

**CITY OF OAKLAND/OAKLAND REDEVELOPMENT AGENCY**

2006 SEP 28 PM 3:30

*Agenda Report*

TO: Office of the City Administrator/Agency Administrator  
ATTN: Deborah A. Edgerly  
FROM: Community and Economic Development Agency  
DATE: October 10, 2006

**RE: City and Redevelopment Agency Ordinances and Resolutions Amending the Central City East Redevelopment Plan and the Oak Knoll Redevelopment Plan to (1) Merge the Project Areas for Fiscal Purposes; (2) Merge the Affordable Housing Production Requirements for the Two Project Areas Subject to Limitations and Conditions; (3) Raise the Tax Increment Limit for Oak Knoll; (4) Raise the Bonded Indebtedness Limit for Oak Knoll; (5) Update the Oak Knoll Land Use Map to Conform to the General Plan; (6) Expand the List of Authorized Public Improvements for Oak Knoll; and (7) Change Text References in the Oak Knoll Plan to the "Reuse Plan" to the "General Plan," and Make Other Text Changes.**

**Redevelopment Agency Resolution Adopting the 2006-07 to 2010-11 Implementation Plan for the Oak Knoll Redevelopment Project**

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**SUMMARY**

The City Council and the Redevelopment Agency are requesting approval of amendments to the Central City East and Oak Knoll Redevelopment Plans to merge the Project Areas for fiscal purposes and limited affordable housing production requirements. Specific amendments to the Oak Knoll Redevelopment Plan are also proposed to raise the tax increment limit, raise the bonded indebtedness limit, update the land use map to conform to the Land Use and Transportation Element (LUTE), expand the list of authorized public improvements; change "Reuse Plan" text references to the "General Plan;" and make other technical text changes. Staff is also proposing the adoption of a new Implementation Plan for the Oak Knoll Redevelopment Project Area for the 5 year period of Fiscal Years 2006-07 to 2010-2011.

The Redevelopment Agency authorized staff to proceed with the process of merging the Central City East Redevelopment Project and the Oak Knoll Redevelopment Project per Resolution No. 2005-0051 C.M.S. passed in August 2005. Redevelopment Law requires that amendments to the Oak Knoll Redevelopment Plan and Central City East Redevelopment Plan are necessary in order to merge the financial provisions. However, in April 2006, prior to the Joint City Council and Redevelopment Agency Public Hearings, the final step in the Redevelopment Plan Amendment process, staff postponed the completion of the merger action to address community concerns and obtain additional community input.

Deborah A. Edgerly

Re: Merger of the Oak Knoll and Central City East Redevelopment Projects Page 2

Since April 2006, staff has been working with SunCal Companies, the Oak Knoll master developer/property owner, the surrounding Oak Knoll community and the Central City East Oakland Project Area Committee (PAC) regarding their concerns about merging the two redevelopment areas. As a result of this interactive process and community input, staff recommended that the fiscal merger process be expanded to include additional Redevelopment Plan amendments.

On September 12, 2006, the Redevelopment Agency ratified the August 8, 2006 Summer Recess action: ORA Resolution No. 2006-062 which amended the 2005 authorization to include the preparation of the additional proposed amendments for the Oak Knoll and Central City East Redevelopment Plans. Staff was also authorized to transmit a Statement of Preparation of Plan Amendments to the County of Alameda, other Taxing Entities, and the State of California.

The proposed amendments to both Plans will (1) merge the Project Areas for fiscal purposes; and (2) merge the affordable housing production requirements for the two Project Areas under limited circumstances. The amendment to the Oak Knoll Redevelopment Plan will raise the tax increment limit from \$87 million to \$1.5 billion, raise the bonded indebtedness limit from \$21.5 million to \$400 million, update the land use map to conform to the LUTE, expand the list of authorized public improvements, change text references to the "Reuse Plan" to read the "General Plan," and make other text changes.

The merger actions will provide the Redevelopment Agency the flexibility to fund redevelopment activities in a larger area and thus make greater impact. The increase in the tax increment and bond debt limits for the Oak Knoll Project will provide additional revenues needed to eradicate blight in the Central City East Project Area. Staff anticipates that most of the benefits of the increase in the tax increment cap bonded indebtedness for the Oak Knoll Project will accrue to the Central City East Project in terms of future funding. 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 the intent of either Plan to eliminate blighting conditions.

On August 28, 2006, the Central City East Project Area Committee voted to recommend the proposed limited merger. On September 20, 2006, the Planning Commission, reviewed the proposed amendments, and made its required finding that the amendments are in conformance with the General Plan, and recommends that the Redevelopment Agency and the City Council adopt the proposed amendments.

