Financial and Appraisal Information Demonstrating Infeasibility for Preserving the Baggage Wing and Portion of the Tracks and Platform for the 16th and Wood Train Station

- **Letter from BUILD, dated February 28, 2005 – Economic Infeasibility of Retaining Baggage Wing and Entirety of Tracks**
- **Letter from BBI Construction re: Cost Estimate of Restoring the Main Hall, dated February 7, 2005**
- **Appraisal from CBP (Carneghi-Blum and Partners, Inc.) of the Wood Street Project Area, dated February 17, 2005**
- **Analysis from Conley Consultant Group of the Tax Increment and Bonding Capacity Supported by Wood Street Projects, dated February 2005**

Submitted by BUILD, West Oakland, LLC
March, 2005

ATTACHMENT I

PARTNERING WITH CALIFORNIA NEIGHBORHOODS

BUILD

February 28, 2005

Ms. Claudia Cappio
Director of Planning
Community and Economic Development Agency
City of Oakland
250 Frank Ogawa Plaza, Suite 3315
Oakland, CA 94612

RE: 16th Street Train Station Renovation

Dear Ms. Cappio,

The enclosed materials describe the estimated cost of renovating the 16th Street Train Station Main Hall along with the estimated bonding capacity from tax increment revenues generated by the Wood Street Project.

As demonstrated, the resources available from discretionary tax increment are sufficient to cover the cost of station renovation. The preliminary estimate for Train Station Main Hall renovation costs prepared by BBI Construction is approximately $10.3 million, while Conley Consulting Group's analysis of bonding capacity supported by discretionary tax increment funds by 2009 totals $10.9 million. The amount of bonding capacity continues to grow in later years as annual tax increment generated continues to increase through later development phases.

Please let me know if you have any questions regarding the enclosed materials.

Sincerely,

Carol Galante
BUILD West Oakland, LLC

345 SPEAR STREET, SUITE 700 SAN FRANCISCO, CA 94105 TEL 415-989-1111 FAX 415-495.4898

PARTNERING WITH CALIFORNIA NEIGHBORHOODS

BUILD

February 28, 2005

Ms. Claudia Cappio
Director of Planning
Community and Economic Development Agency
City of Oakland
250 Frank Ogawa Plaza, Suite 3315
Oakland, CA 94612

RE: Economic Infeasibility of Retaining Baggage Wing and Entirety of Elevated Tracks

Dear Ms. Cappio,

Enclosed please find a market value appraisal of the property located within Development Area 6 prepared by Carneghi-Blum & Partners, Inc., dated February 17, 2005. You will note that the appraisal analyzes the value of the land under two different development scenarios. The first assumes the property is entitled for 215 units to be developed upon 1.64 acres (which is the amount of land that would remain available for development within the Development Area if the Baggage Wing and the entirety of the train tracks were retained), and yields a land value of $2,640,000. The second scenario also assumes the property is entitled for 215 units, but upon 3.04 acres, as proposed by BUILD, which yields a land value of $4,630,000.

BUILD acquired the 3.04 acre parcel for $3,056,534, using a pro rata per acre cost for all of the 17.7 developable acres acquired by BUILD within the Wood Street area. BUILD estimates it has or will incur the following additional costs in connection with its development of this parcel: (a) entitlements costs of $278,000 (based on BUILD's share for this parcel); (b) signal tower renovation costs of $35,000; (c) plaza improvement costs of $114,000 (based upon BUILD's share for this parcel assuming all builders contribute a prorata share); (d) costs to demolish the baggage wing and partial elevated tracks of $200,000; and (e) design and analysis costs for restoration of the Main Hall of $75,000. Other carrying and stabilization costs (insurance, property taxes, weatherproofing, security and the like) are not included as development costs as they are roughly offset by income from tenants. Collectively these development costs, including an internal rate of return of 10% on BUILD's investment over a two and one-half year period, already exceed the $4,630,000 value assigned to the 3.04 acre development. If the development area were reduced to 1.64 acres, BUILD would expect to lose over $2.0 million on this parcel, thereby rendering development of this land economically infeasible.

Please let me know if you have any questions regarding the enclosed materials.

Sincerely,

Carol Galante
BUILD West Oakland, LLC

345 SPEAR STREET, SUITE 700 SAN FRANCISCO, CA 94105 TEL 415-989-1111 FAX 415-495.4898

BBI CONSTRUCTION
1155 Third St. Suite 230
Oakland, CA 94607
Tel (510) 286-8200
Fax (510) 286-8210
License No. 767890

CONSTRUCTION

February 7, 2005

Robert Stevenson
BUILD West Oakland, LLC
345 Spear Street, Suite 700
San Francisco, CA 94105

Re: 16th Street Station Main Hall
Oakland, CA

Dear Robert:

Per your request, we are re-submitting a preliminary construction improvement budget for the above referenced building. These costs reflect the budget numbers we presented on August 20, 2004 for the renovation and upgrades to the exterior of the main building as well as the building interior, constructed to U.S. Department of Interior standards. The preliminary estimate for construction is $10,278,240.

This estimate includes the following scope of work to the shell of the building: seismic upgrades, roofing, windows, and exterior terra cotta repair. The interior work includes historically accurate architectural finishes, wainscoting, ornamental plaster, murals, clocks, HVAC, and electrical and plumbing upgrades.

These costs are based on BBI Construction historical records and are approximate only, having been made prior to completed design documents or review by the city of Oakland. The seismic estimates are for work prepared by Tipping-Mar Associates dated July 2001. This cost does not include soft costs (architecture, engineering, utility, and permit fees), and no hazardous material allowances have been included.

We appreciate this opportunity to provide you with a preliminary cost estimate for the renovation of this historical structure.

Sincerely,

Nancy Guinther
VP of Business Development

CBP CARNEGHI-BLUM & PARTNERS, INC.
Real Estate Appraisers & Consultants in Urban Economics

February 17, 2005

Ms. Cecily Talbert
Bingham McCutchen LLP
1333 N. California Blvd., Suite 210
P.O. Box V
Walnut Creek, California 94596-1270

Re: 05-ASF-030, Appraisal
Wood Street Project Area
West Oakland, California

Dear Ms. Talbert:

At your request and authorization, Carneghi-Blum & Partners, Inc. has conducted an appraisal of land in the Wood Street Project area in West Oakland. The site is located on the west side of Wood Street between the future extensions of 16th and 18th Streets and south of the Frontage Road. On the Vesting Tentative Map 8554 the land to be appraised is identified as a portion and the entire Parcel 3. At your instructions, the subject property is appraised under two development scenarios as indicated in the draft Environmental Impact Report (EIR).

1. ***Development Scenario B*** assumes that the subject property is zoned, General Planned and approved for 215 dwelling units on 1.64 acres which is a portion of the 3.04 acres identified as Parcel 3 on the Vesting Tentative Map 8554. It is located at the southwest corner of Wood Street and future extension of 18th Street.

2. ***Development Scenario C*** assumes that the subject property is zoned, General Planned and approved for 215 dwelling units on the entire 3.04 acres which is identified as Parcel 3 on the Vesting Tentative Map 8554.

At your instructions, the subject property is appraised as vacant land.

The subject site is identified by the Alameda County Assessor's Office as a portion of Parcel Number 000O-0310-013. The purpose of this appraisal is to estimate the market value of the subject property under the two valuation scenarios indicated above. It is our understanding that the intended use/user for this appraisal is for the exclusive use by Bingham McCutchen and their client for assistance in decisions relating to approvals and funding of the Wood Street Project including review by local government agencies. ***The report should not be used or relied upon by any other parties for any reason.*** This is a complete appraisal presented in a summary report.

I. Area and Neighborhood Description

A. City of Oakland

Oakland is California's eighth largest city and the third largest city in the Bay Area, ranking behind San Francisco and San Jose. Located on the east side of San Francisco Bay, Oakland is the business hub of the East Bay Area. The City of Oakland enjoys a combination of locational convenience and very good transportation network. It also serves as the headquarters for a number of large firms including Safeway, the Kaiser Companies, Clorox, Blue Cross of California and American President Lines. The Oakland economy has benefitted from its transportation and distribution facilities. For example, the Port of Oakland has been one of the world's leading cargo container ports. The Oakland Airport serves the burgeoning population of the greater East Bay Area. In addition, Oakland is the axis of the Bay Area's urban mass transit system which includes Bay Area Rapid Transit (BART) and AC Transit.

Downtown Oakland lies at the confluence of all three BART lines. In addition to Interstate 80, a major transcontinental freeway, Oakland is served by numerous freeways including the Nimitz, MacArthur, Warren and Grove/Shafter. An extension of the latter, Interstate 980, was completed several years ago and traverses downtown Oakland. Downtown Oakland is within fifteen minutes of the San Francisco Financial District by automobile or ten to twenty minutes by BART or AC Transit.

Relative to population, Oakland is the largest city in Alameda County. The population as of January 1, 2004 is 411,600 as reported by the State Department of Finance. The total number of jobs in Oakland for 2000 was estimated to be 193,950 according to the Association of Bay Area Governments (ABAG). ABAG projects jobs to increase to 202,080 in 2005 (4.2 percent). The largest employment group currently within the city is the Service industry, providing 37 percent of the jobs.

Most of Oakland's industry is located on its western boundaries near the waterways and freeway systems. The main commercial districts are centered on Broadway, with office development located primarily on the western side of Lake Merritt and on lower Broadway. The residential development is located on the flatlands and foothills. Oakland has traditionally been an industrially based city in the shadows of its more famous counterpart on the opposite side of the Bay. Oakland has had to fight this negative perception to become a potential major business center.

Revitalization programs have been implemented by both the private and the public sectors and are designed to encourage new growth in the city. With its combination of public transit as well as freeway, shipping and airport facilities, the City of

Oakland exhibits potential to increase its role as a residential and commercial hub of the East Bay Area.

B. Neighborhood Description

The subject property is located along Wood Street, in West Oakland. The subject neighborhood is generally bound by Interstate 880 to the west, the elevated portion of Grand Avenue to the north, Peralta Street to the east and 7th Street to the south. West Oakland was originally the western terminus of the transcontinental railroad. Development in this area began in the 1860s with the construction of a wharf and ferry landing along the harbor. During the Second World War, the demand of work in the shipyards drew many people to the area. In the 1940s, 7th Street became a center for business and cultural activity including nightclubs and theaters. After the war, the loss of defense jobs caused unemployment to increase and the economic activity of the area to decline.

The subject neighborhood is mixed in character. Uses in the area include a mixture of historic Victorian homes, multifamily housing, commercial and industrial uses. There is also some vacant land as well the West Oakland BART station. The subject property is located on Wood Street, between 16th and 18th Streets. It is easily accessible from West Grand Avenue, which is a major entryway to Oakland from I-80 and is the first exit to Oakland for traffic coming from San Francisco.

The subject property is located within the Wood Street Development Project area. This development area was previously called Central Station, which reflected the historic Southern Pacific 16th Street train station which was built in 1912. The project area contains 29.2 acres between 10th and West Grand Avenue on Wood Street. The proposed project is planned to be redeveloped with up to 1,570 residential units, including 186 live-work units in converted warehouses, 13,000 square feet of neighborhood commercial uses, plus 14,487 square feet of space for civic or community uses associated with the historic Southern Pacific 16th Street train station. The main hall of the train station is planned to be renovated as well as the 16th Street signal tower. A plaza is planned for in front of the historic train station.

The subject property is part of the proposed Wood Street Development Project. It is identified as a portion of Development Area 6. Uses in the immediate neighborhood include one story light industrial buildings across the street to the east of the subject. To the north of the light industrial buildings at 18th and Wood Street is Raimondi Park. Adjacent to the north of the subject is vacant land. To the immediate south and east of the subject is the historic 16th Street Train Station. The 1912 Beaux Arts building, has historic landmark status and was damaged in the 1989 Loma Prieta earthquake. To the east of the train station are portions of the elevated

railroad tracks. Further south across 16th Street is New Bea's Hotel, a small two story residential hotel.

In general, residential and industrial uses are located in the immediate subject neighborhood. The subject neighborhood is served by transportation facilities and is located approximately one mile from the West Oakland BART Station. This station serves the Richmond, Fremont, Concord and the Daly City bound lines directly. Bus service is provided by AC Transit.

In summary, the subject neighborhood benefits from its proximity to Interstate 880, the San Francisco Bay Bridge and BART. The subject neighborhood consists of a mixture of historic Victorian homes, many which are in the process of being renovated as well as multifamily housing and light industrial uses. The subject property is located in a redeveloping area that is considered to have a long term, positive outlook.

II. Property Identification and Description

A. Site Description

The subject property is identified as a portion of Parcel 3 and the entire Parcel 3 on the Vesting Tentative Map Number 8554. The subject is also identified as a portion of Development Area 6 in the draft Environmental Impact Report. The subject property is also a portion of Alameda County Assessor' Parcel Number 000O-0310-013.

Under Development Scenario B the subject property being appraised contains 1.64 acres and is located at the southwest corner of Wood Street and future extension of 18th Street. The site is irregular in shape. The property is currently improved with a one-story industrial building as well as asphalt paving. However, an assumption of this appraisal assumes that the subject is in vacant unimproved condition.

Under Development Scenario C the subject being appraised contains 3.04 acres. The site has frontage on Wood Street, the future extension of 18th Street as well as the Frontage Road. The site has an inverted L shape. The property is currently improved with a one-story industrial building, the historic 16th Street Signal Tower, portions of the elevated railroad tracks and a one-story baggage wing building. The historic 16th Street Signal Tower is planned to be restored, while the other structures are proposed to be demolished. However, an assumption of this appraisal that the subject is in vacant unimproved condition.

18TH STREET
17TH STREET
ROADWAY EXPRESS INC.
JOSHI
EHLERS
WOOD STREET
16TH STREET
PARCEL 1
0.73± AC.
(PARCEL 3 — PORTION)
(1.64± AC)
PARCEL 2
0.52± AC.
PARCEL 3
3.04± AC.
PARCEL 4
FRONTAGE ROAD

Access to the subject property is presently available from Wood Street. Typical urban utilities such as gas, water, electricity, sewer and telephone service can be connected from Wood Street for development.

The appraisers were not provided with a geotechnical investigation report on the subject property. However, judging from the condition and appearance of the improvements on adjacent sites in the neighborhood, it is assumed that soil conditions are satisfactory and/or can be easily remedied for construction of conventional building improvements.

B. Ownership and Sale History

According to a title report and confirmed by public record, ownership of the subject property is currently vested in BUILD WEST Oakland, a California limited liability company. The property transferred from Bridge Housing Corporation to BUILD WEST Oakland on December 9, 2002. BUILD WEST is a for-profit affiliate of nonprofit Bridge Housing and this is considered to be a related party transfer. No other information was available from the client regarding the prior sale of the subject property. It is also unknown if the subject is currently listed for sale.

C. Easements and Restrictions

The subject property is a portion of the reviewed title report. The title report was prepared by Chicago Title Company and is dated June 12, 2003. According to the preliminary title report, there are several easements on the subject property. There are also CC&Rs recorded on the subject property dated December 16, 2002. The easements appear to be for ingress, egress and utilities. The report also indicates that there are various minor encroachments which include a power pole from 16th Street. These easements and encroachments are not considered to negatively impact the market value of the subject property.

D. Assessed Valuation and Real Estate Taxes

The entire parcel has been assessed for ad valorem tax purposes for the current fiscal year. Under California law a real property assessment can only be increased a maximum 2 percent per year. Reassessment is permitted upon change of ownership, typically based on the estimated market value multiplied by a tax rate of 1 percent plus any outstanding bonded assessments. The tax rate for the subject is 1.3057 percent. The assessed value and taxes for the parcel which the subject is a portion of is as follows:

APN	Land	Improvements	Total	Taxes
000O-0310-013	$4,445,476	0	$4,445,476	$62,688.30

Under California law, real property taxes can only be increased at a maximum of two percent per year. Reassessment is permitted only upon change of ownership or completion of new improvements and is typically based on the estimated market value multiplied by a tax rate of one percent plus any outstanding bond assessment payments. The taxes include special assessments for mosquito abatement and vector control, medical response, paramedic, school measure B, flood benefit, city library, East Bay trails and Oakland L.L.A.D. of $4,643.72 per year.

E. Zoning

The subject property is located within the proposed Wood Street Development Project area in West Oakland. It currently has a zoning designation by the City of Oakland as M-30, or General Industrial with a S-16 overlay. The M-30 zoning classification is intended to "...create, preserve, and enhance areas containing a wide range of manufacturing and related establishments, and is typically appropriate to areas providing a wide variety of sites with good rail or highway access." The General Plan designation is Business Mix. This designation allows a variety of industrial and commercial uses, including live/work but excluding residential, administrative offices, and general retail. Under the Business Mix designation, the maximum floor area ratio is 4.0 to 1.0.

