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CITY OF OAKLAND



CITY HALL - 1 FRANK H. OGAWA PLAZA - OAKLAND - CALIFORNIA 94612

To: Members of the Oakland City Council

From: Councilmember Kalb

Date: July 25, 2013

Subject: SUPPLEMENTAL REPORT REGARDING AN ORDINANCE (1) AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 THAT ESTABLISHED THE AFFORDABLE HOUSING TRUST FUND TO SET ASIDE AN AMOUNT EQUAL TO 25% OF FUNDS DISTRIBUTED TO THE CITY AS A TAXING ENTITY UNDER THE REDEVELOPMENT DISSOLUTION LAWS INTO THE AFFORDABLE HOUSING TRUST FUND, (2) AMENDING ORDINANCE NO. 12502 C.M.S. THAT ESTABLISHED A GENERAL FUND RESERVE POLICY TO EXEMPT THESE DISTRIBUTIONS FROM THE REQUIREMENT TO USE ONE TIME REVENUES TO PAY FOR ONE TIME EXPENSES OR REDUCE NEGATIVE FUND BALANCES, AND (3) APPROPRIATING AND TRANSFERRING SUCH DISTRIBUTIONS FROM THE GENERAL PURPOSE FUND TO THE AFFORDABLE HOUSING TRUST FUND

This supplemental report follows the June 28, 2013 report submitted regarding this proposed legislation. This supplemental report is being submitted for four reasons:

First, following the July 9th Community & Economic Development Committee meeting, I submitted a revised version of the legislation that nets out the amount of distributed funds that are deposited with the KIDS First! Oakland Fund for Children and Youth under Section 1300 of the Charter. Please note the revised version of the legislation that is included with the materials for this agenda item.

Second, I would like to explain why I am so pleased to support this legislation. Our Affordable Housing Program provides housing for Oakland workers and maintains assets for fixed income seniors in our community. This program serves a wide range of households in Oakland, from the most vulnerable to moderate income wage earners, and contributes to the economic vitality and growth of the City. I look forward to coming back in the fall to discuss how we prioritize the types of projects that we want to address.

Third, I believe I should provide some context regarding the funding that this legislation utilizes. At the July 9th meeting, the 25% amount for affordable housing was described as an allocation which could put a hole in the General Fund budget for future fiscal years. However, the tax increment that forms the basis for these funds was not historically part of the General Fund. While Redevelopment has gone away, the tax base that forms the boomerang is still the same source of the money, regarding which Oakland previously pledged a 25% amount for affordable

housing. The present legislation continues that commitment. The recent allocations of 100% of on-going boomerang funds to the General Fund are new financial practice that the City government should not have anticipated would become permanent.

Fourth, the Community & Economic Development Committee requested additional information at the July 9th meeting, which is provided below.

- 1) **Estimated amounts of future one-time (A.) and on-going (B.) boomerang funds for the next five years**

A. ANTICIPATED ONE-TIME “BOOMERANG” REVENUE FOR THE NEXT FIVE YEARS

During Fiscal Year 2012-13, a number of real estate transactions valued at \$32.5 million from the City to the Agency were overturned by the State, most notably including the Henry J. Kaiser Convention Center. As a result, Alameda County refunded the City’s share of those reversed land sales, which totaled \$9.5 million (for one time transactions, the City receives 29% of the overall transaction proceeds). This amount was already allocated in the recently adopted budget.

Going forward, it is anticipated that a number of properties currently owned by the Oakland Redevelopment Successor Agency (ORSA) will be sold during the next five fiscal years. Per Assembly Bill 1484 (“AB 1484”), successor agencies are allowed to move ahead with new property transactions or conclude previously initiated transactions, once a “finding of completion” is received from the California Department of Finance (“DOF”). This is captured in the ORSA Long Range Property Management Plan (“LRPMP”), which was approved by the Oakland Oversight Board at its July 15, 2013 meeting. The LRPMP will be submitted to DOF for approval. An excerpt of the proposed LRPMP is attached as Exhibit A.

However, most of the ORSA property was purchased with bond funds, and the sales proceeds from those transactions would be considered restricted. According to the LRPMP there are several properties that were not purchased with Bond funds that are Proposed for Sale and may sell quickly in the next two fiscal years—the City’s portion of the Franklin 88 parking garage, a parcel at 822 Washington Street, and several Oak Center Remainder Parcels. These two properties have a rough estimated value of \$2 million. The net funds for Housing would be approximately \$145,000 (25% of 29% of \$2M).

There are only two properties Held in Retention for Future Development that were purchased with unrestricted sources – City Center T-5/6 and Oak Knoll. These two are worth approximately \$8 million, and are currently expected to be sold during FY 2015-16. The net funds for Housing from the sale of these properties would be approximately \$580,000 (25% of 29% of \$8M). In addition, under the recently approved West Oakland loan repayment terms between the City and ORSA, funds will be repaid to the City totaling \$2.69 million over a scheduled term of three years with interest, of which 20 percent or \$537,907 plus interest will be set aside for affordable housing.

The current estimates for one time boomerang funds may vary considerably depending on the actual sales prices of these properties, and whether DOF approves the proposed ORSA LRPMP.