The City Council and the Redevelopment Agency are asked to approve the proposed amendments to the Oak Knoll and Central City East Redevelopment Areas and adopt a new Implementation Plan for the Oak Knoll Redevelopment Project for the period of FY 2006-07 to 2010-2011. On October 31, 2006, the City Council and Redevelopment Agency will hold a Joint Public Hearing on the proposed Amendments and proposed Implementation Plan in accordance with California Redevelopment Law ("CRL").

Item No. \_\_\_\_\_

Community & Economic Development Committee

October 10, 2006

After closing the public hearings on these matters, the Redevelopment Agency will consider the adoption of resolutions approving amendments to each Redevelopment Plan and the adoption of the new Five Year Implementation Plan for Oak Knoll. The City Council will consider the first reading of ordinances adopting the proposed amendments to both Plans. The second reading of the ordinances will be held on December 5, 2006.

### **FISCAL IMPACT**

The proposed actions do not require any expenditure by the Redevelopment Agency or City of Oakland. The proposed actions will permit the Redevelopment Agency in the future to fiscally merge the Oak Knoll and Central City East Redevelopment Areas and thus provide the Agency greater financing abilities to support redevelopment efforts in the future.

Section 33352 (e) of the CRL provides that the Report to City Council on a merger amendment 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. The Report to the Council on the proposed merger (attached) includes an assessment of economic feasibility of the merger. Economic feasibility, for purposes of this analysis, is defined to be "a comparative analysis of anticipated costs for implementation of the merged project area 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 Exhibit 5 of the Final Report. 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 Exhibits 6 and 7 of the Final Report to Council.

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. The identified redevelopment programs are assumed to be funded solely from future tax increment revenues anticipated from the Merged Project Area.

As part of the amendment, the Agency is also proposing to increase the tax increment limit and the bonded indebtedness limit for the Oak Knoll Redevelopment Plan. The existing tax increment limit of \$87 million and bond limit of \$21.5 million set in 1998 were based upon significantly lower land and building values than are now being realized eight years later. Without increasing the limits, the Agency will receive a much smaller portion of the projected tax increment from Oak Knoll than is needed to expedite redevelopment of the Central City East Redevelopment Project. 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 without the increase in both limits.

Under the proposed action, the tax increment limit would be increased by amending the Oak Knoll Redevelopment Plan. As proposed, the projected gross total tax increment revenues for the Oak Knoll Project Area amounts to \$1.3 billion, of which \$328.1 million would be required for deposit into the Low and Moderate Income Housing Fund and applied towards affordable housing programs, and \$386.3 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 \$598.1 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 over its forty-five (45) year term.

The projected gross total tax increment revenues for the Central City East Project Area amounts to \$5,276 billion, of which \$1,318 billion would be required for deposit into the Housing Fund and applied towards affordable housing programs, and \$1,652 billion 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 approximately \$2,342 billion.

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 needed community services and facilities in both Project Areas, to provide funding for the development, rehabilitation and homeownership opportunities 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.

Included in the *Final Report To Council* is the new Implementation Plan for the Oak Knoll Redevelopment Project, which covers proposed redevelopment activities consistent with the goals and objectives of the Oak Knoll Redevelopment Plan. It incorporates proposed expenditures during FY 2006-2011, the Five Year term of the Implementation Plan, when the primary public improvements will be developed. The additional funds that will accrue to the Central City East Redevelopment Project will be dedicated to their goals and objectives in the CCE Implementation Plan in which nine major activities have been identified by the CCE PAC and the Redevelopment Agency.

The economic feasibility of the financing plan includes the Agency's consideration to issue \$29 million in tax allocation bonds during the fifth year of the five-year implementation plan period. Together with \$8 million in tax increment received during this five-year period, the total projected available funds of approximately \$37 million during the FY 2006-2011 implementation plan period would be allocated to provide \$26 million for use in the Oak Knoll Project Area and \$11 million for use in the Central City East Project Area. After the initial five years, it is projected that the Oak Knoll project will receive tax increment funds for debt service on the \$29 million bond and approximately 10% of the net tax increment revenues for on-going improvements. The Central City East Redevelopment Project will receive approximately 90% of

the net tax increment revenues to support efforts to eradicate blight in this large area. It is estimated that the bond will be paid off in 2025, at which time blight within the Oak Knoll Project area should have been abated, and 100% of the net tax increment will then be applied to redevelopment activities in the Central City East Redevelopment Area. At no time will funds from the Central City East Redevelopment Project Area be utilized in the Oak Knoll Project. Allocation of funds between the two areas during the life of each redevelopment plan is subject to adoption of successive five-year implementation plans.