The S-16 overlay is the Industrial-Residential Transition Combining Zone. The zone is intended to "... provide a compatible transition between residential and industrial zones..." and "to promote compatible economic development and provide opportunities for new joint living and working quarters." This overlay requires that the average unit size is no less than 1,000 square feet and the individual unit size is no less than 800 square feet. At least 75 square feet of group usable open space shall be provided for each joint living and working unit. If within an area of 300 feet along the street frontage from the property, 50 percent or more of the adjacent properties are of residential use, buildings shall have a setback of one foot for each foot greater than 30 feet in height, and a yard setback of 10 feet along lot lines abutting residential uses.

The subject is part of the Wood Street Development Project area, which contains a total of 29.2 acres and is proposed to be developed with 1,570 residential units, including 186 live-work units in converted warehouses and 13,000 square feet of commercial space. The project area is in the process of applying for a General Plan Amendment, Zoning Code Amendment and Rezoning, Redevelopment Plan

Amendment, as well as other development approvals. The Final Environmental Impact Report is near completion and public hearings were recently held to discuss environmental and policy issues on the project. The subject is proposed to be zoned for residential uses with a General Plan designation of Urban Residential within the Wood Street Zoning District.

The application for the Wood Street Development Project was submitted to the City of Oakland in October 2003 and is currently undergoing review. Per instructions from our client this appraisal assumes that the subject property is zoned, General Planned and approved for 215 dwelling units on 1.64 acres which is a portion of the site identified as Parcel 3 on Vesting Tentative Map 8554 (Development Scenario B) as well as on the entire Parcel 3 which contains 3.04 acres (Development Scenario C). Based on 1.64 acres this is equal to a density of 131 units per acre. The density for the subject based on Development Scenario C is 71 units per acre based on 3.04 acres.

III. Highest and Best Use - As If Vacant

The subject is a portion of a larger property. The subject under Scenario B assumes that it approved to be developed with 215 residential units on 1.64 acres which is a portion of 3.04 acres of Parcel 3 on the Vesting Tentative Map 8554, at a density of 131 units per acres. Under Scenario C the subject is assumed to contain the entire 3.04 acres and is approved to be developed with 215 residential units at a density of 71 units per acre.

The subject has good visibility, and access. The entire Parcel 3 has an inverted L shape and has frontage on Wood Street, the future extension of 18th Street and the Frontage Road. The 1.64 acre portion of the property has frontage on Wood Street and the future extension of 18th Street. The subject immediate neighborhood is not highly developed and contains vacant land, live/work and industrial uses. Physically there are no constraints on the subject site. The subject property is assumed to be zoned, General Planned and approved for 215 dwelling units at a density of 71 and 131 units per acre. Based on the legal parameters, and the most recent land sales/development in the subject area the highest and best use of the subject site, as if vacant, appears to be for medium density residential development of between 30 and 50 units per acre.

In terms of financially feasible, the residential market remains relatively strong. However, the subject is located in a mixed use area that has had limited new development. Based on the comparable land sales in the area higher density development appears not to be feasible given the additional construction costs to build to this level as well as the untested demand for a high rise product type. Most of the land sales within the area are for projects planned to range from 35 to 50 units per acre. Thus a higher density development does not appear supported at this time and higher density approvals would not accrue additional value to the site beyond the market norm of 35 to 50 units per acre. Therefore, the highest and best use

of the subject parcel as if vacant, from a financially feasible standpoint, is considered to be development with a medium density residential use in the range of 35 to 50 units per acre.

Overall, based on these factors, the highest and best use as vacant is for development of for-sale medium density residential units. Based on the maximally productive use of the subject, residential development is considered to bring the greatest profit for land.

IV. Comparable Land Sales and Analysis

The table on the following page lists comparable residential land sales. In this analysis, the value of the subject land is estimated by comparing it to other residential development sites which have transferred prior to the effective date of appraisal. Pertinent information is presented concerning the comparables relative to location, sale price, sale date, planned number of units, and average lot size. Prices are shown on a per square foot basis and per unit basis. The comparables have been verified by public record and/or substantiated with the principles involved in the transaction. Unless specified otherwise, the comparables are all cash-to-seller transactions.

The subject property is first valued based on Development Scenario C which assumes that the subject contains 3.04 acres and is approved to be developed with multi family residential uses. Subsequently the subject is valued as Development Scenario B containing 1.64 acres.

The comparable residential land sales have purchase prices ranging from approximately $28.00 to $50.00 per square foot. The sites range from 0.62 to 5.66 acres and the planned densities range from 35 to 80 dwelling units per acre. The variation in unit prices from the residential land sales reflects differences in location, size, density and date of transaction. With regard to density, there is generally an inverse relationship between density and the prices per unit with the properties having lower development densities tending to sell for higher prices on a per square foot basis. Conversely, the higher the density, the lower the per unit price.

The comparable sales shown on the table represent transactions over the past 12 months, with three of the properties entering escrow in early 2002. Although the sites vary in zoning, all were planned for residential or mixed use development, consistent with the General Plan for their respective areas. The sales closed escrow or are planned to close between December 2002 and May 2005. The demand for land to be developed with medium density housing appears to have been relatively active over the past several years. An upward adjustment is made to residential properties which entered into contract in 2002 and 2003.

An adjustment grid is provided on the following page which indicates the adjustments made to the comparables. It should be emphasized that although the adjustment process is a mechanical one, the analysis applied by the appraiser is actually less mechanical and more judgmental in nature. Specific adjustments are intended to represent the appraiser's best

COMPARABLE RESIDENTIAL LAND SALES

Appraisal of: Wood Street Project
Oakland, California

#	Location/ APN#	Contract Date/ Sale Date	Sale Price	Land Area	Price Per SF	# Units Proposed/ DU/AC	Price Per Proposed Mkt Unit	Grantor / Grantee (Doc. #)	Comments
1	**2303-2317 Market St** **2242-2310 Myrtle St** Oakland APN: 005-0431-015-3, -11, -12, - 024 thru -028	COE **5/05**	**$1,562,500**	31,250 SF 0.72 AC	**$50.00**	29 40	**$53,879**	Orton JR 3rd& Libitzky Holdings/ NA	Mixed zoning of residential on Myrtle St. Commercial on Market St.
2	**2400 MacArthur Blvd** Oakland APN: 029-0993-020-01	7/03 **3/04**	**$2,200,000**	48,339 SF 1.11 AC	**$45.51**	80 72	**$27,500**	Chou Yuming + Yufong Tr/ Domus Properties #132178	Existing motel bldg. Purchased for site in vacant condition. Planned for 80 senior resid units.
3	**Mandela and 32th St** Oakland APN: 007-0587-002-05	12/02 **9/03**	$2,766,000 $24,000 (4) $666,436 (5) **$3,456,436**	110,642 SF 2.54 AC	**$31.24**	90 35	**$38,405**	Jeffery & Nada Sibley/ Ettie Street LLC NA	Mixed neighborhood of industrial and residential developments. Approvals and under construction
		3/04	**$45,000**	2,148 SF 0.05 AC	**$20.95**	1	**$45,000**	Union Pacific Railroad & Burlington Northern/ Ettie Street LLC	Corner triangular piece. Assemblage with adjacent parcel will allow 1 lot to project
4	**1370 7th St** Oakland APN: 004-0067--022	4/02 **12/03**	$825,000 $45,000 (1) **$870,000**	26,804 SF 0.62 AC	**$32.46**	23 37	**$37,826**	Douglas & Carleen Green/ Oakland Housing Authority & Bridge #713077	Irregular site on Mandela Pkwy Assemblage with adjacent parcel, which contain a total of 188 units.
5	**3041 Ford St** Oakland (Animal Shelter) APN: 025-0666-002	9/02 **7/03**	$1,400,000 $456,000 (1) **$1,856,000**	50,000 SF 1.15 AC	**$37.12**	81 71	**$22,914**	City of Oakland/ Signature Properties #445604	Planned for 81 condo units. Incl entitlements & conditional use permits. No affordable units.
6	**2893 Glascock St.** Oakland APN: 025-0674-001 , -003 & 025-0675-002	1/02 **6/03**	$5,227,763 $1,000,000 (2) $260,000 (3) **$6,487,763**	130,216 SF 3.0 AC (net)	**$49.82**	100 33	**$64,878**	John & Charlene Weber/ Signature Properties	Planned for 100 stacked townhouse units. Will close with entitlements. No affordable units
7	**Wood Street bwt** 14th and 16th Street APN: 000O-0310-012	12/02	$6,904,520	246,590 SF 5.66 AC	**$28.00**	450 80	**$15,343**	Holiday Development/ HFH Central Station Village	Not entitled, seeking entitlements for 450 units, but plans to build approx. 340 units at a density of . 60 units per acre.
	Subject Wood St. Project Between 16th and 18th St. Oakland			132,422 SF 3.04 AC		215 71			
				71,438 SF 1.64 AC		215 131			

Notes:
(1) Estimated demolition costs.
(2) Remediation costs.
(3) Shoreline remediation (BCDC).
(4) Contract extension options
(5) Demolition and Lead removal

Source: Carneghi-Blum and Partners., Inc., February 2005
05-asf-030, sc- 05-030land

COMPARABLE RESIDENTIAL LAND SALES

COMPARABLE LAND SALE ADJUSTMENT GRID

Appraisal of Wood Street Project- Development Scenario C

Oakland, California

Subject Development Scenario C

132,422

3.04

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
	2303-2317 Market St						Wood Street
Address:	2242-2310 Myrtle St	2400 MacArthur Blvd	Mandela and 32th St	1370 7th St	3041 Ford St	2893 Glascock St.	between 14th and 16th
	Oakland	Oakland	Oakland	Oakland	Oakland	Oakland	Oakland
Land Area	31,250	48,339	110,642	26,804	50,000	130,216	246,550
Sale Date:	5/05 - COE	3/04	9/03	12/03	7/03	6/03	12/02
Transaction Price:	$1,562,500	$2,200,000	$3,456,436	$870,000	$1,856,000	$6,487,763	$6,903,389
Unadjusted Price/Sq. Ft.:	$50.00	$45.51	$31.24	$32.46	$37.12	$49.82	$28.00
Financing Terms:	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale:	-5%	0%	0%	0%	0%	0%	0%
Adjusted Sale Price:	$1,484,375	$2,200,000	$3,456,436	$870,000	$1,856,000	$6,487,763	$6,903,389
Adjusted Price/Sq. Ft.:	$47.50	$45.51	$31.24	$32.46	$37.12	$49.82	$28.00
Market Conditions:	0%	5%	20%	20%	20%	20%	20%
Price Adj. For Mkt. Cond.	$47.50	$47.79	$37.49	$38.95	$44.54	$59.79	$33.60
Location:	-10.00%	-15.00%	-5.00%	-5.00%	-10.00%	-25.00%	0.00%
Size:	-5.00%	-5.00%	0.00%	-5.00%	-5.00%	0.00%	0.00%
Use:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Site Utility	-5.00%	0.00%	-5.00%	0.00%	-5.00%	-5.00%	-5.00%
Investment Size	-5.00%	0.00%	0.00%	-5.00%	-5.00%	0.00%	0.00%
Entitlements	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*10.00%*
Total Adjusted %:	-25.00%	-20.00%	-10.00%	-15.00%	-25.00%	-30.00%	5.00%
Adjusted SF Value							
for the Subject:	$35.63	$38.23	$33.74	$33.11	$33.41	$41.85	$35.28

Price P.S.F. - Value Range:	$33.11	-	$41.85
Value Conclusion (PER SF):-			$35.00
Value Conclusion -			$4,634,770
Rounded Value Conclusion		3.04 acres	**$4,630,000**

Source: Carneghi-Blum and Partners, Inc.
05-ASF-030, February 2005, 05030 adj

judgment concerning the differential between each comparable and the subject when market-based adjustments could not be derived. Any specific adjustment should be considered general in nature and the overall process is intended to narrow the pattern indicated by the comparable data.

Land Sale 1 is the current escrow of eight parcels located at 2303 to 2317 Market Street and 2242 to 2310 Myrtle Street in West Oakland. The property is located midblock between 24th Street and West Grand Avenue. The property is in vacant condition and contains 31,250 square feet, or 0.72 acres. The property on Market Street is zoned commercial and R-50 on Myrtle Street. The sale price is equal to $50.00 per square foot. The comparable is currently under contract and is not a closed sale and a downward adjustment is made for the conditions of sale. The property entered into contract in late 2004 and no adjustment is indicated for date of sale. The comparable has a superior location to the east of the subject and a downward adjustment is made for location. The property is also smaller in size and has a superior site utility. The investment magnitude of the comparable is also lower than the subject which warrants a downward adjustment. Overall, the adjusted price per square foot is approximately $36.00 per square foot.

Land Sale 2 pertains to the sale of land located at 2400 MacArthur Boulevard in Oakland. The property is located to the south of Fruitvale Avenue in the Diamond Heights District. The comparable had previously been improved with a motel and the sellers paid to remove the improvements prior to its sale. There is a retaining wall along the MacArthur Boulevard frontage of the property and the site slopes upward to the east. The property is planned to be developed with 80 affordable senior apartment units at a density of 72 units per acre. Although the property does not have entitlements, the city has given a grant to the developer to help fund the project and entitlements are not considered to be an obstacle for this proposed development. The comparable was purchased for $45.51 per square foot. An upward adjustment is made for market conditions. However, a downward adjustment is indicated for the smaller size of the property, and its superior established residential location. An adjusted price per square foot of $38.00 is suggested by this comparable.

Land Sale 3 pertains to the sale of a property located at Mandela and 32nd Street in West Oakland. The subject property has a legal address of 2818 Mandela Parkway. The site occupies most of a city block and contains a total site area of 110, 642 square feet, or 2.54 acres. The comparable is planned to be developed with 90 townhouse style live/work units at a density of 35 units per acre. The property entered into contract in December 2002 and closed in September 2003. An upward adjustment is made for market conditions. In terms of location, the property is located towards the border of Oakland and Emeryville in a mixed use neighborhood consisting of industrial and live/work units. The comparable is considered to have a superior and slightly more established residential location and a downward adjustment is made for this factor. The property occupies most of a city block and has superior site utility. Overall, an adjustment is made to approximately $34.00 per square foot.

Land Sale 4 pertains to the sale of a property located 1370 7th Street in West Oakland. The property is located across the street from the West Oakland BART station. It was purchased as part of an assemblage with an adjacent parcel and will contribute 23 units to the overall project. It was purchased in December 2003 at $32.46 per square foot and an upward adjustment is made for market conditions. The property has a density of 37 units per acre. The comparable has a superior location near transit, it is also smaller in size than the subject. In addition, a downward adjustment is also made for the comparable's investment size. Overall, an adjustment is indicated to approximately $33.00 per square foot.

Land Sales 5 and 6 are located in southern portion of Oakland in proximity to Park Street Bridge to Alameda. ***Land Sale 5*** located at 3041 Ford Street in Oakland and has frontage on Ford, Lancaster and Glascock Streets. It contains 1.15 acres. The property is located approximately one block south of the Oakland Estuary. It entered into contract in September 2002 and closed in July 2003 fully entitled. The property is planned for 81 residential units situated on a podium over parking. Including costs for demolition, the comparable was purchased for $37.12 per square foot. An upward adjustment is indicated for current stronger market conditions. However, the property is smaller than the subject and it has a superior residential location. Additional downward adjustments are made for the comparable's superior site orientation. Overall, a net downward adjustment is indicated by this sale in relation to the subject to approximately $33.00 per square foot.

Land Sale 6 is located at 2893 Glascock Street in Oakland. This property is located one block west of ***Land Sale 5***. The 3.0 net acre site has frontage along the Oakland Estuary. The property entered contract in January 2002 and closed escrow in June 2003 for $49.82 per square foot including remediation, UC Crew relocation costs and shoreline landscaping costs required by BCDC. The seller will demolish the existing improvements. An upward adjustment is indicated based on market conditions. However, this property is vastly superior to the subject as it has a waterfront location. It is also superior to the subject in terms of its site utility. Overall, a downward adjustment is indicated by this comparable in relation to the subject due to its superior residential location and water views to approximately $42.00 per square foot.

Land Sale 7 pertains to a sale of 5.66 acres located on Wood Street between 14th and 16th Streets in West Oakland. The property is located adjacent to the subject property. The property was purchased in December 2002 for $28.00 per square foot, or $6,904,520. An upward adjustment is indicated for market conditions as this property was purchased in late 2002. No adjustment is made for location, size or use. A downward adjustment is indicated due to the comparable's superior site configuration. However, the comparable lacks entitlements which is more than an offsetting factor. Overall, an adjusted price per square foot of approximately $35.00 per square foot is indicated by the sale.