B. FIVE YEAR PROJECTION OF ON-GOING BOOMERANG FUNDS

<u>FY</u>	<u>Projection*</u>	<u>25% AH Allocation**</u>
2012-13	\$13,603,867	N/A
2013-14	\$13,938,162	N/A
2014-15	\$17,805,872	N/A
2015-16	\$17,160,406	\$4,290,102
2016-17	\$18,494,932	\$4,623,733
2017-18	\$20,681,665	\$5,170,416

NOTE: The proposed ordinance will not apply to the first three years of on-going boomerang funds (FYs 12-13 to 14-15).

*per Scott Johnson’s 5-year projections (9/9/13), assumes 100% of boomerang funds would be reprogrammed to the general fund and a funding gap (25%) in general fund if allocation approved for affordable housing.

**approximate allocation (actual = 97% of 25% of estimated boomerang funds)

2) **Estimated breakdown of use of the boomerang funds: staff costs vs. project cost**

Based on information provided by City staff, Affordable Housing staff costs are approximately \$1.5 million/per fiscal year. A relatively small amount now is covered by HOME Program Admin funds, and more are being covered in conjunction with oversight of ROPS projects. \$1.5 million would be allocated to staff cost, while the remainder of the 25% set-aside would go toward program costs which may include multifamily, preservation and new construction, first time homebuyer, rehabilitation projects and any new affordable housing initiatives.

Affordable Housing program costs are the balance of local funds available, in addition to Federal HOME entitlement allocation (appx. \$2 million/per fiscal year) to underwrite annual Affordable Housing NOFA for multi-family new construction and rehabilitation projects.

3) **Leverage capacity of the funds**

Based on looking at NOFA project awards between 2010 and 2013 (4 years of awards), it appears we leveraged 70% on average from other sources (Thus, the City of Oakland provided the remaining 30% of funds). That should be a safe assumption going forward. This includes both NOFA new construction and NOFA preservation projects. If a larger % of our funds will be going toward rehabilitation of NOFA projects, the leveraging potential will decrease.

The following estimated amounts of leveraging based on the 70% figure:

<u>FY</u>	<u>25% AH Allocation</u>	<u>Estimated leveraged dollars</u>
2015-16	\$4,290,102	\$9,995,938
2016-17	\$4,623,733	\$10,773,298
2017-18	\$5,170,416	\$12,047,069

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dan Kalb", is written over a horizontal line.

Dan Kalb, Councilmember

Exhibit 1

Long Range Property Management Plan

	Property	Address	Project Area	Property Description		Source of Funds*
				Parcel Number	Size SqFt	
A. PROPERTY HELD IN RETENTION FOR GOVERNMENT USE						
1	Sunshine Court	SUNSHINE COURT	Central City East	040-3319-025	3,010	TB
2	AMTRAK Station	73RD AVE	Coliseum	041-3901-007-03 041-3901-007-05	37,766	TB
3	13th Street BART Entry	1327 BROADWAY 12TH ST	Central District	002-0097-045 002-0099-004	19,378	N/A
4	Leona Creek Right-of-Way	Leona Creek Dr	Coliseum	041-4212-001	9,951	N/A
5	Oakland Ice Center	540 17TH STREET	Central District	008-0641-008-05	70,567	TEB
6	City Center West Public Garage	1260 M L KING JR WAY M L KING JR WAY	Central District	002-0027-006-03 002-0027-006-05	78,243	TB
Area Subtotal - Property Held in Retention for Government Use					78,243	
B. PROPERTY HELD TO FULFILL AN ENFORCEABLE OBLIGATION						
1	Forest City-Uptown Residential	1911 TELEGRAPH AVENUE	Central District	008-0716-052 008-0718-054 008-0716-056	205,346	TEB-TB-O
2	Sears parcels	490 TOMAS L BERKELEY WAY 2016 TELEGRAPH	Central District	008-0649-009 008-0649-010	10,766	TEB-TB
3	Rotunda Garage remainder	524 16TH STREET	Central District	008-0620-009-03	6,697	TEB
4	Fox Theater	521 19TH STREET	Central District	008-0642-016	54,697	TEB
5	UCOP Garage	1111 FRANKLIN	Central District	002-0051-013-01	0	TEB
Area Subtotal - Property Held to fulfill an Enforceable Obligation					287,506	
C. PROPERTY HELD IN RETENTION FOR FUTURE DEVELOPMENT						
1	1800 San Pablo Avenue	521 19TH STREET (1800 San Pablo)	Central District	008-0642-018	44,347	TEB-O
2	23rd & Vaidez	2315 VALDEZ STREET 2330 WEBSTER STREET	Central District	008-0668-004 008-0668-009-07	62,066	TEB-TB
3	City Center Parcel T-5/6	11TH ST	Central District	002-0097-038 002-0097-039 002-0097-040	54,515	N/A
4	Uptown Parcel 4	1911 TELEGRAPH AVENUE	Central District	008-0716-058	45,121	TEB-TB-O
5	Telegraph Plaza Garage	2100 TELEGRAPH AVENUE	Central District	008-0648-016-03	72,398	TB