## **BACKGROUND**

The Redevelopment Agency had previously authorized staff to proceed with the process of merging the Central City East Redevelopment Project and the Oak Knoll Redevelopment Project for fiscal purposes per ORA Resolution No. 2005-0051 C.M.S. passed in August 2005. In April 2006, staff requested that the City Council and Redevelopment Agency reschedule the merger actions to allow for more community meetings and coordination with SunCal Development Company, the owner of most of the property in Oak Knoll Project Area. Staff has conducted several community meetings with the Oak Knoll community and with the Central City East Project Area Committee (CCE PAC). The CCE PAC, which had already recommended the fiscal merger in January 2006, was presented the additional amendments on July 10, 2006, and on August 28, 2006, recommended adoption of the additional Plan amendments. A meeting was held with the surrounding Oak Knoll community on December 15, 2005 related to the fiscal merger, and, in coordination with SunCal, two additional meetings were held on July 12 and July 26, 2006. As a result of these discussions, the City Council and Redevelopment Agency have authorized staff to proceed with the preparation of several additional Plan Amendments related to the merger of the two Redevelopment Areas and necessary updates to the Oak Knoll Redevelopment Plan by Resolution No. 2006-0062.

### **California Community Redevelopment Law Requirements**

The CRL (Health and Safety Code Section 33485 through 33489) allows for merger of redevelopment project areas, including noncontiguous areas. The statute allows the tax increment revenue generated by each project area that is merged to be allocated anywhere within the entire merged project area. The statement of legislative intent in the merger statute provides that mergers are desirable as a matter of public policy if they result in substantial benefit to the public, and if they contribute to the revitalization of blighted areas through increased economic vitality of such areas and through increased and improved housing opportunities in or near such areas.

The CRL requires that when a Redevelopment Agency proposes to amend a redevelopment plan to merge redevelopment projects, the Agency generally must follow the same procedures it would for the adoption of a new redevelopment plan, which includes a report and recommendation on the proposed amendment by the City Planning Commission. However, a merger amendment does not require re-establishing the existence of blight conditions or demonstrating that significant blight remains within the merged project areas. In addition, a merger does not require the preparation of certain documents and certain actions that are

Item No. \_\_\_\_\_

Community & Economic Development Committee

October 10, 2006

required when adopting a new redevelopment plan, such as the preparation and adoption of a preliminary plan establishing the project area boundaries.

Section 33354.6 of the Health and Safety Code allows an agency to adopt a plan amendment to increase the limitation of the amount of tax increment revenues allocated to the agency, and Section 33450, et seq., authorizes other plan amendments.

In accordance with the California Redevelopment Law the Redevelopment Agency notified all affected taxing entities regarding the adoption of the proposed merger per the consultation process required by Section 33328, *et. seq.* of the CRL. Fifteen affected taxing agencies, including the County of Alameda, and the State Board of Equalization have been notified of the City's intent to adopt the merger amendments. None of the affected taxing agencies, as of the writing of this report, has contacted staff to express concerns or opposition to the merger action.

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. On September 20, 2006, the Planning Commission received, discussed and adopted its report and recommendations on the proposed amendments. The Commission found the amendments in conformance with the General Plan and approved recommending that the Agency and City Council approve the merger amendments.

Per Section 33448 of the CRL, staff notified the State Department of Housing and Community Development that the Agency is proposing the merger.

On October 31, 2006, a joint public hearing of the City Council and the Redevelopment Agency will be held to hear testimony of all parties and to adopt the Plan amendments and approve the updated Oak Knoll Project Area Implementation Plan. The CRL stipulates the noticing requirements for the joint public hearing, which have been followed for this public hearing. If written objections to the proposed amendments are submitted prior to this hearing, those objections will be responded to prior to the second reading of the ordinances. The Plan amendments will be adopted upon the second reading of the ordinances, which is scheduled for December 5, 2006.

### **Report to the City Council ("Final Report")**

The Report to the City Council ("Final Report") has been prepared by the Redevelopment Agency to fulfill requirements of the Community Redevelopment Law (Health and Safety Code Section 33000 *et. seq.*), and is attached to this staff report. 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.

## **PROPOSED REDEVELOPMENT PLAN AMENDMENTS**

Resolution No. 2006-0062 C.M.S. authorizing the amendment of Resolution No. 2005-0051 to include the preparation of additional Oak Knoll and Central City East Redevelopment Plan Amendments. The proposed Plan Amendments will:

1. Merge the Central City East and Oak Knoll Project Areas for fiscal purposes; and
2. Merge some of the affordable housing production requirements for the Central City East and Oak Knoll Project Areas under limited circumstances, as set forth below.