Value Conclusion for Development Scenario C - 3.04 acres

After adjustments, the comparables price range from approximately $33.00 to $42.00 per square foot. Less weight is placed on the high end of the range given that the property has a waterfront location. The remaining comparables indicate a narrower range of between $33.00 to $38.00 per square foot. Given the subject's size and location on Wood Street in a new and un-tested development area a value towards the middle of the range of $35.00 per square foot is concluded for the subject property containing 3.04 acres. This value is applied to the subject Development Scenario C site and results in the following market value conclusions:

132,422 Square Feet	x	$35.00 per square foot	=	$4,634,770
Rounded				$4,630,000

Value Conclusion for Development Scenario B - 1.64 acres

The subject property under the Development Scenario B contains 1.64 acres. The property is a portion of the larger Parcel 3. An adjustment grid is provided on the following page which indicates the adjustment made to the comparables. Similar adjustments are made as above for conditions of sale, market conditions, location, use and entitlements. However, adjustments are made for the smaller size of the site, its site utility and investment size. The comparables price range from approximately $33.00 to $48.00 per square foot after adjustments. Again less weight is given to Comparable 6 at the high end of the range due to its location on the waterfront. An upward adjustment of 5 percent is made from the previously concluded value for the subject's smaller size. This is equal to $36.75 per square foot, rounded to $37.00 per square foot. This is within the range of the adjusted comparables and is considered supported. This value is applied to the subject Development Scenario B site of 1.64 acres and results in the following market value conclusions:

71,438 Square Feet	x	$37.00 per square foot	=	$2,643,206
Rounded				$2,640,000

V. Value Conclusions

In conclusion, based on the research and analyses in this appraisal report, and subject to the limiting conditions and assumptions contained herein, it is our opinion that the market values of the fee simple interest in the subject properties, as of February 4, 2004, is estimated as follows:

COMPARABLE LAND SALE ADJUSTMENT GRID

Appraisal of Wood Street Project- Development Scenario B

Oakland, California

Subject Development Scenario B

71,438

1.64

Address:	**Sale 1** 2303-2317 Market St 2242-2310 Myrtle St Oakland	**Sale 2** 2400 MacArthur Blvd Oakland	**Sale 3** Mandela and 32th St Oakland	**Sale 4** 1370 7th St Oakland	**Sale 5** 3041 Ford St Oakland	**Sale 6** 2893 Glascock St. Oakland	**Sale 7** Wood Street between 14th and 16th Oakland
Land Area	31,250	48,339	110,642	26,804	50,000	130,216	246,550
Sale Date:	5/05 - COE	3/04	9/03	12/03	7/03	6/03	12/02
Transaction Price:	$1,562,500	$2,200,000	$3,456,436	$870,000	$1,856,000	$6,487,763	$6,903,389
Unadjusted Price/Sq. Ft.:	$50.00	$45.51	$31.24	$32.46	$37.12	$49.82	$28.00
Financing Terms:	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale:	-5%	0%	0%	0%	0%	0%	0%
Adjusted Sale Price:	$1,484,375	$2,200,000	$3,456,436	$870,000	$1,856,000	$6,487,763	$6,903,389
Adjusted Price/Sq. Ft.:	$47.50	$45.51	$31.24	$32.46	$37.12	$49.82	$28.00
Market Conditions:	0%	5%	20%	20%	20%	20%	20%
Price Adj. For Mkt. Cond.	$47.50	$47.79	$37.49	$38.95	$44.54	$59.79	$33.60
Location:	-10.00%	-15.00%	-5.00%	-5.00%	-10.00%	-25.00%	0.00%
Size:	0.00%	0.00%	0.00%	-5.00%	0.00%	5.00%	10.00%
Use:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Site Utility	0.00%	0.00%	-5.00%	0.00%	-5.00%	-5.00%	-5.00%
Investment Size	-5.00%	0.00%	0.00%	-5.00%	0.00%	5.00%	5.00%
Entitlements	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.00%
Total Adjusted %:	-15.00%	-15.00%	-10.00%	-15.00%	-15.00%	-20.00%	20.00%
Adjusted SF Value for the Subject:	$40.38	$40.62	$33.74	$33.11	$37.86	$47.83	$40.32

Price P.S.F. - Value Range:	$33.11	-	$47.83
Value Conclusion (PER SF):-			$37.00
Value Conclusion -			$2,643,206
Rounded Value Conclusion		1.64	**$2,640,000**

Source: Carneghi-Blum and Partners, Inc.
05-ASF-030, February 2005, 05030 adj

Scenario B- 1.64 acres	$2,640,000
Scenario C - 3.04 acres	$4,630,000

VI. Purpose, Scope, Date of Valuation, Definition

A. Client, Purpose, Intended Use and Intended User of Appraisal

The client for this appraisal is Ms. Cecily Talbert of Bingham McCutchen LLP. The purpose of this appraisal is to estimate the market value in the subject property under two valuation scenarios. It is our understanding that the intended use/user for this appraisal is for the exclusive use by Bingham McCutchen and their client for assistance in decisions relating to approvals and funding of the Wood Street Project including review by the local government agencies. ***This report should not be used or relied upon by any other parties for any reason.***

B. Scope of Appraisal

The scope of this appraisal report is to utilize the appropriate approaches to value in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) to arrive at a market value conclusion. Specific steps include the inspection of the subject property and the research and analysis of comparable data to arrive at value indications as put the following report.

C. Type of Appraisal and Reporting Format

This is a complete appraisal in a summary report.

D. Appraisal Dates

The effective date of valuation is February 4, 2005.

The date of this appraisal report is February 17, 2005.

E. Definition of Terms

1. Market Value *(OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))*

"Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this

definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated;

b. Both parties are well informed or well advised, and acting in what they consider their own best interest;

c. A reasonable time is allowed for exposure in the open market;

d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and

e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. **Fee Simple Interest** ***(The Appraisal of Real Estate, 11th Edition, 1996, p.137)***

A fee simple interest in valuation terms is defined as "... absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." It is an inheritable estate.

VII. Limiting Conditions

Extraordinary Limiting Conditions

1. It is an assumption of this appraisal that the subject property is zoned, General Planned and approved for 215 residential dwelling units.

2. The subject property is currently improved with an older industrial building as well as elevated train tracks and baggage wing. These improvements are planned to be removed and it is an assumption of this appraisal that the subject is in vacant unimproved condition.

3. The concluded value of the subject property in this report assumes that the property is free and clear of any toxic contamination.

Standard Limiting Conditions

4. It is the client's responsibility to read this report and to inform the appraisers of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.

5. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report.

6. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers is assumed by the appraisers.

7. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.

8. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors. It is assumed that no soil contamination exists as a result of chemical drainage or leakage in connection with any production operations on or near the property.

9. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the site has not been considered. These materials may include (but are not limited to) the existence of formaldehyde foam insulation, asbestos insulation, or toxic wastes. The appraisers are not qualified to detect such substances; the client is advised to retain an expert in this field.

10. The appraisers are not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.

11. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use as stated herein.

12. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news sales, or other media without the written consent and approval of the appraisers, particularly as to the valuation conclusions, the identity of the appraisers, or any reference to the Appraisal Institute or the MAI designation.

VIII. Certification of Appraisers

We, the undersigned, hereby certify that, to the best of our knowledge and belief: the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions; we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved; we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; our engagement in this assignment was not contingent upon developing or reporting predetermined results, our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is in compliance with FIRREA; Chris Carneghi and Sara Cohn have made a personal inspection of the property that is the subject of this report; no one provided significant real property appraisal assistance to the persons signing this certification. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report Chris Carneghi has completed the requirements under the continuing education program of the Appraisal Institute. In accordance with the Competency Provision in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report.

We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

CARNEGHI-BAUTOVICH & PARTNERS, INC.

Chris Carneghi, MAI
Certified General Real Estate Appraiser
State of California No. AG001685

Sara A. Cohn, MAI
Certified General Real Estate Appraiser
State of California No AG014469

/ss

QUALIFICATIONS OF CHRIS L. CARNEGHI, MAI

California Certified General Real Estate Appraiser No. AG001685

Chris Carneghi is the President of Carneghi-Blum & Partners, Inc., a California Corporation providing real estate appraisal and consulting services. The following is a summary resume of his background and experience.

EXPERIENCE

Mr. Carneghi has more than 25 years of experience as a real estate appraiser, arbitrator and consultant in the fields of real estate and urban economics. He has conducted numerous real estate appraisals of office buildings, research and development (R&D) buildings, industrial facilities, retail stores and shopping centers, hotels, apartments, condominiums and vacant land. Mr. Carneghi's real estate appraisal expertise is focused on urban/suburban buildings, development projects and land. He has extensive experience in appraising real estate for condemnations, rental and other appraisal arbitration matters, property tax assessment appeals, mortgage loans, assessment districts, community facilities districts and similar public finance bond financing. Analysis and valuation of leasehold, leased fee and other real estate interests are standard areas of practice. He also has experience in cost revenue analyses as they relate to municipal fiscal impacts from a land use project. Mr. Carneghi has been a Member of the Appraisal Institute (MAI) since 1982.

Mr. Carneghi frequently provides litigation support and serves as an expert witness in court or in private arbitration proceedings. He also acts as either a neutral or party arbitrator in resolving matters of real estate values, rents and related issues. He has been qualified as a real estate appraisal expert and provided testimony in the California Superior Courts of San Francisco, Santa Clara, San Mateo, Marin, Contra Costa and Alameda Counties and in the Federal United States Bankruptcy Courts in Oakland, San Francisco, San Jose, San Diego and Santa Rosa. He has been qualified as a real estate expert and testified in Federal Tax Court in San Francisco, in California Public Utilities Commission (PUC) hearings in San Francisco and in hearings conducted at the American Arbitration Association (AAA) and Judicial Arbitration and Mediation Service (JAMS) in various locations.

Carneghi-Blum & Partners, Inc. is a real estate appraisal and urban economics consulting company. The firm has a staff of approximately 20 real estate appraisal and market research professionals and maintains offices in San Francisco and San Jose, California. Mr. Carneghi has overall management responsibility for the firm, as well as being the partner in charge of many specific appraisal, arbitration and consulting assignments.

After graduating with academic distinction from the University of California at Berkeley in 1972, he worked for several years with Paul Fullerton, MAI, on real estate market research with emphasis on downtown rejuvenation studies. He then spent two years with Kaiser-Aetna, a national real estate development partnership, managing market research and financial analysis for their special projects office. Following this, he was the project economist for the City of San Jose Economic Development and Redevelopment Program.

In 1977, Mr. Carneghi established the firm of Urban Economics Corporation, a real estate consulting firm. In 1979, he merged Urban Economics with the firm of Fullerton-Mills, a real estate appraisal firm established in 1972. The merger resulted in Mills-Carneghi, Inc. (later Mills-Carneghi-Bautovich, Inc.). The company became Carneghi-Bautovich & Partners, Inc. in August 1989 and was renamed Carneghi-Blum & Partners, Inc. in July 2004.

Other related experience includes teaching, speaking and publications on various facets of real estate appraisal, arbitration and market research which are listed below. Mr. Carneghi has served on the board of directors of a condominium project. He was a consultant to the San Jose City Council Jobs and Housing Committee, which was charged with investigating the fiscal impact of the imbalance between jobs and housing in that city, and a consultant to the Cupertino City Council concerning the feasibility of high density residential development in that city. He has also made numerous presentations to the rating agencies of Standard and Poor's and Moody's in connection with market studies concerning mortgage revenue bond programs.

PROFESSIONAL AFFILIATIONS & STATE CERTIFICATION

MAI Designation: (No. 6566) Appraisal Institute
Chairman Admissions Committee: AIREA Chapter 11, 1987
State of California Certified General Real Estate Appraiser No. AG001685

EDUCATION

Bachelors Degree:	Urban Studies, University of California at Berkeley, 1972
Masters Degree:	Business Administration, San Jose State University, 1978

TEACHING

Course:	Real Estate Appraisal (RE 302), Instructor
Location:	Golden Gate University, San Francisco, Spring 1989
Course:	Topics in Real Estate (BA 296), Guest Lecturer
Location:	University of California at Berkeley, Spring 1988
Course:	Real Estate and Urban Planning (URB P 196H), Instructor
Location:	San Jose State University, Spring 1981
Course:	Real Estate Appraisal Problems (BUS 104), Instructor
Location:	San Jose State University, Fall 1980, Spring 1981

SPEAKING

Topic:	Before You Say Yes - Qualifying Appraisal Clients, Engaging Assignments, and Product Pricing
Location:	Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, October 2004
Topic:	Exchange and Deposition - The Litigation Process Involving a Real Estate Appraiser as an Expert
Location:	Appraisal Institute Northern California Chapter, Fall Conference, San Francisco, November 2003
Topic:	The Issue of Specific Defendant Compensation For An Unrecorded Public Interest in a Condemned Parcel of Land
Location:	Case Studies in Eminent Domain Seminar; Northern California Chapter of Appraisal Institute; Oakland, June 2003
Topic:	Rent Arbitration in Volatile Market Conditions
Location:	San Francisco Real Estate Roundtable, October 2002
Topic:	Demolition and Toxic Contamination Problems in Real Estate Appraising
Location:	Santa Clara County Assessor's Training Conference, September 2002
Topic:	Appraisal Crossfire: Controversies in the Profession
Location:	Appraisal Institute San Francisco Bay Area Fall Conference, October 1997
Topic:	Reviewing the Reviewer in Real Estate Appraisal
Location:	Appraisal Institute San Francisco Bay Area Fall Conference, October 1993
Topic:	Property Acquisition Workshop - Nonprofit Housing
Location:	San Francisco Redevelopment Agency, February 1993
Topic:	Americans with Disabilities Act (ADA) & Unreinforced Masonry Buildings (UMB)
Location:	Appraisal Institute San Francisco Bay Area Fall Conference, October 1992
Topic:	Private Real Estate and Public Planning
Location:	San Jose State University, Urban Planning 143 & 275F, April 1992
Topic:	Real Estate Appraising in a Changing Market
Location:	Peat Marwick Real Estate Study Group, April 1989, Sept 1985 and June 1984
Topic:	Capitalization of First Year Income for a Property in a Market Involving Rent Concessions
Location:	AIREA Chapter 11 Meeting, February 1989
Topic:	Appraised Values - Downtown Area
Location:	City of San Jose Real Estate/Relocation/Appraisal Division, September 1988
Topic:	Rent Concessions in the Appraisal Process
Location:	AIREA Chapter 11 Meeting, March 1987
Topic:	Appraising: Where Are We?
Location:	AIREA Chapter 11 Meeting, 1985
Topic:	Development Approach to Industrial Land Valuation in an Inflationary Period
Location:	Society of Industrial Realtors Appraisal Committee, San Francisco, November 1982
Topic:	Market-Feasibility Studies for Mortgage Revenue Bond Programs
Location:	Seminar sponsored by Dean Witter Reynolds, St. Francis Hotel, San Francisco, August 1981
Topic:	Feasibility Studies in Real Estate Valuation
Location:	Valley Seminar sponsored by Sierra Chapter SREA, Modesto Jr College, April 1981
Topic:	Economic Feasibility of Downtown Office Buildings
Location:	Building Owners and Managers Association Northwest Regional Conference, Spokane, Washington, October 1979

PUBLICATIONS

Article:	Appraisal Arbitration: The Role of the Real Estate Appraiser in Resolving Value Disputes
Publication:	**The Appraisal Journal, April 1999**
Article:	Determining Ground-Lease Rental Rates
Publication:	**The Appraisal Journal, April 1994**
Article:	Real Estate Appraising Under R41c
Publication:	**San Jose Business Journal, March 1987**
Article:	Specialty Shopping Centers: Factors of Success and Failure
Publication:	**The Appraisal Journal, October 1981**
Article:	San Jose Office Market
Publication:	**Western Real Estate News, 1976**

QUALIFICATIONS OF SARA A. COHN, MAI

EXPERIENCE

Sara A. Cohn is a Senior Appraiser and Project Manager with Carneghi-Blum & Partners, Inc., based in the San Francisco office. Carneghi-Blum & Partners provides real estate appraisal and consulting services in the San Francisco Bay Area. Clients include financial institutions, government agencies, law firms, development companies and individuals. Typical assignments include both valuation and evaluations of a broad variety of property types, uses and ownership considerations.

Ms. Cohn joined Carneghi-Blum & Partners, Inc. (formerly Carneghi-Bautovich & Partners, Inc.) in 1988. Her responsibilities include the preparation of narrative appraisals on commercial, industrial, residential and retail properties. Recent work involved the analysis of residential subdivisions, valuation of low-income housing and tax credits, proposed assessment districts, commercial and industrial properties as well as co-housing projects.

EDUCATION

Bachelor of Arts, University of California, Berkeley, 1978

Successful completion of all professional appraisal courses offered by the Appraisal Institute as a requirement of membership.

Continued attendance at professional real estate lectures and seminars.

PROFESSIONAL AFFILIATION

Appraisal Institute - MAI Designation (Member Appraisal Institute) No. 12017
Continuing Education Requirement Complete

STATE CERTIFICATION

State of California Certified General Real Estate Appraiser No. AGO14469
Certified Through March 2005

State of California Licensed Landscape Architect No. 2102

Tax Increment and Bonding Capacity Supported by Wood Street Projects

Prepared for

BUILD WEST OAKLAND, LLC

FEBRUARY 2005

Conley Consulting Group

Conley Consulting Group

February 18, 2005

Mr. Robert Stevenson
Project Manager
BUILD, LLC
345 Spear Street, Suite 700
San Francisco, CA 94105

Re: Wood Street Projects

Dear Mr. Stevenson:

Conley Consulting Group is pleased to present this analysis of the potential property tax increment revenues which could be generated by the seven proposed developments along Wood Street in Oakland, California. Because these developments are located within the Oakland Army Base Redevelopment Project Area (Project Area), the incremental property taxes generated by the development and sales or rental of the residential and commercial development in these projects will be available to the Redevelopment Agency to fund revitalization efforts by issuing Municipal Bonds backed by the incremental property tax. This analysis represents an update to the analysis prepared in CCG's memo of February 4, 2004 which also projected tax increment generated and supportable bond capacity of the Wood Street projects.

