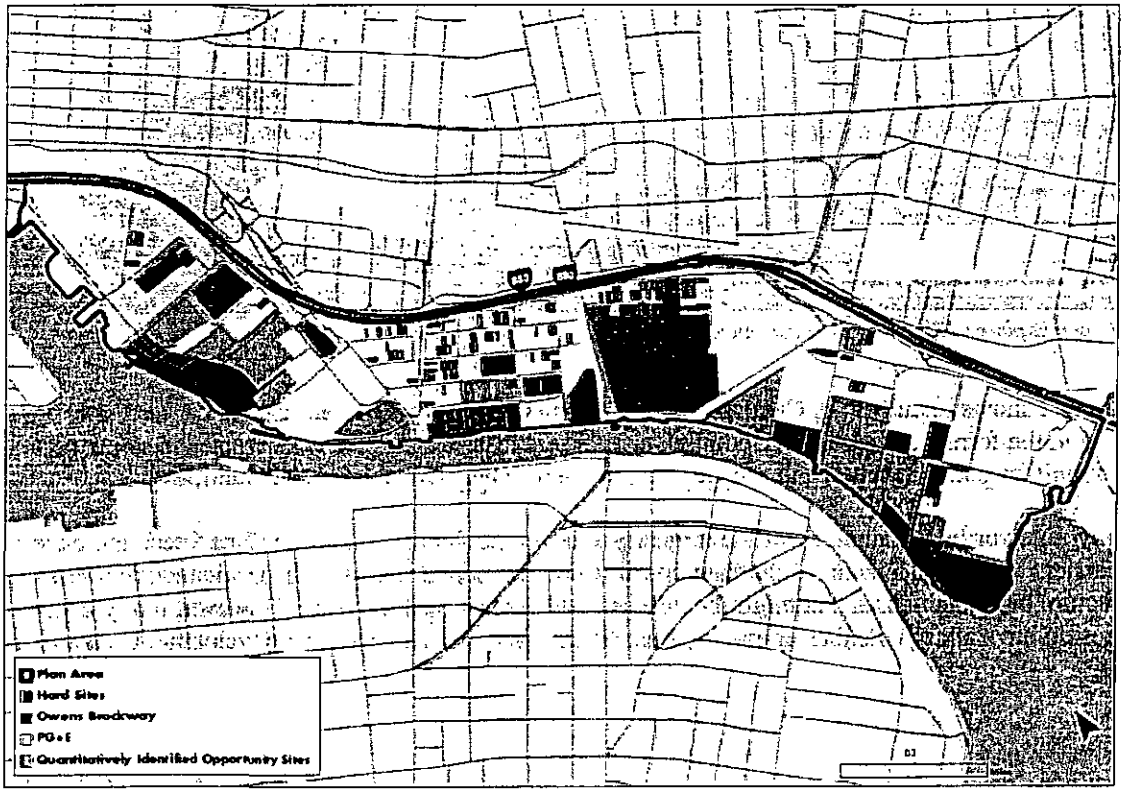
The Secondary Opportunity Sites, shown in Figure 1.4, below, were identified in a more qualitative manner than the Primary Opportunity Sites. Secondary sites are ones that are more likely to redevelop only if neighboring uses change. While key barriers to development were considered (whether the parcel is vacant or occupied, whether the property is owner-occupied, etc.), these were largely selected as a function of their adjacency to Primary Opportunity Sites. If the Primary Opportunity Sites are to be successfully redeveloped into higher intensity uses, the industrial uses on the Secondary Opportunity Sites would become less viable. Thus, these properties would be expected to become good opportunities for redevelopment, albeit over a longer time horizon than the Primary Opportunity Sites.

Primary Opportunity Sites

Figure 1.3, below, shows the Primary Opportunity Sites that emerged from a quantitative assessment of parcels within the Plan Area. Factors considered in determining that a parcel would be more easily developed included:

- Parcel size (parcels larger than an acre represent a greater opportunity);
- Ownership (Limited Liability Corporations, Trusts, and owners with more than one property in the area are more likely to entertain offers by developers);
- Recent transactions (owners that purchased properties since 1999 may be more interested in redevelopment);
- Improvements to Land Value Ratio (properties with ratios of 0.5 or below are either vacant or have relatively low-value buildings, and thus may be more easily redeveloped); and
- Water- or park-adjacency (properties facing these amenities may command a premium if placed in residential or commercial use).[3]