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

3. Increase in the tax increment limit from \$87 million to \$1.5 billion;
4. Increase in the bonded indebtedness limit from \$21.5 million to \$400 million;
5. Update the Oak Knoll Land Use Map to conform to the General Plan
6. Expand the list of authorized public improvements for Oak Knoll

7. Change "Reuse Plan" text references in the Oak Knoll Plan to "General Plan," and make other text changes.

Additionally staff recommends the adoption of the new Implementation Plan for the Oak Knoll Project Area for the period of Fiscal Years 2006-2011.

### **1. Merge the Central City East and Oak Knoll Project Areas for Fiscal Purposes**

Under California redevelopment law, a Redevelopment Agency is authorized to combine two established project areas into one large project area. The Agency can also authorize that certain programs of two redevelopment areas be combined. A merger is accomplished by adopting formal amendments to both redevelopment plans through an open public process.

The fiscal merger will allow tax increment revenue from the Oak Knoll Project Area to fund redevelopment in the Central City East Project Area, thus allowing the Redevelopment Agency to leverage the financing tools available in both Project Areas. However, no tax increment generated from the Central City East Redevelopment Project Area may be utilized for projects or programs within the Oak Knoll Redevelopment Project Area.

The fiscal merger will provide the opportunity for tax increment revenue from the Oak Knoll Redevelopment Project Area to be allocated to the Central City East Redevelopment Project Area to expedite the revitalization of blighted areas in Central City East. This will result in the increased economic vitality of the Central City East Project Area, and increased and improved housing opportunities in or near the Central City East Redevelopment Project Area, thereby resulting in a substantial benefit to the public. With the merger, the Agency will support the redevelopment of the Oak Knoll Redevelopment Project Area through assistance in funding public benefit improvements on and adjacent to the Project Area.

The fiscal merger will support programs and projects identified by the Central City East Project Area Committee and are in line with the Central City East Five Year Implementation Plan: (1) An affordable housing program; (2) a retail tenant and commercial recruitment program; (3) a façade improvement program; (4) a historic preservation program; (5) a major employer incentive program; (6) a land assembly and relocation program; (7) a community facilities program; (8) a public/private development program; and (9) an infrastructure improvement program.

The proposed programs and projects for the Oak Knoll Project Area developed in conjunction with the surrounding Oak Knoll community 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. The proposed new Five Year Implementation Plan for the Oak Knoll Redevelopment Project Area covers fiscal years 2006-07 to 2010-2011.



**2. Merge some of the affordable housing production requirements for the Central City East and Oak Knoll Project Areas under limited circumstances**

California redevelopment law also contains an affordable housing production requirement, whereby 15% of the total new and substantially rehabilitated housing units developed in a redevelopment project area over a ten-year period must be dedicated to very low and low and moderate income households. This means that approximately 144 units for very low and low and moderate income households are required for the Oak Knoll development based on information obtained from SunCal's Planned Unit Development application. As part of the discussions with the Oak Knoll community, Central City East PAC and the developer, concern was raised about the affordable housing requirements for Oak Knoll. Through extensive discussions, the interested parties have developed a proposal that will meet the affordable housing requirements for the Oak Knoll Project, assist the Central City East PAC in funding a less restrictive home ownership program in their Project Area and provide considerably more funding to the Citywide Low and Moderate Income Housing Fund through a greater allocation of the Oak Knoll housing funds (25% of tax increments).

The Central City East Project Area has a surplus of 134 affordable housing units over what is required by law for the CCE project area over the current 10 year requirement. If the housing production requirements of the two plans are merged, CCE could allocate or "sell" Oak Knoll the right to count the Central City East's Project Area surplus affordable housing units to satisfy the Oak Knoll requirements. If credit for these affordable units were to be "sold" to Oak Knoll, then Central City East could receive a payment for the value of these units. The payment would not be linked to affordable housing and could be used by Central City East for any redevelopment project, including a first time buyers program or rental rehabilitation with fewer restrictions than if funded using Low and Moderate Income Housing money.

In order to allow CCE to benefit from the "sale" of surplus affordable housing, the two redevelopment plans need to be amended to merge affordable housing production requirements. Such a merger is proposed, with conditions that require: 1) Payment to CCE for use of surplus affordable housing credits; 2) provide that no affordable housing would be built in CCE to satisfy Oak Knoll requirements, thereby providing CCE with financial benefit and a protection against construction of more affordable housing to satisfy needs outside of its plan area. Any allocation of surplus housing units from CCE to Oak Knoll would have to be specifically approved by Agency resolution.