The purpose of this analysis is two fold: first to estimate the tax increment that will be generated by the development of the proposed developments in the Wood Street Zoning District, and second, to estimate the amount of bonds that could be supported by that tax increment flow.

This analysis further disaggregates the property tax increment into two distinct pools of funds. The first is discretionary increment or funds which can be used for any purpose consistent with the Redevelopment Plan. The second pool is composed of increment that is set aside (by State Law and local practice) exclusively for low and moderate income housing. The projection period starts in 2005 (when construction of the first of the seven developments is expected to start) and 2030 (when the Project area terminates).

Real Estate Economics
Development Strategy
Economic Development

Tel 510.625.1448
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I. SUMMARY OF FINDINGS

Tax Increment—Over the remaining life of the Project Area, the Wood Street projects will generate $147.0M of total property tax increment revenues to the Redevelopment Agency (see Table 6).

Discretionary Increment—During this period $55.0 M in discretionary increment, net of the Housing set aside and revenues passed through to other taxing entities, will be generated by the Wood Street developments (see Table 6).

Housing Set Aside—In total, the Wood Street developments will generate an additional $36.8 M in contributions to the housing set aside fund through 2030 (see Table 6).

Bonding Capacity—The discretionary tax increment can be used to support a bond issue. While it is likely that any tax increment bonds would actually be issued in concert with other Redevelopment Agency financial efforts, and supported by a broader base of tax payers, we have estimated the amount of bond funds that could be solely supported by the tax increment generated by the Wood Street projects, based on conversations with Agency staff. The timing of the bond issue is a key determinant of the amount that can be supported by project-generated revenue. Thus, net proceeds based on a range of options for issuing bonds are provided in the inset table below:

Year	First Bond	Second Bond In 2011	Total Bond Capacity*
2006	$ 0.85 M	$13.51 M	$14.36 M
2007	$ 1.09 M	$13.27 M	$14.36 M
2008	$ 4.93 M	$9.43 M	$14.36 M
2009	$10.93 M	$3.43 M	$14.36 M
2010	$12.80 M	None issued	$12.80 M
2011	None issued	$14.36 Million	$14.36 M

Source: Conley Consulting Group, February 2005
* totals may not add due to independent rounding.

II. TAX INCREMENT PROJECTION METHODOLOGY

A. Development Scenario

The development scenario and market value assumptions upon which this projection is based was provided by BUILD West Oakland, LLC, in consultation with the other developers proposing projects in the Wood Street zoning district (see Table 1). This scenario is conservative, and includes fewer units than the total development entitlement sought for each development area. The scenario differs from that assumed in our February 2004 analysis with regard to timing: the housing planned for development on Development Area (DA) #4 is delayed from the original construction start date of February '05 to December '05 (see Table 2).

B. Assessed Value Timing Assumptions

Projected dates for the construction and sales period for each development are shown in Table 2. For the for-sale developments, CCG projected unit sales at a rate of 12 units per month. Units sold by March are assumed to be placed on the assessment roll for that year. Units sold after the March reassessment date are assumed to be placed on the assessment roll in the next year. Property taxes are generated in the year that the units are placed on the roll. For the apartments, the property is assumed to be placed on the roll at the time of completion.

C. Calculation of Base Year Values

Tax Increment is the increase in property taxes within the project area due to increases in assessed value since the base year established at the time the redevelopment plan was adopted. For the Oakland Army Base Project Area, the base year was 1999/00. Thus, increases in property taxes over the amount generated in the base year are available as tax increment financing to the Redevelopment Agency.

The assessed value for each of the Development Areas is shown in Table 3 for the base year and for FY 2003-2004. These data show that significant increases in assessed valuation in the project area have already occurred, due in part to property sales (Under Prop 13, property is reassessed only upon sale. After an initial reassessment at the time of sale, assessed valuation may be increased at a maximum rate of 2% per year). CCG calculated the base year assessment for each parcel based on the 2003-4 AV, backing into the 1999/00 value. For property which has been sold since the base year, we backed into a 1999/00 value based upon the value shown on the supplemental re-assessments notice issued by the Tax Collector after the sale.

D. Calculation of New Assessed Value

For each Development Area, the new additions to assessed value are calculated for each year in which initial unit sales are projected to occur (see Table 4). Prices are escalated forward to the time of sale at a 3% annual escalation rate. Until each development area is constructed, the property tax increment estimate is based on the value of the vacant site, escalated forward at 2% per year.

D. Calculation of Incremental Assessed Value and Incremental Property Taxes

Future assessed values from the for sale housing is projected based on assumed rates of unit turnover, reassessment to market value at the time of sale (market sales prices projected forward at 3%) and 2% per year value annual escalation rate between sales (see Table 5). Because turnover for apartment buildings is less frequent, no reassessment at resale is projected. The assessed value at the base year is deducted to determine the incremental growth in assessed value over the frozen base for each year of the projection period.

Next, the incremental base is divided into tiers upon which the tax sharing formulas are applied per State Law, as shown in Table 6. For each period, the applicable tax sharing formula, ranging from 11.2% to 20% is applied.

This projection assumes that the State mandated Educational Revenue Augmentation Fund (ERAF) shift, or transfer of Redevelopment Agency funds to the state government continues

throughout the life of the project area, although no special legislation is now in place to do so. The amount of the shift is assumed to remain at a rate consistent with the ERAF shift for Oakland in fiscal year 2004-5. The ERAF was assessed as a statewide revenue target allocated to Redevelopment Agencies in the state at a rate equal to the proportion that Agency's tax increment revenues represented of the total amount of statewide tax increment. The ERAF assessment was not based on revenues in individual project areas or projects. For 2004-5 the shift was equivalent to roughly 8.84% of the total Increment received by the Oakland Redevelopment Agency in FY 2004. For the purpose of this analysis we have assumed that 8.84% of the increment generated by the group of projects proposed for Wood Street is allocated to this shift of local funds to the State.

State of California Law mandates that no less than 20% of the gross tax increment be set aside in a fund dedicated to production of low and moderate income housing. The Oakland Redevelopment Agency has adopted a policy of increasing the housing set aside fund to equal 25% of the gross increment received. In the latest bond issue, the extra 5% set aside allocation based on local policy, was treated as subordinate to debt service, and not deducted from funds available to support the bonds. For this analysis we have conservatively assumed that both the state mandated and local policy set aside funds are deducted before calculation of the discretionary tax increment.

In sum, Table 6 identifies the amount of discretionary tax increment generated each year by the group of developments in the Wood Street Zoning district.

III. Bonding Capacity

Based on conversation with Agency Staff, the bonding capacity of the project is projected using only that portion of the increment from the 1% tax rate mandated by Prop 13. As noted previously, the Redevelopment Agency receives revenues from a 1.175% tax rate, including the override amounts approved prior to 1989. Table 7 identifies the bonding capacity supported solely by the project-generated discretionary tax increment revenues, assuming revenues at 1%.

Table 7 shows the supportable bond amount(s) available for non-housing purposes based on conservative assumptions regarding the factors that impact net revenues available from a potential bond, including a 6% interest rate, a debt service coverage ratio of 1.25, a 30 year term, and a 12.5% factor to cover the cost of issuance and reserves. The calculated bond capacity varies from a supportable bond of roughly $854,000 in 2005 and a second bond of $13.50 million by the year 2011, to a single bond of $14.36 million supportable in 2011.

Very Truly Yours,

Conley Consulting Group

Denise E. Conley
Principal

Table 1
Development Program and Value Assumptions
Wood Street Zoning District
BUILD West Oakland LLC

Parcel	Description	Units[1]	Avg SF/Unit	Value/SF	Value/Unit	Assessed Value
Development Area 1	Townhouses (40 ft) - For-sale	68	1,400	$270	$378,000	$25,704,000
Development Area 2	Stacked Flats/THs (50 ft) - For-sale	150	1,000	305	305,000	45,750,000
Development Area 3	Stacked Flats/THs (50 ft) - For-sale	200	1,150	290	333,500	66,700,000
Development Area 6	Stacked Flats/THs (65 ft) - For-sale	182	1,000	305	305,000	55,510,000
Development Area 7	Stacked Flats/THs (50 ft) - For-sale	150	1,000	305	305,000	45,750,000
Development Area 8	Stacked Flats/THs (90 ft) - For-sale	225	1,000	305	305,000	68,625,000
Total/Average For Sale		975	1,059	$298	$315,937	$308,039,000
Development Area 4	Stacked Flats/THs (50 ft) - Rental	425	950	$175	166,250	$70,656,250
Development Area 5	Train Station Bldg[2]					0
Total Rental		425				$70,656,250
Grand Total		1,400				$378,695,250

1. To be conservative, the number of units are less than the total entitlements sought for each Parcel.

2. Conservatively, assumed no value for Train Station.

Market Appreciation	3%
Market Valuation year	2003

Source: BUILD West Oakland LLC.

Table 2
Development and AV Timing Assumptions
Wood Street Zoning District
BUILD West Oakland LLC

	Construction Period				Sales period				Units Sold and in AV by Year									
Parcel	Start	Complete	Months	Total	Sales per mo	Sales # mos	Start	Complete	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Development Area 1	Dec-05	Mar-07	15	68	12	5.7	Mar-07	Aug-07	land			12	56					
Development Area 2	Dec-05	Jun-07	18	150	12	12.5	Jun-07	Jun-08					120	30				
Development Area 3	Jun-06	Oct-07	16	200	12	16.7	Oct-07	Feb-09	land				72	128				
Development Area 6	Jun-07	Jul-09	25	182	12	15.2	Jul-09	Sep-10	land						108	74		
Development Area 7	Jan-09	Jan-11	24	150	12	12.5	Jan-11	Jan-12								36	114	
Development Area 8	Feb-09	Feb-11	24	225	12	18.8	Feb-11	Aug-12								24	144	57
Total/Average For Sale				975								12	248	158	108	134	258	57
Development Area 4	*Dec-05*	*Jul-08*	31	*425*										*425*				
Development Area 5 *	Dec-06	Dec-07	12										1					
Total Rental																		
Total				1400					0	0	0	12	249	583	108	134	258	57

* timing of station building dependent on availability of funds.

Source: BUILD West Oakland LLC.

Table 3
Existing Assessed Value by Parcel
Wood Street Zoning District
BUILD West Oakland LLC

BUILD Parcel #	APN	Est. Base Year Assessed Value		2003-2004 Assessed Value	Description
Development Area 1	O-315-6	$1,559,070	1	$3,184,300	Long narrow parcel from 10th & Cedar to 14th
Development Area 2	6-29-2	2,083,181	2	4,600,000	sold fall 2004
Development Area 3	6-29-1	1,542,036	1	4,027,200	Block bounded by 12th, Wood, & 14th
Development Area 4	O-310-12	2,351,100	1	6,954,000	Bounded by 14th, diagonal, and 16th
Development Area 5/6	O-310-13	2,136,900	1	4,364,000	Wood from 16th to 18th
Development Area 7	O-310-14	1,198,163	2	1,322,869	Wood from 18th to 20th
Development Area 7	O-310-7-7	-		-	AV included with other portion of Parcel 7 (above).
Development Area 8	O-310-3-8	153,598	2	169,585	Corner parcel at 20th, bounded by diagonal and railroad arc.
Development Area 8	O-310-3-9	526,759	2	581,584	Bounded by Wood, West Grand, and railroad arc.
Development Area 8	O-310-3-10	48,907	2	53,997	Long narrow strip between 3-8 and 3-11
Development Area 8	O-310-3-11	-		-	Assessed value included in other parcels
	Total	**$11,599,714**		**$ 25,257,535**	

1. These parcels sold recently which resulted in increased assessed value. The estimated base year value for these parcels is the taxable value on the role shown on the notice of supplemental assessments for each parcel.
2. For these parcels, the1999/00 base year value is the 2003/04 assessment reduced by 2% per year to account for the annual increase.
4. The western boundary of the parcels is defined generally by the freeway right-of-way, indicated on the parcel maps as a diagonal black and white line.

Source: County of Alameda and Supplemental Tax Bills

Table 4
New Assessed Value by Year
Wood Street Zoning District
BUILD West Oakland LLC
thousands of dollars

AV From Development Sales

Parcel	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Price Escalator[1]		106%	109%	113%	116%	119%	123%	127%	130%	134%
Development Area 1		$ -	$ -	$ 5,105	$ 24,540	$ -	$ -	$ -	$ -	$ -
Development Area 2		-	-	-	42,429	10,926	-	-	-	-
Development Area 3		-	-	-	27,836	50,972	-	-	-	-
Development Area 6		-	-	-	-	-	40,512	28,591	-	-
Development Area 7		-	-	-	-	-	-	13,909	45,367	-
Development Area 8		-	-	-	-	-	-	9,273	57,306	23,364
Total/Average For Sale	$ -	$ -	$ -	$ 5,105	$ 94,805	$ 61,897	$ 40,512	$ 51,773	$ 102,673	$ 23,364
Development Area 4		-	-	-	-	84,367	-	-	-	-
Total Rental	$ -	$ -	$ -	$ -	$ -	$ 84,367	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ 5,105	$ 94,805	$ 146,265	$ 40,512	$ 51,773	$ 102,673	$ 23,364

Undeveloped Land Value -- Including Recent and Planned Transactions

Parcel	Sale Value[2]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Development Area 1	$ 2,584	2,584	2,636	2,688	2,258	-	-	-	-	-	-
Development Area 2	4,600	4,600	4,692	4,786	4,882	996	-	-	-	-	-
Development Area 3	7,455	7,455	7,604	7,756	7,911	5,165	-	-	-	-	-
Development Area 6	6,000	4,364	6,000	6,120	6,242	6,367	6,495	2,693	-	-	-
Development Area 7		1,323	1,349	1,376	1,404	1,432	1,461	1,490	1,155	-	-
Development Area 8		805	821	838	854	872	889	907	826	213	-
Total/Average For Sale	20,639	21,131	23,102	23,564	23,552	14,831	8,844	5,090	1,981	213	-
Development Area 4		6,954	7,093	7,235	7,380	7,527	-	-	-	-	-
Development Area 5											
Total Rental	-	6,954	7,093	7,235	7,380	7,527	-	-			
Total Land AV	$ 20,639	$ 28,085	$ 30,195	$ 30,799	$ 30,931	22,358	8,844	5,090	1,981	213	-

1. Market escalation of 3% per year assumed.
2. Land sales prices from BUILD West Oakland LLC

Table 5
Assessed Value by Year
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Undeveloped Land	$ 30,195	$ 30,799	$ 30,931	$ 22,358	$ 8,844	$ 5,090	$ 1,981	$ 213	$ -	$ -	$ -	$ -
For-Sale Housing[1]												
2005 Sales	-	-	-	-	-	-	-	-	-	-	-	-
2006 Sales		-	-	-	-	-	-	-	-	-	-	-
2007 Sales			**5,105**	5,215	5,333	5,459	5,594	5,736	5,886	6,043	6,207	6,378
2008 Sales				**94,805**	96,837	99,032	101,381	103,880	106,521	109,302	112,218	115,267
2009 Sales					**61,897**	63,224	64,657	66,191	67,822	69,547	71,362	73,266
2010 Sales						**40,512**	41,380	42,318	43,322	44,390	45,518	46,707
2011 Sales							**51,773**	52,882	54,081	55,364	56,728	58,171
2012 Sales								**102,673**	104,873	107,249	109,794	112,500
2013 Sales									**23,364**	23,865	24,405	24,985
Total	-	-	5,105	100,020	164,067	208,227	264,785	373,680	405,869	415,759	426,234	437,274
Rental Housing and Station Building												
Initial Value	-	-	-	-	84,367	-	-	-	-	-	-	-
Statutory Growth	-	-	-	-	-	86,055	87,776	89,531	91,322	93,148	95,011	96,911
Resale Increase[2]												
Total	-	-	-	-	84,367	86,055	87,776	89,531	91,322	93,148	95,011	96,911
Total Assessed Value	30,195	30,799	36,037	122,378	257,279	299,371	354,542	463,424	497,191	508,908	521,245	534,185
Base Year AV	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600
AV Increase over Base	18,596	19,200	24,437	110,779	245,679	287,772	342,942	451,825	485,591	497,308	509,645	522,586

1. For Sale housing assessed value increases in years subsequent to the first sale assuming 7 year average turnover, and 3% market appreciation.
2. Rental housing is not assumed to resale after initial placement on tax roles.