Figure 1.3: Primary Opportunity Sites

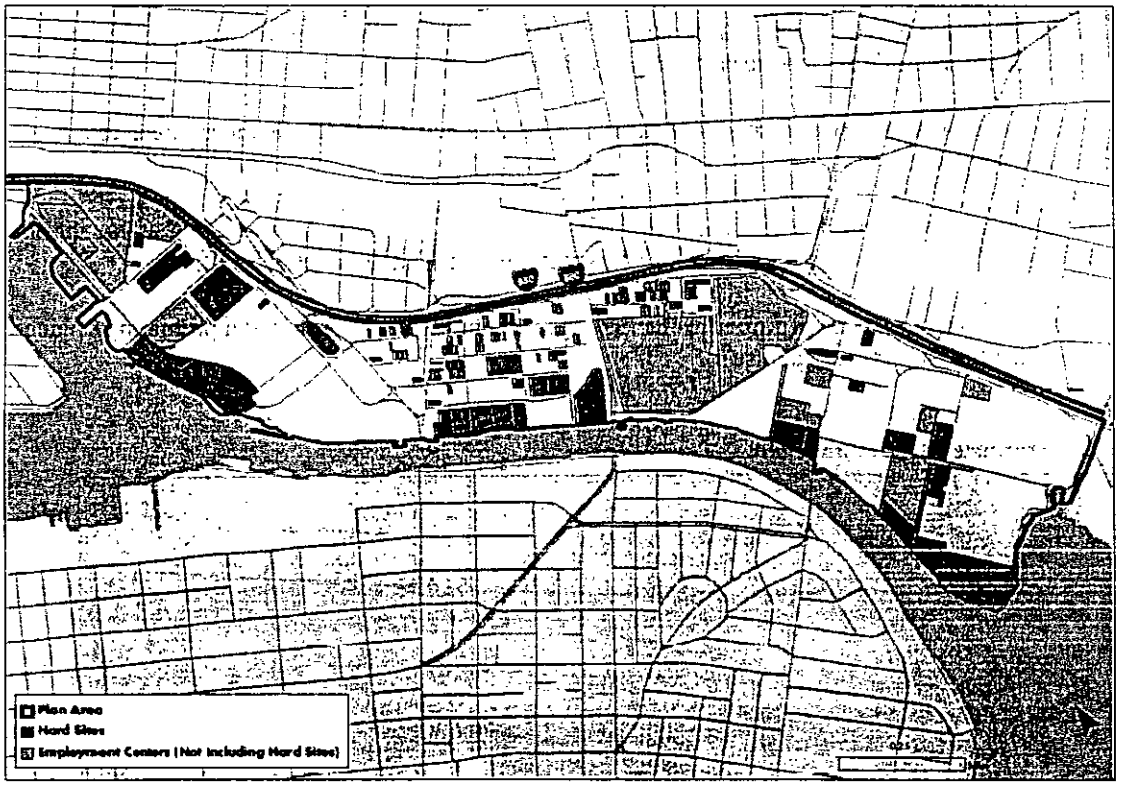


Source: Urban Explorer 2009, Strategic Economics 2009

[3] Maps of these individual characteristics within the Plan Area can be found in Appendix C.

in use as parks, schools, or single family homes;[1] those with an Improvements to Land Value Ratio of 4 or more; and those on which a new building has been constructed since 1999.[2] Also considered in this analysis are parcels that currently host a large amount of employment. While these parcels are not less likely to be viewed as opportunity sites from the perspective of potential developers, they may receive special consideration for protection, given the value of their current use.

Figure 1.2: Hard Sites and Employment Centers



Source: Urban Explorer 2009, Strategic Economics 2009

As Figure 1.2 shows, much of the Central-West Subarea is composed of small, disjointed hard sites (primarily in the form of single family homes), and larger clusters along the waterfront. These properties consist mainly of parks, schools, and recently constructed or high-value industrial facilities.

Especially noteworthy is that many of the largest parcels in the Plan Area are not Hard Sites, and pose no major barriers to redevelopment, aside from possible environmental remediation or whatever changes in infrastructure or adjacent uses that might be necessary to support specific uses. However, many of these properties do have a large number of on-site jobs, which might be displaced if redevelopment were to take place.

[1] Excluded from the list of hard sites are residential properties where the owners control multiple parcels or are Limited Liability Corporations (LLCs) or Trusts- these are indications these owners are more profit-oriented than other homeowners.

[2] Maps of these individual characteristics within the Plan Area can be found in Appendix A.