If excess Central City East affordable units are allocated to Oak Knoll, the Agency must compensate Central City East Redevelopment funds from Oak Knoll redevelopment funds for any allocation of surplus affordable housing units to Oak Knoll. The amount of compensation per allocated unit will be the average Agency per-unit subsidy for developing affordable housing based on the average Agency subsidy provided through the Agency's most recent Notice of Funding Availability (NOFA) process or other affordable housing funding process at the time of the allocation. In the last Notice, the average Agency subsidy was \$160,000 per unit. The amendment requires that the compensation must come from non-housing Oak Knoll tax increment funds. The Agency may also accept contributions from

redevelopers in the Oak Knoll Project Area to fund such compensation. Any such funds must be used exclusively within the Central City East 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.

### **Oak Knoll Redevelopment Plan Amendments**

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

#### **3. Raise the Tax Increment Limit for Oak Knoll from \$87 million to \$1.5 billion**

As part of the amendment, the Agency is also proposing to increase the tax increment limit for the Oak Knoll Redevelopment Plan over the 45 year life of the Oak Knoll Redevelopment Project. The existing tax increment limit of \$87 million and bond limit of \$21.5 million set in 1998 were based upon significantly lower land and building values than are now being realized eight years later. Without increasing the limits, the Agency will receive a much smaller portion of the projected tax increment from Oak Knoll than is needed to expedite redevelopment of the Central City East Redevelopment Project. 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 without the increase in the limits.

#### **4. An increase in the bonded indebtedness limit from \$21.5 million to \$400 million**

The increase in bonded indebtedness, from the 1998 limit of \$21.5 million to \$400 million, will allow the Agency to seek bond financing in a substantially higher amount if necessary.

#### **5. Update the Oak Knoll Land Use Map to conform to the General Plan**

##### **All references to the "Reuse Plan" will be changed to the "General Plan"**

The map in the current oak Knoll Redevelopment Plan is obsolete and the proposed amendment will be to replace the map with a current land use map that conforms to the General Plan.

#### **6. The list of authorized Oak Knoll public improvements will be updated**

Redevelopment law requires that a redevelopment plan include a list of public improvements that could be funded by redevelopment funds. The existing list attached to the Oak Knoll plan limits the Agency's ability to fund public improvements in the area. The proposed new list allows the Agency to fund a wider range of public improvements, and is consistent with the list of public improvements attached to the CCE plan and other redevelopment plans recently adopted in Oakland. The proposed list does not commit the Agency to fund any particular public improvement projects.

**7. Change “Reuse Plan” Text References in the Oak Knoll Plan to “General Plan,” and Make other Text Changes**

The change in references from the “Reuse Plan” to “General Plan” is necessary for accuracy purposes, to reflect current land use planning policy as set forth the General Plan Land Use and Transportation Element (LUTE); these changes do not involve any change to any approved or previously adopted plan. The General Plan superseded the Reuse Plan when it was adopted in 1998.

Additionally staff recommends the adoption of the new Implementation Plan for the Oak Knoll Project Area for the period of Fiscal Years 2006-2011.

**Oak Knoll Implementation Plan**

The current implementation plan for Oak Knoll is out of date. A new implementation plan must be adopted for the Agency to take any actions such as expenditure of funds, entering into agreements, or sale of Agency property. The proposed new five-year Oak Knoll implementation plan represents the consensus of improvements and expenditures reached with the Oak Knoll community and the Central City East PAC as of August 2006. The plan provides for funding of the renovation of Club Knoll, provision of sports fields for the neighborhood, added security, and traffic improvements beyond those required as environmental mitigations, creek improvements, and other expenditure categories intended to benefit the Oak Knoll area.

The implementation plan also provides for \$11 million to be expended from non-affordable-housing funds for the “purchase” of surplus housing credits in Central City East in relation to affordable housing production requirements, as previously discussed. This represents the cost of credits for approximately 50% of the affordable housing units required to be built at Oak Knoll. Since the proposed development project is not before the Council at this time, and the Council will need to provide direction regarding the amount of affordable housing to be built at Oak Knoll, this expenditure category in the implementation plan can be considered an estimate. In the event the Council approves some other amount of Central City East affordable housing credits to satisfy the Oak Knoll requirements, the implementation plan would need to be modified. It should be noted that the provision of affordable housing is an Agency requirement, not a developer requirement, unless the Council places this requirement on the developer as a condition of project approval.

Meetings between the developer and Oak Knoll neighbors, which occurred subsequent to Agency staff meetings with the neighborhood, raised the option of using Central City East housing credits to satisfy all of the Oak Knoll affordable housing requirements. This would result in no affordable housing being constructed at Oak Knoll and additional Oak Knoll funds being used to purchase Central City East affordable housing credits.