Table 5 (continued)
Assessed Value by Year
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Land Sales														
For-Sale Housing[1]														
2005 Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2006 Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007 Sales	6,557	6,742	6,934	7,134	7,340	7,554	7,774	8,002	8,238	8,481	8,732	8,991	9,258	9,534
2008 Sales	118,448	121,759	125,200	128,770	132,471	136,304	140,269	144,369	148,605	152,980	157,497	162,159	166,968	171,929
2009 Sales	75,257	77,333	79,495	81,741	84,072	86,489	88,991	91,580	94,256	97,022	99,879	102,828	105,872	109,012
2010 Sales	47,953	49,256	50,615	52,030	53,500	55,026	56,607	58,245	59,939	61,691	63,502	65,371	67,301	69,293
2011 Sales	59,689	61,282	62,947	64,684	66,492	68,371	70,321	72,342	74,435	76,600	78,839	81,153	83,542	86,009
2012 Sales	115,361	118,372	121,530	124,833	128,277	131,863	135,589	139,456	143,464	147,614	151,909	156,349	160,937	165,675
2013 Sales	25,600	26,251	26,937	27,655	28,407	29,190	30,006	30,854	31,734	32,646	33,591	34,568	35,578	36,622
Total	448,865	460,995	473,658	486,847	500,559	514,796	529,558	544,848	560,672	577,036	593,949	611,419	629,457	648,074
Rental Housing and Station Building														
Initial Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statutory Growth Resale Increase[2]	98,850	100,827	102,843	104,900	106,998	109,138	111,321	113,547	115,818	118,135	120,497	122,907	125,365	127,873
Total	98,850	100,827	102,843	104,900	106,998	109,138	111,321	113,547	115,818	118,135	120,497	122,907	125,365	127,873
Total Assessed Value	547,714	561,822	576,501	591,747	607,558	623,934	640,879	658,395	676,490	695,171	714,446	734,326	754,822	775,947
Base Year AV	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600
AV Increase over Base	536,115	550,222	564,901	580,147	595,958	612,334	629,279	646,796	664,891	683,571	702,847	722,726	743,223	764,347

Table 6
Tax Increment Available @ 1.175% Tax Rate
After Sharing Agreements
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars													
Fiscal year ending July 1		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Year of Redevelopment Plan		3	4	5	6	7	8	9	10	11	12	13	14
Total Incremental AV		18,596	19,200	24,437	110,779	245,679	287,772	342,942	451,825	485,591	497,308	509,645	522,586
2nd Base for sharing								55,170	164,053	197,819	209,536	221,874	234,814
3rd Base for sharing													
Gross Tax Increment	1.175%	**218**	**226**	**287**	**1,302**	**2,887**	**3,381**	**4,030**	**5,309**	**5,706**	**5,843**	**5,988**	**6,140**
Cumulative Gross TI	147,036	***218***	***444***	***731***	***2,033***	***4,920***	***8,301***	***12,330***	***17,639***	***23,345***	***29,188***	***35,177***	***41,317***
AB1290 Pass Thru													
First Tier	20.0%	44	45	57	260	577	676	806	1,062	1,141	1,169	1,198	1,228
2nd Tier	16.8%	0	0	0	0	0	0	109	324	390	414	438	464
3rd Tier	11.2%	0	0	0	0	0	0	0	0	0	0	0	0
City & Taxing Agencies		44	45	57	260	577	676	915	1,386	1,532	1,582	1,636	1,692
ERAF Payment[1]	8.84%	19	20	25	115	255	299	356	469	504	517	529	543
Cumulative ERAF	12,998	19	39	65	180	435	734	1,090	1,559	2,064	2,580	3,110	3,652
Housing Set Aside[2]	25.0%	55	56	72	325	722	845	1,007	1,327	1,426	1,461	1,497	1,535
Cumulative H.S.A	36,759	*55*	*111*	*183*	*508*	*1,230*	*2,075*	*3,083*	*4,410*	*5,836*	*7,297*	*8,794*	*10,329*
Discretionary Increment		101	104	133	601	1,333	1,561	1,751	2,127	2,243	2,284	2,326	2,371
Cumulative Funds Available	55,058	101	205	338	938	2,271	3,832	5,583	7,710	9,953	12,237	14,563	16,934

[1] Per the Redevelopment Agency 2005 Budget, the ERAF shift represented 8.84% of the Agency's Increment Flow.

[2] For purposes of calculating supportable bonds, Housing Set Aside was estimated at the 20% state mandated level.

Table 6 (continued)
Tax Increment Available @ 1.175% Tax Rate
After Sharing Agreements
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars														
Fiscal year ending July 1	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Year of Redevelopment Plan	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Total Incremental AV	536,115	550,222	564,901	580,147	595,958	612,334	629,279	646,796	664,891	683,571	702,847	722,726	743,223	764,347
2nd Base for sharing	248,343	262,451	277,129	292,375	308,186	324,563	341,507	359,024	377,119	395,800	415,075	434,955	455,451	476,576
3rd Base for sharing							16,945	34,461	52,556	71,237	90,512	110,392	130,888	152,013
Gross Tax Increment	**6,299**	**6,465**	**6,638**	**6,817**	**7,003**	**7,195**	**7,394**	**7,600**	**7,812**	**8,032**	**8,258**	**8,492**	**8,733**	**8,981**
Cumulative Gross TI	**47,617**	**54,082**	**60,719**	**67,536**	**74,538**	**81,733**	**89,127**	**96,727**	**104,540**	**112,572**	**120,830**	**129,322**	**138,055**	**147,036**
AB1290 Pass Thru														
First Tier	1,260	1,293	1,328	1,363	1,401	1,439	1,479	1,520	1,562	1,606	1,652	1,698	1,747	1,796
2nd Tier	490	518	547	577	608	641	674	709	744	781	819	859	899	941
3rd Tier	0	0	0	0	0	0	22	45	69	94	119	145	172	200
City & Taxing Agencies	1,750	1,811	1,875	1,940	2,009	2,080	2,175	2,274	2,376	2,481	2,590	2,702	2,818	2,937
ERAF Payment	557	572	587	603	619	636	654	672	691	710	730	751	772	794
Cumulative ERAF	4,209	4,781	5,368	5,970	6,589	7,225	7,879	8,551	9,241	9,951	10,681	11,432	12,204	12,998
Housing Set Aside	1,575	1,616	1,659	1,704	1,751	1,799	1,849	1,900	1,953	2,008	2,065	2,123	2,183	2,245
Cumulative H.S.A	11,904	13,520	15,180	16,884	18,635	20,433	22,282	24,182	26,135	28,143	30,208	32,331	34,514	36,759
Discretionary Increment	2,418	2,466	2,517	2,569	2,624	2,680	2,717	2,754	2,793	2,832	2,874	2,916	2,960	3,005
Cumulative Funds Available	19,351	21,817	24,334	26,904	29,528	32,208	34,925	37,679	40,472	43,304	46,178	49,094	52,053	55,058

Table 7
Tax Increment Available @ 1.00% Tax Rate
After Sharing Agreements
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars													
Fiscal year ending July 1		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Year of Redevelopment Plan		3	4	5	6	7	8	9	10	11	12	13	14
Total Incremental AV		18,596	19,200	24,437	110,779	245,679	287,772	342,942	451,825	485,591	497,308	509,645	522,586
2nd Base for sharing								55,170	164,053	197,819	209,536	221,874	234,814
3rd Base for sharing													
Gross Tax Increment	1.00%	**186**	**192**	**244**	**1,108**	**2,457**	**2,878**	**3,429**	**4,518**	**4,856**	**4,973**	**5,096**	**5,226**
Cumulative Gross TI	125,137	**186**	**378**	**622**	**1,730**	**4,187**	**7,065**	**10,494**	**15,012**	**19,868**	**24,841**	**29,938**	**35,164**
AB1290 Pass Thru													
First Tier	20.0%	37	38	49	222	491	576	686	904	971	995	1,019	1,045
2nd Tier	16.8%	0	0	0	0	0	0	93	276	332	352	373	394
3rd Tier	11.2%	0	0	0	0	0	0	0	0	0	0	0	0
City & Taxing Agencies		37	38	49	222	491	576	779	1,179	1,304	1,347	1,392	1,440
ERAF Payment[1]	8.84%	16	17	22	98	217	254	303	399	429	440	451	462
Cumulative ERAF	11,062	16	33	55	153	370	625	928	1,327	1,756	2,196	2,646	3,108
Housing Set Aside	25.0%	46	48	61	277	614	719	857	1,130	1,214	1,243	1,274	1,306
Cumulative H.S.A	31,284	46	94	156	433	1,047	1,766	2,624	3,753	4,967	6,210	7,484	8,791
Increment Available to Support Bond		86	89	113	511	1,134	1,328	1,490	1,810	1,909	1,944	1,980	2,018
Cumulative Funds Available	46,858	86	174	287	799	1,933	3,261	4,751	6,561	8,471	10,414	12,394	14,412

[1] Per the Redevelopment Agency 2005 Budget, the ERAF shift represented 8.84% of the Agency's Increment Flow.

[2] Represents the portion of the taxes paid by Wood Street projects that could be dedicated to a bond issue, per Agency Staff.

Table 7 (continued)
Tax Increment Available @ 1.00% Tax Rate
After Sharing Agreements
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars														
Fiscal year ending July 1	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Year of Redevelopment Plan	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Total Incremental AV	536,115	550,222	564,901	580,147	595,958	612,334	629,279	646,796	664,891	683,571	702,847	722,726	743,223	764,347
2nd Base for sharing	248,343	262,451	277,129	292,375	308,186	324,563	341,507	359,024	377,119	395,800	415,075	434,955	455,451	476,576
3rd Base for sharing							16,945	34,461	52,556	71,237	90,512	110,392	130,888	152,013
Gross Tax Increment	**5,361**	**5,502**	**5,649**	**5,801**	**5,960**	**6,123**	**6,293**	**6,468**	**6,649**	**6,836**	**7,028**	**7,227**	**7,432**	**7,643**
Cumulative Gross TI	**40,525**	**46,027**	**51,676**	**57,477**	**63,437**	**69,560**	**75,853**	**82,321**	**88,970**	**95,806**	**102,834**	**110,061**	**117,494**	**125,137**
AB1290 Pass Thru														
First Tier	*1,072*	*1,100*	*1,130*	*1,160*	*1,192*	*1,225*	*1,259*	*1,294*	*1,330*	*1,367*	*1,406*	*1,445*	*1,486*	*1,529*
2nd Tier	417	441	466	491	518	545	574	603	634	665	697	731	765	801
3rd Tier	0	0	0	0	0	0	19	39	59	80	101	124	147	170
City & Taxing Agencies	1,489	1,541	1,595	1,651	1,710	1,770	1,851	1,935	2,022	2,112	2,204	2,300	2,398	2,500
ERAF Payment	474	486	499	513	527	541	556	572	588	604	621	639	657	676
Cumulative ERAF	3,582	4,069	4,568	5,081	5,608	6,149	6,705	7,277	7,865	8,469	9,091	9,729	10,386	11,062
Housing Set Aside	1,340	1,376	1,412	1,450	1,490	1,531	1,573	1,617	1,662	1,709	1,757	1,807	1,858	1,911
Cumulative H.S.A	10,131	11,507	12,919	14,369	15,859	17,390	18,963	20,580	22,242	23,951	25,709	27,515	29,373	31,284
Increment Available to Support Bond	2,057	2,099	2,142	2,187	2,233	2,281	2,312	2,344	2,377	2,411	2,446	2,482	2,519	2,557
Cumulative Funds Available	16,469	18,568	20,710	22,897	25,130	27,411	29,723	32,067	34,444	36,854	39,300	41,782	44,301	46,858

Table 8
Bonding Capacity at 1.00% Tax Rate
Wood Street Zoning District
BUILD West Oakland LLC

$000s of dollars

Fiscal year ending July 1	TOTAL 2004-2030	2005	2006	2007	2008	2009	2010	2011	2012
BONDABLE TAX INCREMENT									
Discretionary Tax Increment	46,858	86	89	113	511	1,134	1,328	1,490	1,810
Annual Growth in Tax Increment		*86*	*3*	*24*	*399*	*623*	*194*	*162*	*320*
Net Bond Proceeds									
First Bond in 2006	14,360		854					13,506	
First Bond in 2007	14,360			1,087				13,273	
First Bond in 2008	14,360				4,927			9,433	
First Bond in 2009	14,360					10,927		3,433	
One Bond in 2010	12,799						12,799		
One Bond in 2011	14,360							14,360	

Key Assumptions

Bond Interest Rate	6%
Bond Term	30
Inflation Rate	3%
Debt Coverage Ratio	1.25
Issuance/reserves	12.50%

Two bonds assumed: The first using increment created by development through the year prior to issuance; the second in 2011 based on the additional development subsequent to the first bond.

THE PROPOSED WOOD STREET PROJECT: FISCAL IMPACT ANALYSIS

A Report to the
City of Oakland
Community and Economic Development Agency
Planning Division
Claudia Cappio, Development Director

Submitted by
Mundie & Associates
Consultants in Land Use and Economics

March, 2005

ATTACHMENT J

This paper was prepared by Mundie & Associates, Consultants in Land Use and Economics, under the direction of Claudio Cappio, Development Director, Planning Division, City of Oakland Community and Economic Development Agency.

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TABLE OF CONTENTS

Table of Contents
(cont'd)

LIST OF TABLES

List of Tables
(cont'd)

SUMMARY

This report addresses the fiscal impacts of the proposed Wood Street Project in West Oakland.

THE PROPOSED PROJECT

The Wood Street Project – actually, a collection of several projects - would occupy approximately 29 acres of land in West Oakland. The project site is bounded generally by West Grand Avenue on the north, Wood Street and Pine Street on the east, 11th and 12th Streets on the south, and Interstate 880 on the west.

The Draft Environmental Impact Report on the project considers three primary development alternatives: a "Maximum Residential Scenario," a "Maximum Commercial Scenario," and a "Maximum Trips Scenario." These alternatives, which posit varying amounts of residential and commercial development, are intended to test the impacts of these use combinations on the environment. In this fiscal analysis, the Maximum Residential Scenario is considered to be the project and is the focus of the study; the other two scenarios are evaluated in a sensitivity analysis that also considers the effects of faster/slower buildout and different rates of inflation on the project's impacts.

FISCAL ANALYSIS

Fiscal analysis is an examination of the revenues, costs, and fiscal balance associated with public agency activities. This fiscal analysis provides a reasonable planning-level estimate of the fiscal impacts of the proposed Wood Street Project, useful for anticipating whether the project will pay its own way, generate surplus revenues that can be used by the City to improve services, or generate deficits that will require the City to reduce services or find offsetting sources of funds.

Key features of this fiscal analysis are:

- Focus on one public agency. In this analysis for the Wood Street Project, the fiscal analysis focuses on the City of Oakland.
- Focus on operating costs and revenues.
- Exclusion of capital costs.
- Focus on the General Fund. This feature is particularly important for the Wood Street Project, which is located in a Redevelopment Project Area. As a consequence of this location, increases in property tax revenue generated by the project would be diverted to the Redevelopment Agency, and would not be available to pay for the ongoing operating costs of public service delivery covered by the General Fund. This allocation of property tax increments occurs in all redevelopment project areas unless a different arrangement is adopted explicitly; it is not unique to the Wood Street Project or the City of Oakland.

- Focus on direct costs and revenues.

The fiscal analysis presented in this report includes revenue sources that account for approximately 61 percent of the total revenues and about 87 percent of the costs anticipated in the City of Oakland budget for the General Fund for fiscal year 2003-04 ("FY 2004"). The remaining revenues are excluded because they are not expected to be affected by the Wood Street Project or are not predictable. The remaining costs are excluded because they are not expected to be affected by the project. The treatment of revenues and costs (including inclusion vs. exclusion in the analysis) is summarized in Tables 9 and 10 and discussed in greater detail in Appendix A.

FISCAL IMPACTS OF THE PROPOSED PROJECT

The proposed Wood Street Project is expected to yield a net fiscal cost for the City of Oakland's General Fund. The cumulative net cost is projected to total $6.7 million (in FY 2004 dollars) through FY 2013 (the year of scheduled project completion) and $19.9 million (in FY 2004 dollars) through FY 2023 (10 years after scheduled completion).[1]

Although the net cost of the project would be negative throughout the 19-year study period, *the deficit per capita would be smaller than the City's current per capita deficit in the General Fund.* As indicated in Chapter 4, the current per capita deficit (considering the revenues and costs included in this analysis) is $400, and the per capita deficit for the proposed project in FY 2023 (in FY 2004 dollars) is estimated at $210.