Infrastructure Financing of Preferred Alternative

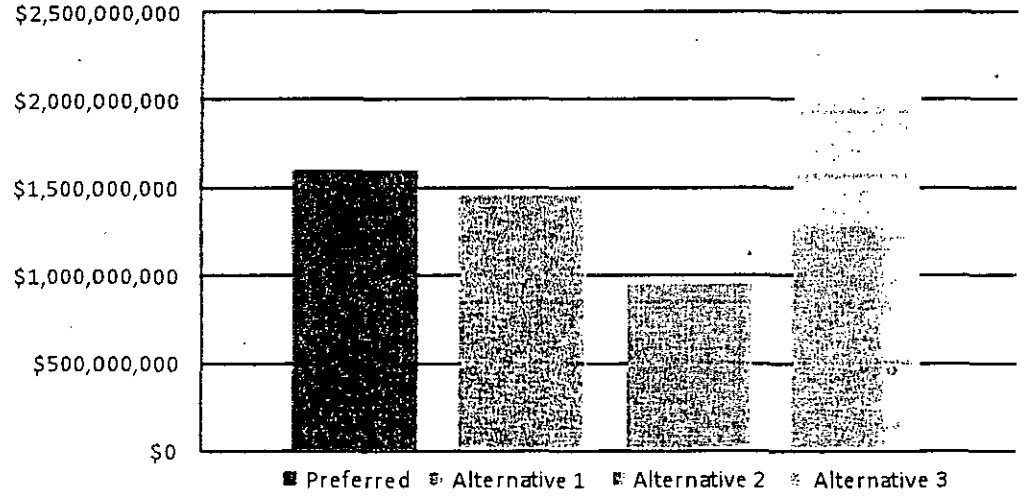
Much of the success of new development outlined in the preferred alternative is dependent on the implementation of new infrastructure, including new roads, streetscape improvements on existing roads, parks, and expansion/enhancement of utilities. Because these improvements are a direct benefit to local land owners, it is common to finance these through Community Facilities Districts (CFDs), where an annual fee is placed on property and contributes to the on-going development and maintenance of infrastructure. In addition, infrastructure is often financed through exactions from new development in the form of impact fees, developer agreements, and community benefits agreements. In the case of new roads providing access and circulation within large parcels, it is likely that developer agreements would be the primary mechanism for financing new infrastructure. However, other off-site infrastructure improvements, such as expansion or retrofitting of existing fire station facilities outside of the study area, will require alternative indirect financing mechanisms such as CFDs or impact fees.

Once the preferred alternative is finalized, detailed development and infrastructure financing plans that set forth the timing and amount of infrastructure funding derived from the land use changes will be developed. At this stage, as the preferred alternative is being refined and finalized, its ability to self-finance needed infrastructure improvements can only be roughly estimated. The analyses below compare the preferred alternative to the initial plan alternatives in order to assess the relative ability for this development program to finance necessary infrastructure and capital improvements.

Comparison of Projected Assessed Value of Alternatives

One means of comparing the relative ability of the preferred alternative to self-finance infrastructure improvements is by assessing the total value of new development in each alternative (Figure 1). This method assumes that there is a fixed percentage of the total value that may be captured through exactions or community assessment districts while enabling the development to be financially feasible to build. The higher the value of development, the more money will be available for infrastructure.

Figure 1: Total Value of New Development (2009 Constant Dollars)



Source: Strategic Economics, 2009.

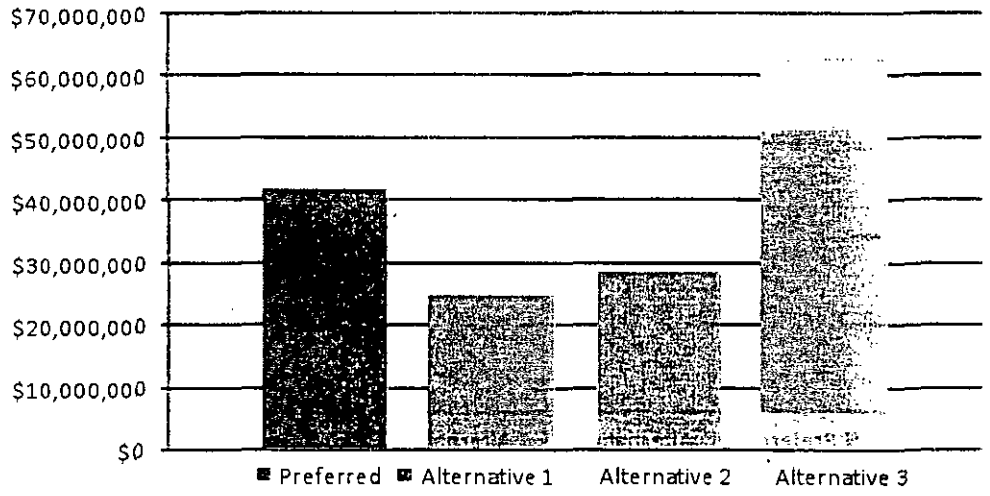
Under this method, with a total value of development of $1.6 billion, the preferred alternative has the potential to generate more funding for infrastructure than two of the three plan alternatives; only Alternative 3, which has the greatest intensity of residential development and industrial land conversion, has a higher value. However, the ability for the preferred alternative to finance infrastructure is heavily predicated on the redevelopment of the current Owens-Brockway site into residential use. The development on that site represents 47 percent of residential units proposed in the plan; retaining the site in industrial use would reduce the total value of new development by 34 percent (to $1.1 billion), even if it were able to successfully redeveloped into a industrial business park as outlined in Alternative 1.