It is anticipated that the Council will want to provide direction to the developer on the amount, if any, of affordable housing which would be a project requirement. Accordingly, staff will return to the Council during final action on the proposed merger with affordable

housing options for the Council to consider. This will allow the Council to provide direction to the developer and for the developer to consider the Council's direction when designing the project. Once the Oak Knoll development project is approved, staff will prepare any necessary changes to the implementation plan to accommodate the Council's action(s).

### **Community Outreach**

#### **Central City East Redevelopment Area**

As part of the adoption process of the Central City East Redevelopment Plan, the City Council approved Resolution Nos. 77006 C.M.S. and 77190 C.M.S. which established the Central City East Project Area Committee (PAC). Starting in 2004, Redevelopment staff introduced the merger concept to the Central City East PAC. In August 2005, the PAC supported ORA Resolution No. 2005-0051 which authorized the Preparation of Fiscal Merger Amendments to the Central City East Redevelopment Plan and the notification to all Taxing Agencies. On January 9, 2006, the Central City East Redevelopment Project Area Committee unanimously voted to recommend the adoption of the fiscal merger amendment to the Central City East Redevelopment Plan. In April 2006, the CCE PAC supported staff's recommendation to delay the merger until Oak Knoll community concerns could be addressed. On August 28, 2006, the Central City East PAC approved two motions in support of the proposed Plan Amendments that affect the Central City East Redevelopment Plan. The merger for fiscal purposes and affordable housing production and the tax increment sharing plan. Under the merger, the PAC will continue to advise the Redevelopment Agency on activities only related to the Central City East Redevelopment Project Area. Staff will continue to keep the Central City East PAC informed with monthly written and oral reports.

#### **Oak Knoll Redevelopment Area**

The Oak Knoll Redevelopment Project Area does not have a Project Area Committee. However, staff has held several community meetings in the surrounding Oak Knoll neighborhood over the past year to share the Agency's proposed plans. The meetings were co-hosted by SunCal Developers and were well attended. SunCal Development Company shared its extensive listings of interested individuals. On July 12 and July 26, 2006, staff and SunCal jointly met with the Oak Knoll community to discuss redevelopment law and the Oak Knoll Redevelopment Plan and the need to update the Oak Knoll Implementation Plan. As a result, consensus was reached on several key issues: Public facility improvement ideas, affordable housing production options, the need and value of fiscally merging the two redevelopment areas and a better understanding of the required Oak Knoll Plan Amendments.

CRL requires that a Public Hearing notice be mailed 30-days in advance of the hearing to all affected parties, and a posting be placed in newspapers. Additionally the Final Report To Council, Notice of Exemption, proposed Plan Amendments, legal descriptions of the two Project Areas are to be available for public review.

SunCal Development Company has provided staff access to their mailing lists and website for public information and meeting noticing. In addition, SunCal has participated in meetings with the Oak Knoll Community and made a presentation to the Central City East PAC. SunCal is supportive of the Oak Knoll Plan Amendments and merger actions.

The proposed merger does not include the establishment of a PAC for the Oak Knoll area as none is required by CRL.

**Oak Knoll Redevelopment Area**

The Oak Knoll Redevelopment Project Area is the former Naval Medical Center Oakland, the former military base decommissioned in 1996. The 183-acre Project Area is located in the Oakland Hills east of the MacArthur (1580) Freeway and south of Keller Avenue.

The redevelopment projects and programs identified for the Oak Knoll Redevelopment Project, created in 1998, can be divided into three major support categories: 1) Capital Improvements; 2) Site Preparation; and 3) a Low and Moderate Income Housing Program. Since the majority of the property has remained in federal ownership, minimal tax increment has been generated since the adoption of the Redevelopment Plan in 1998. From 1998 to date, the Implementation Plan has not been utilized because of the conveyance actions of the federal government. As an approved Redevelopment Project Area, the Agency is authorized to utilize net tax increment to support eligible redevelopment activities. The original Implementation Plan for the Oak Knoll Redevelopment Project was based on the required Final Reuse Plan for the Oak Knoll Project; this was a required document of the military base conversion activity. Since the property was sold through a Public Auction by the Department of the Navy, the Final Reuse Plan is no longer relevant for Redevelopment Plan purposes. However, blight is still a factor for the redevelopment of the property – significant demolition, removal and replacement of the master utilities infrastructure, and major public improvements must be addressed.

The proposed new Five Year Implementation Plan for the Oak Knoll Redevelopment Project covers fiscal years 2006-2011. The programs and projects proposed in this Implementation Plan are intended to facilitate public improvements and utilities and assist the private sector in demolition and removal of blighted buildings and improvements. The proposed activities are eligible redevelopment activities that will benefit the residents and businesses in the Project Area and the surrounding communities. Please see the proposed new Oak Knoll Implementation Plan listed as Appendix A of the Final Report To Council for more details.