The negative impact of the project results in large part from the location of the project site in a redevelopment project area. Redevelopment diverts a significant proportion of the increased property tax revenue generated by new development (that is, the property tax increment) away from the General Fund and into the Redevelopment Agency, explicitly for expenditure on capital facilities and programs that will benefit the project area. The impacts of project location within a redevelopment project area are:

- In the redevelopment area, the project is expected to contribute $5.2 million (in FY 2004 dollars) to the General Fund through FY 2023. If it were not in a redevelopment area, this revenue would total $17.3 million. While this difference would not erase the projected deficit from the project through FY 2023, it would reduce it by about 85 percent.
- In the redevelopment area, the project is also expected to contribute $45.3 million to the Redevelopment Agency through FY 2023: $16.3 million in housing set-aside funds and $29.0 million in unrestricted funds. This money would not be available to the City of Oakland if the project were not in a redevelopment area; instead, it would be distributed to the other public agencies that levy property taxes (e.g., Alameda County and the Oakland Unified School District).

[1] "FY 2004" dollars, or "fiscal year 2004" dollars, eliminate the effects of inflation. They are used in this analysis to present information so that it is expressed in amounts that are comparable to today's revenues and costs. Appendix B provides a discussion of inflation, discounting, and constant vs. "nominal" dollars, and presents the results of the fiscal analysis in nominal (inflated) dollars.

Are there other reasons why the fiscal impact of the project is expected to be negative? The property tax diversion explains much of the anticipated deficit, but other factors include:

- Relatively modest housing prices. A 25 percent increase in housing prices would reduce the projected cumulative deficit through FY 2023 with the project from $19.9 million to about $18.4 million.
- The assumption that housing prices will increase at the same rate as overall inflation. In recent years, the increase in housing prices in the Bay Area has been more rapid than the general inflation rate. If housing prices were to appreciate at a rate of five percent (compared to general inflation of three percent) per year, then the projected cumulative deficit through FY 2023 would be reduced to $18.8 million.
- Revenues from commercial space. The amount of revenue from business licenses and nonresidential utility consumption taxes that was excluded from this analysis because reliable estimation factors could not be identified within the time available is not known. It is expected to be relatively small, but would nevertheless increase the total revenue from the project, and consequently reduce the expected fiscal deficit.
- Periodic resales of rental housing and commercial space. This analysis conservatively assumes that neither the apartments nor the commercial space in the project will be resold during the study period. It is more likely that these properties would be sold at some point (income tax treatment typically encourages sales in 7 to 10 years). If sales were completed, the property tax revenue from these properties would be increased.

CHAPTER 1
DESCRIPTION OF THE PROJECT

The proposed Wood Street Project would be located on a 29.2-acre site in West Oakland. The site is bounded generally by West Grand Avenue on the north, Wood Street on the east, 11th and 12th Streets on the south, and Interstate 880 on the west.

The Wood Street Project's sponsors propose to develop housing, mixed-use, live-work, and commercial projects on 27.45 acres of the site (the balance of 1.75 acres is proposed to be dedicated to the City of Oakland). The DEIR Summary (Table S-1, p. S-9) describes two scenarios: "Maximum Residential" and "Maximum Commercial". The Maximum Residential Scenario, described in Table 1, is used as the project for this fiscal analysis. (The Maximum Commercial Scenario and a third case, "Maximum Trips," are considered in the sensitivity analysis; see Chapter 5.)

Table 1
New Development at the Wood Street Project Site under the Proposed Project: Maximum Residential Scenario

Land Use	Amount of Development
Residential Development[a]	1,570 units
Commercial Development[b]	27,847 square feet
Private Open Space	122,925 square feet
Public Open Space	60,670 square feet

a There are no housing units on the Wood Street Project site at present. Therefore, no housing would be displaced, and the figures shown are both gross and net increases in the housing count. The figures include both conventional housing units and live/work units.

b Square footages represent new construction, rather than net additions, to the commercial square footage. The rehabilitated Main Hall of the train station (14,847) is included as new development.

Source: Wood Street Project DEIR, Table 3.1-1 (p. 3.1-3)

For the purposes of fiscal analysis, it is important to consider the expected development schedule for the project. In general, the current expectation is that development will begin in 2005 and be completed in 2013. Table 2 provides more specific assumptions for both development scenarios.

Table 2
Assumed Development Schedule for the Wood Street Project: Maximum Residential Scenario

Year	Housing Units	Commercial Space (SF)
2006-2007	202	0
2007-2008	699	7,000
2008-2009	92	6,000
2009-2010	143	0
2010-2011	276	0
2011-2012	158	0
2012-2013	0	0
Total	1,570	13,000

Note: Commercial space excludes train station (14,847 square feet), scheduled for 2007

Source: Mundie & Associates; adapted from Conley Consulting Group, Summary of Preliminary Findings, Central Station, February 4, 2004 (buildout schedule for residential portions of the project based on 1,400 housing units)

CHAPTER 2
BACKGROUND AND ASSUMPTIONS FOR FISCAL ANALYSIS

WHAT IS FISCAL ANALYSIS?

Fiscal analysis is an examination of the revenues, costs, and fiscal balance associated with public agency activities. It provides a reasonable planning-level estimate of fiscal impacts, useful for anticipating whether a new project will pay its own way, generate surplus revenues that can be used by the City to improve services, or generate deficits that will require the City to reduce services or find offsetting sources of funds. These projections are not appropriate for budgeting purposes – that is, estimating actual revenues and costs – because the number of assumptions and estimates that must be made render long-term fiscal predictions uncertain at best. They are nevertheless useful in assessing whether a proposed plan or project is likely to exert pressure on the operating budget of a government agency; in this case, the City of Oakland.

This fiscal analysis has the following key characteristics:

- **Focus on one public agency.** In this analysis for the Wood Street Project, the fiscal analysis focuses on the City of Oakland. *It does not, therefore, consider revenues and costs of other agencies that deliver services to city residents, such as Alameda County or the Oakland Unified School District.*

- **Focus on operating costs and revenues.** Operating costs are the annually-recurring costs of providing public services, such as police services, public works, parks & recreation, and general city administration. Typically, they cover staff salaries and benefits, office supplies, vehicle operating expenses (fuel, insurance, maintenance), maintenance of City facilities and infrastructure, and smaller items of equipment (those intended to be used for up to three years).

  Operating revenues are the funds that are collected on an ongoing or recurring basis; they include taxes, license and permit fees, funds the City receives from the state and federal government, and others. These funds are not earmarked for any particular use; instead, they are collected in the General Fund, and the City allocates them as it sees fit to cover the operating costs of public safety, public works, general government, recreation, and other services.

  These ongoing/recurring costs of providing services and sources of revenue are the focus of the fiscal analysis.

- **Exclusion of capital costs.** Capital costs are the one-time costs that are incurred to buy or improve land, buildings, infrastructure, and major pieces of equipment. They are typically covered by development impact fees or major grants from the state and/or federal government. In some cases, a City or other public agency will borrow money (in the form of bonds) to pay for a major improvement, and repay that loan with impact fees, revenues from a service that is related to the improvement, special taxes, property tax increments (in the case of redevelopment projects), or other earmarked sources of funds.

Expenditures made for the infrastructure and other public improvements needed specifically to serve the proposed Wood Street Project – e.g., interior roads, extensions of water and sewer lines – will be paid for by the developers, as part of the project. These expenditures are developer costs, not public costs, and consequently are not addressed in this study.

- **Focus on the General Fund.** The General Fund of a city's budget receives the greatest portion of revenues that are available for discretionary appropriation, and is used to fund the day-to-day operations of the city. Therefore, fiscal analysis focuses on the revenues that accrue to and the costs incurred by this fund.

  Other funds in the city's budget are "special funds," which collect revenues that are designated for specific uses – which may be capital costs or operating costs – and distribute the money to pay for those uses. To the extent that other funds are linked directly to the General Fund, however, they are considered in this analysis.

  The focus on the General Fund is particularly important in this analysis, which considers a project that is located in a redevelopment project area. Redevelopment projects are funded by allocating most of the increases in property tax in the project area to the Redevelopment Agency. Most of this "tax increment revenue" is money that would otherwise have gone to other taxing entities (e.g., Alameda County or the Oakland Unified School District), but some would have gone to the Oakland General Fund. The diversion of the property tax increment reduces the amount of money available for ongoing general-purpose, citywide expenditures; the diverted funds are earmarked for public improvements within the redevelopment project area (in this case, the Oakland Army Base Redevelopment Area). The impact of this revenue diversion on the fiscal analysis is discussed further on p. 26.

  This analysis excludes some General Fund revenues and costs; generally, those that are (1) not expected to be affected by the proposed project, (2) cannot be predicted with reasonable certainty, or (3) are expected to be discontinued. These excluded revenues and costs are identified in Chapter 3.

- **Focus on direct costs and revenues.** Fiscal analysis considers the revenue and cost changes that result directly from actions or changes that occur within the city; for example, new property or sales tax revenues that may be generated by new development, or the cost of new demands for police services. *It does not consider the indirect impacts, such as an increase in property taxes in neighboring areas of West Oakland, that may result from gentrification associated with the proposed project.*

PREDICTING FUTURE REVENUES AND COSTS

Methodology

Predicting future revenues and costs requires identifying the existing relationships between revenues and development characteristics (including population and employment) and between costs and development characteristics, and then applying these relationships to future development characteristics. This process may be summarized as a sequence of four steps, which are described below.

Step 1: Identify Existing Revenue and Cost Relationships

Identifying existing revenue and cost relationships requires examining the effects that particular development characteristics have on specific General Fund revenues and costs. For example, revenue from property taxes may be estimated based on a combination of the tax rate, the proportion of the tax that is collected by the City of Oakland General Fund (as opposed to the portions that go to the Redevelopment Agency, the county, the school district, and other public agencies), and the average value of new development. Revenue from sales taxes may be estimated based on average current sales tax revenue per Oakland resident; similarly, revenue from other sources may be estimated based on the current amount per resident or per household.

To define revenue and cost relationships for the City of Oakland, Mundie & Associates staff reviewed the City's adopted operating budget for 2003-2005 and formulated hypotheses about how revenues and costs would be likely to change in response to new development. The relationships identified through this process for Oakland are summarized in Table 3. Assumptions are detailed further in Appendix A.

Table 3
Assumptions about Revenues and Costs

	Basis for Projection
Source of Funds (Revenue)	
Property Tax	Amount of new development, by type; estimated value of new development (adjusted for inflation); estimated frequency of property sales; property tax rate (one percent); and city's share of total tax (27.39 percent of the frozen base plus required pass-throughs in the relevant tax code area).
Sales and Use Tax	Average sales tax revenue per resident in 2003-04; number of residents.
Motor Vehicle In Lieu Tax	Average revenue per resident in 2003-04; number of residents.
Business License Tax	Not expected to be significant; not included.
Utility Consumption Tax	Estimated average bill for electricity & gas, telecommunications, and cable television per housing unit; tax rate (7.5%); number of housing units.
Real Estate Transfer Tax	Estimated value of new development sold for the first time and property resales; City property transfer tax rate ($1.50 per $1,000 of new value)
Transient Occupancy Tax	Not significant (no hotel in the project); not included.
Parking Tax	Not significant (assume no pay parking facilities in the project); not included.
Licenses & Permits	Most revenues are one-time construction-related revenues; not included.
Fines & Penalties	Average revenue in 2003-04 per resident from fines & penalties; number of residents.
Interest Income	Not included.
Service Charges	Not included; an amount of service costs estimated to be applicable to the project is deducted from costs.
Grants & Subsidies	Average revenue in 2003-04 per resident from grants & subsidies; number of residents.
Miscellaneous Revenues	Not predictable and not directly related to the project (except Motor Vehicle In Lieu backfill, which is uncertain); not included.

	Basis for Projection
Use of Funds (Cost)	
General Government (City Manager, City Clerk, City Attorney, City Auditor, Finance & Management)	Average cost per resident of all functions in 2003-04; number of residents.
Police Services	Average cost per resident in 2003-04; number of residents.
Fire Services	Average cost per resident in 2003-04; number of residents.
Public Works	No General Fund appropriation; no included.
Parks & Recreation	Average cost per resident in 2003-04; number of residents.
Library Services	Average cost per resident in 2003-04; number of residents.
Cultural Arts & Marketing	Average cost per resident in 2003-04; number of residents.
Human Services	No General Fund appropriation; not included.
Community Econ. Dev't Agency	General Plan/Zoning Update etc.: average cost per housing unit in 2003-04, number of housing units; all other costs: average cost per resident in 2003-04, number of residents.
Non-Departmental	Citywide Activities and Community Promotion: average cost per resident in 2003-04, number of residents; Debt/Lease Payments and *Fiscal Management: excluded.*

Source: Mundie & Associates

Step 2: Adjust the Cost and Revenue Relationships to Account for Inflation

Once existing revenue and cost relationships have been defined, adjustment factors are applied where appropriate in order to account for the effects of inflation in future years. Applying an inflation factor to both revenues and costs effectively holds the current value of the relationship constant over time.

Because this analysis involves a projection of future conditions, the actual rate of inflation during the forecast period is not known. The consumer price index (CPI), which is often used as an approximation of the general inflation rate, is a reasonable basis for estimating future changes in costs and revenues. This analysis applies the historical experience of the CPI over the past 15 years to most of the costs and many of the revenues covered in the forecast. That change has averaged approximately three percent per year.[2]

Experience has shown that some revenues are likely to change at rates that are different from the general inflation rate. Historically, housing prices have risen more rapidly than the CPI; in recent years, utility rates have risen more rapidly as well. At the same time, revenues that rely on local governments' ability to raise existing taxes and fees, or revenues that come from the state government, have not always increased at the general inflation rate.

[2] CPI for 1994 (annual average, all urban consumers, San Francisco Bay Area) = 148.7; CPI for 2004 = 198.8. Average annual (compound) change = 2.95 percent.

The assumptions about inflation used in this analysis are summarized in Table 4. The effects of differential rates of inflation on constant dollar calculations are described in Appendix B.

Table 4
Assumptions about Inflation Rates

Price, Revenue, or Cost Affected	Average Annual Increase
General	3.00%
Utilities	5.00%
Fines & penalties[a]	1.50%
Grants & subsidies	1.50%
Housing	3.00%
Private Nonresidential Building Space[b]	3.00%

a Equivalent to an assumption that the City may raise locally-imposed taxes, fees, and charges less often than every year, and possibly by less than would be required to keep up with cost inflation.

b Private nonresidential building space is assumed not to be sold, so this assumption is inoperative.

Source: Mundie & Associates

Adjusting costs and revenues allows the analysis to take explicit account of revenues and costs that behave differently, by applying different adjustment rates. For example, increases in assessed values of properties not sold are limited by the California constitution (the outcome of Proposition 13, adopted by voters in 1978) to a maximum of two percent per year no matter how much the CPI increases; at the same time, changes in market values may be greater or less than the overall inflation rate during "hot" or "cold" market conditions.

Similarly, some municipal revenues, such as fines and penalties, may not change unless the City Council specifically adjusts its fee schedule. Others, such as grants and subsidies, depend on the amount of money available from the granting/subsidizing agencies.

Table 5 describes how the inflation rates itemized in Table 4 affect the various revenues and costs included in the fiscal analysis.

Step 3: Articulate Assumptions about the Characteristics of Future Development

The fiscal analysis presented in this report considers development proposed for the Wood Street Project. To project the revenue and cost characteristics of the proposed project requires not only that the amount of development be identified, but that some assumptions about other characteristics – such as population, employment, value of new development, frequency of property sales – be articulated, because these characteristics are among the determinants of project revenues and costs. These assumptions are summarized briefly in the next part of this chapter.

Table 5
Assumptions about Inflation

	How Inflation Affects Revenue/Cost	Annual Inflation Rate
Source of Funds (Revenue)		
Property tax	(1) Property values increase each year; increased value becomes assessed value when property is sold; (2) Proposition 13 limits increase in assessed value of properties not sold.	Housing: 3.0% Private nonresidential building space (not sold): 3.0% Proposition 13 limit on assessed value increase properties not sold: 2.0%
Sales and Use Tax	Increase in price of retail goods	General: 3.0%
Utility Consumption Tax	Annual increase in cost of utilities	Utilities: 5.0%
Real Estate Transfer Tax	Based on value of assessed value of property sold each year	Derived in model[a]
Motor Vehicle In Lieu Tax	Increase in price of cars	General: 3.0%
Fines and Penalties	Assumed increases imposed by City	Locally-imposed taxes, fees, and charges: 1.5%
Use of Funds (Cost)		
General Government	Assumed cost of living adjustment	General: 3.0%
Police Services	Assumed cost of living adjustment	General: 3.0%
Cultural Arts & Marketing	Assumed cost of living adjustment	General: 3.0%
Library Services	Assumed cost of living adjustment	General: 3.0%
Parks & Recreation	Assumed cost of living adjustment	General: 3.0%
Comm. Econ. Dev't Agency	Assumed cost of living adjustment	General: 3.0%
Non-departmental	Assumed cost of living adjustment	General: 3.0%
Public Works	Assumed cost of living adjustment	General: 3.0%

[a] See text below for a description of the computer-assisted model used for this fiscal analysis.

Source: Mundie & Associates

Step 4: Project Future Revenues and Costs

The adjusted revenue or cost relationships calculated in Step 2 are applied to the future development characteristics projected in Step 3 to predict the impacts of new development on City revenues and costs.