This method only provides a rough means of comparison and does not account for the effect that exactions may have on the feasibility of development- regardless of its total potential value; if a project is only marginally profitable, the size of the impact fee may delay or deter development. Because much of the new development requires infrastructure to be in place before it will be successful, the timing may preclude the use of impact fees to construct these improvements.

Comparison of Projected Tax Increment Generated by Alternatives

Another means of assessing the relative ability of each alternative to pay for infrastructure is measuring the total tax increment that will accrue to the Coliseum Redevelopment Area as a result of new development that is not set aside for non-infrastructure uses such as affordable housing or schools. The total value of non-reserved tax increment provides a sense of how much additional bonding capacity could be generated from new development (assuming this bonding capacity is not limited, or spoken for by other Redevelopment projects). This source has the virtue of not placing an additional burden on development, meaning that developer contributions could either be lowered to enhance feasibility or directed to other investments. In addition, because the ORA has the ability to use this increment to leverage bond financing, it is somewhat less dependent on the timing of development (although it will require a steady stream of debt financing revenue be generated from somewhere in the larger Redevelopment Area).

Figure 2: Total Value of Non-Reserved Tax Increment from New Development (2009 Constant Dollars)



Source: Strategic Economics, 2009.

Figure 2, above, shows how this portion of the tax increment financing (TIF) revenue in the preferred alternative compares to the three initial plan alternatives. This shows that, again, the preferred alternative provides more revenue to the Oakland Redevelopment Agency (ORA) that could be used to finance infrastructure than two of the three alternatives. However, as with the total value of development, this is largely dependent on the conversion of the Owens-Brockway site to residential use. With that land use change, the preferred alternative would generate approximately $42 million in non-set-aside TIF; this is reduced almost by half, to $22 million, if the site is instead redeveloped as an industrial business park in the model of Alternative 1.

Regardless of these rough comparisons, the actual ability of development to pay for infrastructure depends on several factors not yet determined: 1) the profitability of new development, 2) the cost and phasing of new infrastructure, 3) which components of the infrastructure will be paid for by the RDA, and 4) whether infrastructure will be supported by one-time exactions, an on-going community facilities district, or both. By looking at the physical placement of new infrastructure, one can determine if developer agreements make the most sense (as improvements would be on or adjacent to new development sites), or if a CFD, RDA, impact fee, or other collective source of revenue across multiple property owners is necessary to finance infrastructure improvements.

Overall Ability of Development to Pay for Infrastructure in Preferred Alternative

A preliminary cost of infrastructure improvements in the Plan Area, including improvements and expansions of streets and utilities, is estimated to be up to $84 million dollars. The true cost would be much higher, as this figure does not include new parks, environmental remediation, and right-of-way acquisition. However, given that even the more modest figure for streets and utilities is equal to approximately 5 percent of the total value of new development, it is likely that other sources of revenue will be necessary to fully fund the infrastructure and other investments necessary for the success of the Preferred Alternative. This may require the ORA to direct tax increments generated from other portions of the Coliseum RDA toward the Plan Area.

Fiscal Impact of the Preferred Alternative at Build-out

In addition to examining the carrying capacity for capital investments, the consultant team also evaluated the likely fiscal impacts to the City for city services and the operation and maintenance of infrastructure associated with the proposed new development. Over the course of the 25-year period of this plan, the fiscal impact of the preferred alternative will be variable and highly dependent upon the phasing of new development and redevelopment. At build-out (2035), however, it is projected that the plan will be strongly fiscally positive, with marginal revenues to the general fund exceeding marginal expenditures by $1.3 million (2009 dollars). More than 50 percent of this marginal revenue will be derived from the real estate transfer tax, much of which will be driven by the redevelopment of the Owens Brockway site. Nearly 45 percent of the increase in costs will be in the form of increased demands on the police department, which will need to provide significantly enhanced services to an area that currently has a small residential population.