**Central City East Redevelopment Area**

The Central City East Redevelopment Project Area encompasses portions of the Eastlake, Fruitvale, Central City East Oakland, and Elmhurst neighborhoods that make up central and eastern Oakland and is approximately 3,339 acres in land area.

The redevelopment program for the Central City East Project Area includes nine (9) programs as follows: 1) Affordable Housing Program; 2) Retail Commercial Recruitment Program; 3) Façade Improvement Program; 4) Historic Preservation Program; 5) Major Employer Incentive Program; 6) Land Assembly and Relocation Program; 7) Community Facilities Program; 8) Public/Private Development Program; and 9) 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.

On March 21, 2006, the Redevelopment Agency approved the Second Amendment to the Central City East Five Year Implementation Plan. On June 20, 2006, the Agency approved the Second Amendment to the Central City East Redevelopment Plan. In all respects the Agency approved continuing the implementation of the same projects and programs identified in the original Plan.

### **Significant Blight in Central City East Redevelopment Area**

As a requirement of CRL, the Redevelopment Agency must demonstrate that blight continues to be a major issue in the merged area in order to raise the tax increment limit. The Central City East Redevelopment Area, which was formed in 2003, has not generated significant tax increment to address the many blighting conditions in this Project Area. As part of the Final Report To Council, staff analyzed various indicators of reinvestment in the Project Area to assess whether there has been enough reinvestment in the Project Area to reduce blighting conditions to a level that is less than significant. The indicators utilized are assessed property values and property sales transactions trends since 2003, the year of the Plan adoption.

Overall, it was verified that while there have been increases in land value due to the transfer of property in the Central City East Project Area, the increase in the value of land has not experienced a significant amount of property rehabilitation and reinvestment. Based on the analysis, it was concluded that only up to eight percent of parcels (approximately 2, 258 parcels) in Central City East have been rehabilitated; given that this represents a small number of blighted properties, this data indicates that substantial physical blighting conditions remain. Economic blight also continues to be a factor; Central City East homeownership has not significantly increased; retail sales are below the average of Oakland and Alameda County, and industrial land sales are below the average sales price per square foot for Alameda County.

### **ENVIRONMENTAL DETERMINATION**

The proposed amendments to the Oak Knoll Redevelopment Plan Area and the Central City East Redevelopment Plan Area have been found to be exempt from CEQA per General Rule Section 15378 (b)(4) Project, 15061(b)(3), 15262, and Others - State CEQA Guidelines.

Both the Oak Knoll Redevelopment Project Plan and the Central City East Redevelopment Project Plan are approved redevelopment plans per certified Environmental Impact Reports (EIR). A Programmatic Environmental Impact Report (EIR) for the Oak Knoll Redevelopment Area was certified by the Planning Commission on June 17, 1998 and the plan was approved by the City Council on July 14, 1998. A Programmatic EIR for the Central

City East Redevelopment Area was certified by the Planning Commission on May 7, 2003 and the plan was approved by the City Council on July 29, 2003.

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. The minor changes in references between the current "Reuse Plan" to "General Plan" are for accuracy purposes and to reflect current land use planning policy as set forth in the General Plan Land Use and Transportation Element (LUTE) and do not involve any change to any approved or previously adopted plan. The General Plan superseded the Reuse Plan when it was adopted in 1998. Similarly, the updated list of public improvements in the proposed Five Year Implementation Plan for Oak Knoll Project Area is intended to accurately reflect the current list of contemplated projects. However, these projects are no different than the broad set of contemplated actions in both the Oak Knoll Redevelopment Project Plan and the Central City East Redevelopment Project Plan. Also no expenditures of tax increment generated by a Redevelopment Area can be made without authorization from the Redevelopment Agency – these proposed amendments are policy statements to guide those decisions.

This determination was based on the analysis contained in the proposed Final Report and related documentations, including the proposed Oak Knoll Implementation Plan and elsewhere within the administrative record. See the prepared Notice of Exemption (Final Report To Council, Appendix G) for a more complete explanation.

**REASONS FOR MERGING THE REDEVELOPMENT PLANS**

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 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.

The significant blight that remains in the Central City East project area requires significant funding. Blighting influences can be more thoroughly abated with the additional funding allocated from the Oak Knoll area. The blight in Central City East provides the basis for raising the tax increment limit at Oak Knoll and the merger will allow the Central City East project area to utilize these additional financial resources to eliminate blight.