Using a "Model" to Perform Calculations

The four-step process outlined above requires a large number of calculations to project future revenues and costs over an extended period of time. This study uses a computer-assisted model to make these calculations. The model contains a series of equations that apply the inflation adjustments described in Step 2 to the revenue and cost relationships identified in Step 1, and then applies the characteristics of the project identified in Step 3 to project future revenues and costs (Step 4).

The model produces a series of spreadsheets, each of which either (1) projects a single revenue or cost for each year of the study period, (2) combines the individual revenues or costs into totals, or (3) calculates the net fiscal balance for each year.

Reporting the Fiscal Results

This analysis considers a period of 20 years, beginning in 2003-2004 ("FY 2004"[3]). This starting year was chosen because it is the beginning year for which the most recent City of Oakland operating budget was available when the work was begun (and, therefore, is considered to provide the best indication of expected revenues and costs).

The 20-year study period was chosen to allow analysis of fiscal results for a period of 10 years after the projected completion of the Wood Street Project. As indicated in Table 2, development of the project – if approved – is currently expected to begin in calendar year 2007 and end in 2013.

In this study, the results of the fiscal analysis are reported for two "indicator" years: FY 2013 (the year in which development is completed) and FY 2023 (10 years after completion). These two years are intended to provide snapshots of the proposed development project at two different times in its life cycle, times at which inflation and other factors that affect the revenue and cost projections in different ways may have had differing impacts on its fiscal outcomes.

ASSUMPTIONS ABOUT THE CHARACTERISTICS OF THE PROPOSED WOOD STREET PROJECT

As indicated in the description of Step 3, above, it is necessary to formulate assumptions about the characteristics of new development that affect City revenues and costs.

Population

One characteristic of development in the proposed project is the number of residents that will live in the area. (Population is the basis for a number of revenue and cost estimates; see Table 2.) Population is estimated based on the average number of people in each housing unit.

The Wood Street Project is likely to have smaller average household sizes than the City of Oakland as a whole, because the housing will all be built at relatively higher densities. The DEIR on the Wood Street project provides estimates of the average household sizes for the various types of units. The overall average household size is estimated to be 2.27, based on the projected population and number of housing units for the Maximum Residential Scenario.

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[3] FY 2004 is the 12-month period that begins on July 1, 2003 and ends on June 30, 2004. Most government agencies in California, including the City of Oakland, use the July-June fiscal year.

Based on these assumptions, the project would accommodate a population of approximately 3,560 residents.[4]

For comparison, Oakland had an estimated 411,600 residents at the beginning of 2004,[5] so the projected increases in residents would equal less than one percent of the existing population.

Financial Characteristics

Table 6 summarizes the key assumptions about the financial characteristics of the proposed development. These characteristics include the value of new development of various types, and the frequency with which various types of development are sold (important for property tax calculations).

Table 6
Key Assumptions about Development: Financial Characteristics
(2003 Dollar Values)

Use		Total	Sales Price/ Value per Unit, or Sq. Ft.	Percent Resold Each Year (After Initial Sale)
Residential				
Townhouses (Parcel 1)	For Sale	82 units	$378,000	10%
Stacked Flats (Parcels 2, 6, 7, 8)	For Sale	838 units	$305,000	10%
Stacked Flats (Parcel 3)	For Sale	200 units	$333,500	10%
Stacked Flats (Parcel 4)[a]	For Rent	450 units	$166,250	0%
Commercial				
Commercial		13,000 sq. ft.	$175	0%
Train Station[b]		14,847 sq. ft.	n.a.	0%

[a] No sale assumed during the study period.
[b] Train station is assumed to be owned by a non-profit entity and not to be subject to property tax; therefore, assessed value is not estimated.

Source: Mundie & Associates, based on information from Conley Consulting Group and HFH, Ltd.

[4] The DEIR on the Wood Street Project incorporates a vacancy rate of four percent in calculating the total population of the project. This analysis assumes no vacancy rate; as a result, the population estimate is four percent higher than the estimate in the DEIR.

[5] California Department of Finance estimate.

CHAPTER 3
CONTEXT: OAKLAND'S SOURCES AND USES OF FUNDS

THE FISCAL YEAR

Cities observe fiscal years that may differ from calendar years. Typically, the municipal fiscal year begins on July 1 of one calendar year and ends on June 30 of the following year. Oakland follows this convention.

The City of Oakland adopts an operating budget that covers two years: the current budget applies to 2003-04 (FY 2004) and 2004-05 (FY 2005). This fiscal analysis is based on FY 2004, because the fiscal model was developed based on cost and revenue factors that were budgeted for that year and population estimates for 2004 and because a reliable estimate of Oakland's population in 2004 is available[6].

FISCAL YEAR 2004: REVENUES AND COSTS

The Adopted Policy Budget for FY 2004 anticipated that the General Fund would collect revenues of approximately $381 million and spend approximately $388 million to provide services throughout the city. The difference (deficit) is made up by transfers from other funds and the City's reserve fund.[7]

Table 7 summarizes budgeted revenues by general source. The majority of Oakland's General Fund revenues (71 percent) in FY 2004 was expected to come from taxes, with most of that (40 percent of all revenues) coming from local taxes other than the property tax and another 19 percent of all revenues from property taxes.

Table 8 summarizes budgeted costs by type of service. The greatest proportion of City expenditures from the General Fund (38 percent) are devoted to police protection.

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6 The California Department of Finance estimates the population of all California cities and counties each year as of January 1. The estimate for January 1, 2005 is not yet available as of this writing.

7 The City's Reserve Fund gets its money from annual surpluses, should they occur, in other funds.

Table 7
Budgeted Revenues, FY 2004, by Source:
General Fund

Source	Amount	Percent of Total
Property Tax	$71,641,091	19%
State Taxes (Sales Tax, Motor Vehicle In Lieu)	44,693,240	12%
Local Taxes (Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking Tax)	152,592,485	40%
Licenses & Permits	13,900,744	4%
Fines & Penalties	26,240,000	7%
Interest Income	1,897,829	0%
Service Charges	54,466,918	14%
Grants & Subsidies	105,000	0%
Miscellaneous Revenue	15,269,902	4%
Total Revenue	$380,807,209	100%

Source: City of Oakland Adopted Policy FY 2003-2005

Table 8
Budgeted Costs, FY 2004, by Service:
General Fund

Service	Amount	Percent of Total
General Government (Mayor, City Council, City Manager, Administration, Citywide Support, City Clerk, City Attorney, City Auditor, Finance & Management)	$51,806,040	13%
Police Services	148,869,569	38%
Fire Services	87,006,750	22%
Public Works[a]	0	0%
Parks & Recreation	11,901,743	3%
Library Services	11,907,743	3%
Cultural Arts & Marketing	6,952,854	2%
Human Services	6,225,715	2%
Community Economic Development Agency	20,725,150	5%
Non-Departmental	48,232,308	12%
Total Service Costs	$388,448,245	100%

a Public works costs are covered entirely by non-General Fund sources.

Source: City of Oakland Adopted Policy FY 2003-2005

REVENUES INCLUDED IN THIS ANALYSIS

As noted on p. 9, this analysis considers only those ongoing and recurring revenues collected by the General Fund, and only those ongoing and recurring costs incurred by the General Fund. Table 9 details the sources of funds (revenues) in the FY 2004 budget and indicates how each of these sources is treated in the fiscal analysis of the proposed project.

Just over 60 percent of General Fund revenues are explicitly included in the fiscal analysis. The remaining budgeted revenues are completely excluded from the analysis, either because they are expected not to be affected by the proposed project (e.g., transient occupancy taxes) or because they are not expected to be materially affected by the project (e.g., business license taxes).[8]

Table 9
Treatment of Budgeted Revenues in the Fiscal Analysis

Source of Funds	Adopted Budget	Treatment in Fiscal Analysis	
		Included	Excluded
Taxes			
Property Tax	$71,641,091	$71,641,091	
State Taxes			
Sales Tax	37,010,000	37,010,000	
Motor Vehicle In Lieu	7,683,240	7,683,240	
Subtotal	44,693,240	44,693,240	
Local Taxes			
Business License	42,835,341		$42,835,341
Utility Consumption	53,550,000	53,550,000	
Real Estate Transfer	38,000,000	38,000,000	
Transient Occupancy	10,262,733		10,262,733
Parking Tax	7,944,411		7,944,411
Subtotal	152,592,485	91,550,000	61,042,485
Total Taxes	268,926,816	207,884,331	61,042,485
Licenses & Permits	13,900,744		13,900,744
Fines & Penalties	26,240,000	26,240,000	
Interest Income	1,897,829		1,897,829
Service Charges[a]	54,466,918		54,466,918
Grants & Subsidies	105,000	105,000	
Miscellaneous Revenue	15,269,902		15,269,902
Total Revenue[b]	$380,807,209	234,229,331	146,577,878
Percent of Total	100%	61.5%	38.5%

a Treated as a deduction from costs.
b Excludes transfers in.

Source: Mundie & Associates

[8] In this analysis, service charges are not included on the revenue side of the analysis. To account for this exclusion, the amount of costs they are intended to cover are deducted as a lump sum on the costs side.

COSTS INCLUDED IN THIS ANALYSIS

The treatment of costs in the fiscal model is detailed in Table 10. Only two costs are entirely excluded from the model:

- Public works, which are not covered by the General Fund.
- Costs covered by service charges, which are not included in the revenue side of the model.

The model includes approximately 87 percent of General Fund costs.

Table 10
Treatment of Budgeted Costs in the Fiscal Analysis

Source of Funds	Adopted Budget	Treatment in Fiscal Analysis	
		Included	Excluded
General Government			
Mayor	$1,622,935	$1,622,935	
City Council	2,157,852	2,157,852	
City Manager	5,179,627	5,179,627	
City Clerk	2,131,728	2,131,728	
City Attorney	6,810,765	6,810,765	
City Auditor	964,973	964,973	
Finance & Management	27,758,533	27,758,533	
Total General Government	46,626,413	46,626,413	
Police Services	148,869,569	148,869,569	
Fire Services	87,006,750	$87,006,750	
Parks & Recreation	11,901,743	11,901,743	
Library Services	10,481,589	10,481,589	
Cultural Arts & Marketing	6,952,854	6,952,854	
Human Services	6,225,715	6,225,715	
Community Econ. Dev't Agency	20,725,150	20,725,150	
Non-Departmental	48,232,308	5,645,354	42,586,954
Deduction for Excluded Service Charges	-54,466,918	-54,466,918	
Total Operating Budget	332,555,173	289,968,219	42,586,954
Percent of Total	100%	87.2%	12.8%

Source: Mundie & Associates

CONSIDERING THE FISCAL IMPACTS OF THE PROPOSED PROJECT

The summaries of FY 2004 revenues and costs presented in Tables 9 and 10 establish a framework for consideration of the fiscal impacts of the proposed Wood Street Project. The remaining chapters of this report consider the fiscal impacts of the proposed project, based on the physical characteristics of the project and timing of development described in Chapter 1 and the other pertinent characteristics described in Chapter 2. Chapter 4 presents the calculation of expected revenues, expected costs, and the net fiscal balance of the proposed project. Chapter 5 provides several "sensitivity analyses" to test the impacts of alternative conditions and assumptions on the fiscal results. Chapter 6 presents some observations and draws some conclusions about factors that determine the fiscal results.

In considering the fiscal impacts of a proposed project, it is useful first to pose questions that the analysis should answer. For this analysis of the proposed Wood Street Project, it is reasonable to pose the following questions:

- Will the proposed project be fiscally beneficial for the City of Oakland; that is, will the revenues it generates cover the costs it incurs?
- Could circumstances beyond the City's control affect the project's fiscal impacts to a degree that the conclusions of the analysis would change?

Responses to these questions, based on the fiscal analysis of the proposed project, are presented on page 24.

CHAPTER 4
FISCAL IMPACT OF THE PROPOSED PROJECT

The results of the fiscal analysis presented in this chapter are presented in constant dollars; that is, they are adjusted to remove the effects of inflation. In this case, the dollars are tied to FY 2004, which is the budget year that is used as the basis for the revenue and cost inputs to the analysis.

Constant dollars are used in preference to "current" (or "nominal") dollars because they express amounts of revenues and costs in terms that we understand today. For example, with the assumed inflation rate of three percent per year, $1.00 in 2004 would be worth $1.30 in 2013 and $1.75 in 2023. As a result, projected revenues and costs that are the same as today's revenues and costs would appear to be much higher, just because of inflation. Using constant dollars eliminates this distortion.

To calculate amounts in constant dollars, the respective revenues are projected for future years in inflated dollars, and then discounted back to FY 2004 using a standardized discount rate. Inflation and discounting are discussed in Appendix B. Detailed assumptions about the various inflation rates that are applied to different revenue sources (or their determinants) are provided in Tables 4 and 5. Table B3, in Appendix B, replicates Table 11, showing the amounts in inflated rather than constant dollars.

PROJECTED REVENUES

The proposed Wood Street Project will generate revenues for the City of Oakland from the sources indicated in Table 2 and, more specifically, in Table 9. Assuming that the proposed schedule (shown in Table 2) is met, revenues from new development would begin to flow from the project in FY 2007.[9]

Table 11 summarizes the amounts of revenue, by source, in the two key indicator years (FY 2013, when development is completed, and FY 2023, 10 years after completion). All revenues in Table 11 are shown in constant (FY 2004) dollars.

[9] Property taxes from existing development would be generated prior to the commencement of new development.

Table 11
Wood Street Project: Projected Revenues*
in Constant (FY 2004) Dollars

Source	Maximum Residential Scenario			
	FY 2013		FY 2023	
	Amount	% of Total	Amount	% of Total
Property Taxes[a]	$339,163	26%	$380,220	27%
Sales & Use Taxes	329,609	25%	329,609	24%
Motor Vehicle In Lieu Fee	68,427	5%	68,427	5%
Utility Consumption Tax	304,881	23%	369,531	26%
Real Estate Transfer Tax	71,828	5%	71,828	5%
Fines & Penalties	204,788	16%	176,845	13%
Grants & Subsidies	819	0%	708	0%
Total[a]	$1,319,515	100%	$1,397,167	100%

* Included sources only; see Table 9.

[a] Does not include revenue from the train station, which is assumed not to be subject to property tax. If the train station were to be subject to property tax, revenue to the General Fund would equal about $5,100 per year starting in 2010 (based on the expected rehabilitation cost of $10 million).

Note: Detail and totals may not agree because of independent rounding.

Source: Mundie & Associates

PROJECTED COSTS

Along with the revenues discussed above, the proposed project would generate a variety of costs for the City of Oakland. Again, assuming that the proposed development schedule (shown in Table 2) is met, costs would be incurred beginning in FY 2007.

Table 12 summarizes the estimated costs, by type, in the two indicator years. Details about the calculation of these costs are provided in Appendix A. Like the revenue estimates shown in Table 11, the costs are shown in constant (FY 2004) dollars.

Table 12 shows that, once project development is completed, the constant-dollar costs of providing services are thereafter expected to remain unchanged. The only exception to this general statement is that the cost of services covered by service charges is expected to decline, because service charges are expected to increase more slowly than inflation. (The effects of inflation on these costs are shown in Appendix B, Table B4.)

Table 12
Wood Street Project: Projected Costs*
in Constant (FY 2004) Dollars

Use	FY 2013		FY 2023	
	Amount	% of Total	Amount	% of Total
General Government	$415,253	16%	$415,253	15%
Police Services	1,325,825	50%	1,325,825	49%
Fire Services	774,878	29%	774,878	29%
Cultural Arts & Marketing	61,922	2%	61,922	2%
Library Services	93,349	4%	93,349	3%
Parks & Recreation	105,996	4%	105,996	4%
Human Services	55,446	2%	55,446	2%
Comm. Econ. Development Agency	193,668	7%	193,668	7%
Non-Departmental	50,277	2%	50,277	2%
Less Costs Covered by Service Charges	-425,082	-16%	-367,080	-14%
Total	$2,651,532	100%	$2,709,534	100%

* Included uses only; see Table 10.
Note: Detail and totals may not agree because of independent rounding.

Source: Mundie & Associates

NET FISCAL BALANCE

The revenue and cost calculations presented in Tables 11 and 12 yield a negative fiscal impact on the City of Oakland. This impact, the net fiscal balance, is summarized for the two indicator years in Table 13.

Table 13
Projected Net Fiscal Balance of the Wood Street Project
in Constant (FY 2004) Dollars

	FY 2013	FY 2023
Revenues This Year	$1,319,515	$1,397,167
Costs This Year	2,651,532	2,709,534
Balance This Year	-$1,332,017	-$1,312,366
Cumulative Balance	-$6,653,771	-$19,900,056

Source: Mundie & Associates

The table indicates that – if the assumptions used in the analysis are reasonably accurate – the proposed project would generate a deficit each year. This deficit is expected to decrease moderately over time (in FY 2004 dollars) once the project is completed, from about $1.33

million in FY 2013 to about $1.31 million a decade later. With annual deficits, however, the cumulative deficit would increase each year: this analysis estimates a cumulative deficit of about $6.65 million in FY 2013, increasing to $19.90 million in FY 2023.