Long Range Property Management Plan

	Property	Address	Project Area	Property Description		Source of Funds*
				Parcel Number	Size SqFt	
6	Foothill & Seminary	5859 FOOTHILL BLVD 2521 SEMINARY AVENUE 2529 SEMINARY AVENUE 5844 BANCROFT 5803 FOOTHILL BLVD 5805 FOOTHILL BLVD FOOTHILL BLVD 5833 FOOTHILL BLVD 5835 FOOTHILL BLVD 5847 FOOTHILL BLVD 5851 FOOTHILL BLVD	Central City East	038-3182-001 038-3182-002 038-3182-003 038-3182-005 038-3182-020 038-3182-021 038-3182-022 038-3182-023 038-3182-024 038-3182-025 038-3182-026	73,346	TB
7	73rd & Foothill	73rd AVE & FOOTHILL BLVD	Central City East	039-3291-020	53,143	TB
8	36th & Foothill	3614 Foothill Blvd. (36th & Foothill) 3600 FOOTHILL BLVD 3566 FOOTHILL BLVD 3550 Foothill Blvd (36th & Foothill)	Central City East	032-2084-050 032-2084-051 032-2115-037-01 032-2115-038-01	34,164	TB
9	10451 MacArthur	10451 MACARTHUR BLVD	Central City East	047-5576-007-3	23,000	TB
10	27th & Foothill	2777 FOOTHILL BLVD 2759 FOOTHILL BLVD	Central City East	025-0733-008-02 025-0733-088-03	22,581	TB
11	Former Melrose Ford site	3050 INTERNATIONAL BLVD DERBY STREET	Coliseum & Central City East	025-0719-007-01 025-0720-002-01	32,500	TB
12	66th & San Leandro	905 66TH AVE	Coliseum	041-4056-004-04	274,428	TB
13	Clara & Edes	9418 EDES AVE 606 CLARA ST	Coliseum	044-5014-005	26,311	TB
14	Hill Elmhurst	9409 International Blvd 9415 International Blvd 1361 95th Avenue 9423 International Blvd 9431 International Blvd 9437 International Blvd 95th Avenue	Coliseum	044-4967-002 044-4967-003 044-4967-004-02 044-4967-004-03 044-4967-005 044-4967-007-01 044-4967-009	28,802	TB
15	Fruitvale Transit Village Phase II	E. 12TH STREET E. 12TH STREET 3229 SAN LEANDRO STREET 3301 SAN LEANDRO STREET	Coliseum	033-2177-021 033-2197-019 033-2186-033-01 033-2187-033-01	173,579	TB

Long Range Property Management Plan

	Property	Address	Project Area	Property Description		Source of Funds*
				Parcel Number	Size SqFt	
16	Coliseum City	796 66TH AVE 6775 (7001) Oakport Street 711 71st Avenue 7001 Snell Street 73RD AVENUE 728 73RD AVENUE 710 73RD AVENUE 633 HEGENBERGER RD 8000 SOUTH COLISEUM WAY 66TH AVE EDGEWATER DR EDGEWATER DR	Coliseum	041-3901-004 041-3902-021 041-4170-001-02 041-4170-005-03 041-4173-001-03 041-4173-002-02 041-4173-003-06 042-4328-001-16 042-4328-001-24 041-3901-008 041-3902-013-05 041-3902-013-06	1,504,670	TB-N/A
17	Oak Knoll	BARCELONA STREET	Oak Knoll	048-6870-002	205,337	O
Area Subtotal - Property held in Retention for Future Development					2,730,308	
D. PROPERTY PROPOSED FOR SALE						
1	Franklin 88 Parking Garage	9TH ST	Central District	002-0101-001	13,406	O
2	822 Washington	822 WASHINGTON STREET	Central District	001-0201-010	7,580	N/A
3	8280 MacArthur	8280 MacArthur Blvd.	Central City East	043A-4644-026	6,720	TB
4	8296 MacArthur	8296 MACARTHUR BLVD	Central City East	043A-4644-028	6,000	TB
5	73rd & International	7318 INTERNATIONAL BLVD 73rd Ave	Coliseum	040-3317-032 040-3317-048-13	5,435	TB
6	8th & Filbert	8TH STREET	West Oakland	004-0007-001-01	9,385	N/A
7	1606 & 1608 Chestnut Street	1606 CHESTNUT STREET 1608 CHESTNUT STREET	Oak Center	005-0387-014 005-0387-015	3,018	N/A
8	Oak Center Remainder Parcels	1333 ADELIN STREET 14TH STREET MAGNOLIA STREET UNION STREET MARKET ST MYRTLE ST 14TH STREET	Oak Center	004-0035-003-02 004-0035-002-07 004-0035-001-02 004-0037-031-02 003-0049-001-12 005-0383-002-02 005-0383-014-03	3,654	N/A
Area Subtotal - Property held for Sale					55,198	
36 Area Total All Sites					3,151,250	

* Source of Funds: Taxable Bonds ("TB"), Tax Exempt Bonds ("TEB"), Tax Increment ("TI") & Other ("O").