## **PROPOSED REDEVELOPMENT PLAN AMENDMENT BENEFITS**

In summary, the benefits of the merger amendments are anticipated to include:

- More funding for the revitalization of blighted commercial properties. This should lead to the creation of jobs, generate additional sales tax revenues, and encourage further investment in the Central City East Project Area.
- Improve deteriorated and abandoned buildings to remove potential havens for drug dealers or squatters, remove attractive nuisances, and preserve historic buildings in the Central City East Project Area.
- Provide 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.
- Provide funding to improve and replace defective infrastructure in the Central City East Project Area. This will expedite redevelopment and further encourage the development of housing at all income levels including low-, very low-, and moderate-income housing.
- Alleviate blight and thereby enhancing the living environment for the approximately 92,000 residents in the in the Central City East Project Area and environs.

These programs are designed to address the most significant blighting conditions in the Central City East Project Area 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. 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 proposed redevelopment program supports a set of activities to be implemented by the Agency for the purpose of facilitating private reinvestment in the Merged Project Area. These activities include eliminating physical and economic blighting influences, and increasing, improving and preserving the community's supply of low and moderate income housing.

## **SUSTAINABLE OPPORTUNITIES**

### **Economic**

The merger will permit a more expeditious removal of blight and, in turn, an accelerated project completion. This will result in the City and affected taxing agencies receiving property taxes much earlier to facilitate new public and private investment or reinvestment in the project areas. Economic development projects for each specific project area are designed to generate jobs, affordable housing and create a safe environment for residents and businesses to operate.



### **Environmental**

Merging redevelopment plans for these areas will facilitate the development of blighted, underutilized and contaminated sites as residential, commercial, industrial, and public facilities. Redevelopment also reduces the pressure to build on agricultural and other undeveloped land by encouraging development in urban areas. The Central City East and Oak Knoll Redevelopment Projects Implementation Plans encourage green building techniques and energy conservation designs. The Oak Knoll Project supports public open space, trails, recreational facilities and creek restoration.

### **Social Equity**

The goal of redevelopment is to improve the physical and economic conditions of redevelopment areas for all residents and property owners, therefore, the proposed amendments will facilitate the development of programs and projects for

### **DISABILITY AND SENIOR CITIZEN ACCESS**

This report and companion resolutions do not include the approval of any specific projects or programs. Disability and senior access issues will be addressed when specific redevelopment projects and programs are brought to the Agency or Council for approval.

### **RATIONALE**

California Redevelopment Law allows for merger of redevelopment project areas 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 Project Areas through the increased economic vitality of such areas and through increased and improved housing opportunities in or near such areas. As a result of the proposed merger and plan amendments, two redevelopment areas will benefit, the City of Oakland's affordable housing program will also be a beneficiary of the additional housing production funds and overall, a larger area of economic development activities can be implemented by the Redevelopment Agency.

### **ACTION REQUESTED OF THE AGENCY**

After closing the public hearing on these matters, CEDA staff requests Agency adoption of the resolutions approving 1) amendments to the Oak Knoll Redevelopment Plan and the Central City East Redevelopment Plan to merge the Project Areas for fiscal purposes, and merge the affordable housing production requirements for the two Project Areas under limited circumstances; (2) amendments to the Oak Knoll Redevelopment Plan to raise the tax increment limit to \$1.5 billion, raise the bonded indebtedness limit to \$400 million, update the land use map to conform to the LUTE, expand the list of authorized public improvements, change "Reuse Plan" text references to the to the "General Plan," and make other text change

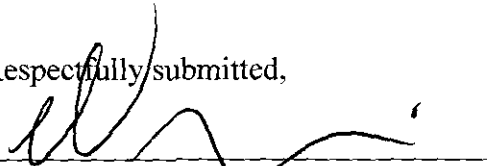
Deborah A. Edgerly

Re: Merger of the Oak Knoll and Central City East Redevelopment Projects Page 18

and adopt the new Five Year Implementation Plan for the Oak Knoll Project Area for Fiscal Years 2006-2011.

Staff also requests that the City Council consider the first reading of Ordinances adopting the amendments to the Oak Knoll Redevelopment Plan and the Central City East Redevelopment Plans and the second reading of the Ordinances be scheduled for December 5, 2006.

Respectfully submitted,



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Director of Redevelopment, Economic  
Development, Housing and Community  
Development

Prepared by:

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APPROVED FOR FORWARDING TO  
THE COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE



**OFFICE OF THE CITY AND AGENCY ADMINISTRATOR**

Exhibit 1: Report to the City Council for the Amendments to Merge the Central City East  
And Oak Knoll Redevelopment Projects

Exhibit 2: Fiscal Year 2006 to 2011 Implementation Plan for the Oak Knoll Redevelopment  
Project