With this projected net deficit in mind, it is appropriate to consider the questions posed in Chapter 3:

- **Will the proposed project be fiscally beneficial for the City of Oakland; that is, will the revenues it generates cover the costs it incurs?**

  The project is clearly expected not to be fiscally beneficial for the City of Oakland's General Fund. Under the assumptions identified in Chapters 1 and 2 and applied this chapter, the annual costs of providing City services to the site are expected to exceed the annual revenues contributed to the General Fund by a substantial amount over time.

  Although the project is not beneficial, its deficit per capita is not as great as the deficit created by existing development in Oakland for the revenues and costs considered in this analysis. In FY 2004, the budgeted revenues and costs for the sources and uses included in this study (see Tables 9 and 10) yielded an average deficit of $400 per capita. The projected deficit for the proposed project in FY 2023 would average $210 per capita (in FY 2004 dollars)

- **Could factors beyond the City's control affect the project's fiscal impacts to a degree that the conclusions of the analysis would change?**

  The fiscal balance projected by this analysis could be affected – either positively or negatively – by conditions beyond the City's control.

  Negative effects on the fiscal results, making the deficit even greater than anticipated, could follow from a variety of circumstances. A weak economy, for example, could affect:

  - the buildout schedule for the proposed project
  - the initial sales prices of homes
  - the resale prices of homes and the frequency of resales
  - the amount of money residents spend on taxable retail sales in Oakland
  - the amount of commercial space included in the project, and its buildout schedule.

  All of these changes would reduce or delay revenues generated by the project. Chapter 5 presents analyses of the project with both faster and slower buildout of the housing units to consider some of the effects of economic health on the project's fiscal impacts.

  The fiscal balance could also be affected by different rates of inflation. If the general inflation rate were higher than is assumed in this analysis, then it is likely that the inflation rate for housing prices and utilities would be higher as well. Some revenues and all costs would be altered by these conditions. Chapter 5 also presents a sensitivity analysis with varying rates of housing price appreciation and general inflation.

A NOTE ABOUT THE EFFECTS OF REDEVELOPMENT FINANCING

As suggested earlier in this report, the fiscal impacts of projects located in redevelopment areas will differ from the fiscal impacts of identical projects that are not in redevelopment areas, because redevelopment projects divert a portion of property tax revenues away from the General Fund. In the case of the Wood Street Project, the property tax increments that accrue to the Redevelopment Agency are projected to amount to $29 million (FY 2004 dollars) through FY 2023, with an additional $16 million (FY 2004 dollars) set aside for housing.[10] The cumulative contribution of property tax revenues to the General Fund (from the frozen assessment base and mandated pass-throughs) would amount to about $5.2 million (FY 2004 dollars).

If the project site were not in a redevelopment project area, the property tax revenue from increases in assessed value would be divided among taxing entities in the same proportion as they are now, and the General Fund would collect an estimated $17.3 million through FY 2023 (in FY 2004 dollars). This difference in property tax revenue would change the fiscal impact of the project: instead of a cumulative deficit of $8.3 million through FY 2023, the project would yield a cumulative surplus of $8.4 million.

Table 14 compares the amount of property tax revenue that would accrue to the City's General Fund and the Redevelopment Agency with and without redevelopment, and summarizes the impacts of Redevelopment on the fiscal balance of the Wood Street Project. The table shows that in total – that is, considering both the General Fund and the Redevelopment Agency – the City collects more property tax revenue if the proposed project is in a redevelopment project area than if it is not. At the same time, the reduction in revenue to the General Fund contributes substantially to the 20-year deficit generated by the project.

[10] This estimate is slightly different from the estimate developed by the Conley Consulting Group (CCG) for the project sponsors and cited in the Framework paper. The difference, which is not significant, results from differences in the modeling methodology having to do with resales of existing homes.

Table 14
Cumulative Fiscal Impact of the Wood Street Project
With and Without Redevelopment
through FY 2023
in Constant (FY 2004) Dollars

	With Redevelopment	Without Redevelopment
General Fund		
Property Tax	$5.2 million	$17.3 million
Total Revenues	$20.0 million	$26.7 million
Cumulative Net Fiscal Balance	-$19.9 million	$-13.2 million
Redevelopment Agency		
Unrestricted Property Tax Increment	$29.0 million	n.a.
Housing Set-Aside	$16.3 million	n.a.
Total Revenue	$45.3 million	n.a.
Sum of Property Taxes to General Fund and Redevelopment Agency	$50.5 million	$17.3 million

n.a.: not applicable (no revenue to Redevelopment Agency)

Source: Mundie & Associates

This condition – in which the diversion of property tax increments from the General Fund to the Redevelopment Fund substantially reduces the funding generated by a project for ongoing City services – is not unique to the Oakland Army Base Redevelopment Project Area or to the City of Oakland: it is a fundamental fact of redevelopment that relies on tax increment financing to pay for the improvements and programs that are needed for revitalization. When a city adopts a redevelopment project area, it recognizes that the area in question will not become a contributing district unless the funds in question are explicitly designated, for a certain period of time, to fixing the conditions that contribute to blight. The point of redevelopment is to invest these funds in the area, so that conditions improve to a point where the district is physically – and, it is hoped, socially and fiscally – healthy. In the meantime, the diversion of property tax revenues has an adverse effect on the city's General Fund.

CHAPTER 5
ALTERNATIVES TO THE PROJECT: SENSITIVITY ANALYSIS

INTRODUCTION

As was noted in Chapter 4, the anticipated fiscal impacts of the proposed Wood Street Project could be affected either positively or adversely by conditions that alter the characteristics of the project. This chapter presents three alternative cases (each with several variants) that are intended to test the impacts of different economic and financial assumptions on project revenues and costs.

ALTERNATIVE CASE 1: DIFFERENT LAND USES

In addition to the Maximum Residential Scenario, the DEIR on the Wood Street Project considers two alternative land use packages: the Maximum Commercial Scenario and the Maximum Trips Scenario. The fiscal impacts of these two packages are compared to the projected impact of the project (Maximum Residential Scenario) below.

Table 15 compares the development packages included in the Maximum Residential, Maximum Commercial, and Maximum Trips Scenarios. The Maximum Commercial Scenario would have fewer housing units and more commercial space than the Maximum Residential Scenario. The Maximum Trips Scenario would have less housing and more commercial space than the Maximum Residential Scenario, but more housing and less commercial space than the Maximum Commercial case.

Table 15
Assumed Development Characteristics of the Wood Street Project: Three Land Use Packages

	Maximum Residential	Maximum Commercial	Maximum Trips
Housing Units	1,570	1,084	1,273
Commercial Space (Sq. Ft.)	13,000	524,779	304,000

Note: Commercial space excludes train station (14,847 square feet).

Source: City of Oakland, Draft Environmental Impact Report, Wood Street Project, Table 3.1-1 (p. 3.1-3).

The financial characteristics of the residential portion of the Maximum Residential Scenario are assumed to apply to the Maximum Commercial and Maximum Trips Scenarios as well.

The commercial space in the two alternate cases, however, is assumed to be of a different character than the commercial space in the proposed project.[11]

- In the Maximum Commercial Scenario, nonresidential building space is expected to include substantial amounts of warehouse/distribution space in addition to the retail space that would occupy the ground floors of some of the residential buildings. Therefore, the commercial space in the Maximum Commercial Scenario is assumed to have an average value of $100 per square foot (compared to $175 per square foot in the Maximum Residential case).
- In the Maximum Trips Scenario, nonresidential building space is expected to include more offices and less warehouse/distribution use than the Maximum Commercial case. Therefore, commercial space in this scenario is assumed to have an average value of $125 per square foot

The projected revenues, costs, and net balances for the three land use packages are summarized and compared in Table 16. The table indicates that the variation in land uses would have a noticeable impact on the fiscal impacts of development on the Wood Street Project site: with the Maximum Commercial Scenario, the cumulative deficit through FY 2023 would be reduced by just over 30 percent; in the Maximum Trips Scenario, it would be reduced by between 15 and 20 percent.[12]

Table 16
Comparison of Fiscal Results for Three Land Use Packages
in Constant (FY 2004) Dollars

	Maximum Residential	Maximum Commercial	Maximum Trips
FY 2013			
Revenues This Year	$1,319,515	$933,563	$1,078,378
Costs This Year	2,651,532	1,830,519	2,149,389
Balance This Year	-$1,332,017	-$896,956	-$1,071,011
Cumulative Balance	-$6,653,771	-$4,716,386	-$5,866,422
FY 2023			
Revenues This Year	$1,397,167	$993,984	$1,147,856
Costs This Year	2,709,534	1,870,561	2,196,406
Balance This Year	-$1,312,366	-$876,577	-$1,048,550
Cumulative Balance	-$19,900,056	-$13,593,294	-$16,477,662
Cumulative Balance as % of Maximum Residential		*68%*	*83%*

Source: Mundie & Associates

[11] Information about the character of commercial space is from Chapter 2 of the DEIR on the Wood Street Project. Estimates of value for the commercial space are from Mundie & Associates.

[12] These reductions result in part from the attribution of costs solely to population. It is likely that the increased amount of commercial space in both the Maximum Commercial Scenario and the Maximum Trips Scenario would require some services that would increase projected costs to some extent, although they would still likely remain lower than the costs for the Maximum Residential Scenario.

ALTERNATIVE CASE 2: DIFFERENT RATES OF RESIDENTIAL DEVELOPMENT

The rate at which development is completed could affect the fiscal impact of the proposed project. This analysis considers two variants of the project (Maximum Residential Scenario): one with more rapid buildout of the residential uses and one with slower buildout.

The buildout assumptions for these two variants are compared to those of the project in Table 17.

Table 17
Assumed Buildout of the Wood Street Project:
Three Rates of Development

	Proposed Project	Faster Development	Slower Development
Housing Units per Month	12	18	8

Source: Mundie & Associates

All financial characteristics of the project would be the same as for the project.

The projected revenues, costs, and net balances for the Maximum Residential Scenario under the three rates of development are summarized and compared in Table 18. The table indicates that the assumed differences in development rates for the residential components of the project would have a minimal impact on the fiscal impacts of development on the Wood Street Project site. It is likely, given the results of the three cases, that even faster development would increase the cumulative deficit by a greater amount, and that even slower development would reduce it by a greater amount.

ALTERNATIVE CASE 3: DIFFERENT RATES OF INFLATION

The project analysis for this report assumes that inflation – which affects both revenues and costs – will average the same rate as has been observed over the past 15 years. How would the fiscal impact of the Wood Street Project be affected if the rate were to differ?

Two scenarios are considered:

- Both the general inflation rate (which applies to most revenues and all costs) and the appreciation rate for housing prices are assumed to average five percent per year (compared to three percent in the analysis of the proposed project).
- The appreciation rate for housing prices is assumed to average five percent per year, while the general inflation rate remains at three percent per year.

Table 18
Comparison of Fiscal Results for Three Rates of Development
in Constant (FY 2004) Dollars

	Proposed Project	Faster Development	Slower Development
FY 2013			
Revenues This Year	$1,319,515	$1,318,874	$1,332,298
Costs This Year	2,651,532	2,651,531	2,651,531
Balance This Year	-$1,332,017	-$1,332,657	-$1,319,233
Cumulative Balance	-$6,653,771	-$6,828,927	-$6,278,781
FY 2023			
Revenues This Year	$1,397,167	$1,397,296	$1,405,787
Costs This Year	2,709,534	2,709,533	2,709,533
Balance This Year	-$1,312,366	-$1,312,237	-$1,303,746
Cumulative Balance	-$19,900,056	-$20,076,618	-$19,422,004
Cumulative Balance as % of Maximum Residential		*101%*	*98%*

Source: Mundie & Associates

Additional variations of the second case – with different rates for housing appreciation and general inflation – are also considered.

Table 19 compares the expected fiscal impacts for the project to the expected impacts with the two scenarios itemized above. This table indicates that:

- If both the general inflation rate and the housing appreciation rate are higher than were assumed for the project *and* they are the same, the fiscal impact of the project is likely to be less favorable than shown in Chapter 4. In the case considered here, with inflation and housing appreciation at five percent per year (compared to three percent in the project analysis), the cumulative deficit through FY 2023 would be increased by about 14 percent.

  Further analysis (not summarized here) indicates that as the inflation rate/housing appreciation rate rises, the fiscal impact becomes increasingly negative. At a rate of four percent per year (lower than the rate assumed in Table 19), the cumulative deficit would be in the range of $21.3 million; at a rate of six percent per year (higher than assumed in Table 19), it would be in the range of $23.9 million.

Table 19
Comparison of Fiscal Results for Three Inflation Scenarios
in Constant (FY 2004) Dollars

	Project Assumption	*Higher Inflation 1* (Housing = General)	*Higher Inflation 2* (Housing > General)
Housing Appreciation Rate	3%	5%	5%
General Inflation Rate	3%	5%	3%
FY 2013			
Revenues This Year	$1,319,515	$1,256,252	$1,370,923
Costs This Year	2,651,532	2,738,268	2,651,531
Balance This Year	-$1,332,017	-$1,482,016	-$1,280,608
Cumulative Balance	-$6,653,771	-$7,252,256	-$6,486,288
FY 2023			
Revenues This Year	$1,397,167	$1,242,544	$1,544,491
Costs This Year	2,709,534	2,823,514	2,709,533
Balance This Year	-$1,312,366	-$1,580,970	-$1,165,042
Cumulative Balance	-$19,900,056	-$22,683,203	$18,758,846
Cumulative Balance as % of Maximum Residential		*114%*	*-94%*

Source: Mundie & Associates

- If the housing appreciation rate is higher than the general inflation rate, then the fiscal impact of the project is likely to be more favorable than was shown in Chapter 4. Table 19 considers the case where the average annual housing appreciation rate is five percent and the average annual general inflation rate is three percent. In this case, the cumulative deficit in the General Fund in FY 2023 would be reduced by about six percent.

  Table 20 compares three more cases with different rates of housing appreciation/ general inflation. These figures show that, in general, higher general inflation rates would lead to more negative fiscal results, even if the difference between the two rates remains the same. Increases in the difference between the two rates of change would yield less negative fiscal results.

Table 20
Comparison of Fiscal Results for Four Inflation Scenarios
in Constant (FY 2004) Dollars

	Project Assumption	Higher Inflation 3 (Housing > General)	Higher Inflation 4 (Housing > General)	Higher Inflation 5 (Housing > General)
Housing Appreciation Rate	3%	6%	7%	7%
General Inflation Rate	3%	4%	5%	3%
FY 2013				
Revenues This Year	$1,319,515	$1,336,925	$1,305,523	$1,428,389
Costs This Year	2,651,532	2,695,229	2,738,268	2,651,531
Balance This Year	-$1,332,017	-$1,358,304	-$1,432,745	-$1,223,142
Cumulative Balance	-$6,653,771	-$6,793,166	-$7,090,611	-$6,303,184
FY 2023				
Revenues This Year	$1,397,167	$1,456,023	$1,380,026	$1,738,840
Costs This Year	2,709,534	2,767,811	2,823,514	2,709,533
Balance This Year	-$1,312,366	-$1,311,788	-$1,443,488	-$970,693
Cumulative Balance	-$19,900,056	-$20,233,776	-$21,607,733	-$17,370,767
Cumulative Balance as % of Maximum Residential		*102%*	*109%*	*87%*

Source: Mundie & Associates

CHAPTER 6
FISCAL CONCLUSIONS AND OBSERVATIONS

The project analysis presented in Chapter 4 and the sensitivity analyses presented in Chapter 5 support a conclusion that the proposed Wood Street Project is likely to yield a net fiscal cost for the City of Oakland's General Fund. As indicated in Chapter 4, the cumulative net cost is projected to total $6.7 million (in FY 2004 dollars) through FY 2013 (the year of scheduled project completion) and $19.9 million (in FY 2004 dollars) through FY 2023 (10 years after scheduled completion).

Although the net cost of the project would be negative throughout the 19-year study period, the deficit per capita would be smaller than the City's current per capita deficit in the General Fund. As indicated in Chapter 4, the current per capita deficit (considering the revenues and costs included in this analysis) is $400, and the per capita deficit for the proposed project in FY 2023 (in FY 2004 dollars) is estimated at $210.

The negative impact of the project results in large part from the location of the project site in a redevelopment project area. Redevelopment diverts a significant proportion of the increased property tax revenue generated by new development (that is, the property tax increment) away from the General Fund and into the Redevelopment Agency, explicitly for expenditure on capital facilities and programs that will benefit the project area.

Are there other reasons why the fiscal impact of the project is expected to be negative? The property tax diversion explains much of the anticipated deficit, but other factors include:

- Relatively modest housing prices. A 25 percent increase in housing prices would reduce the projected cumulative deficit through FY 2023 from $19.9 million (see Chapter 4) to about $18.4 million.
- The assumption that housing prices will increase at the same rate as overall inflation. In recent years, the increase in housing prices in the Bay Area has been more rapid than the general inflation rate. If housing prices were to appreciate at a rate of five percent (compared to general inflation of three percent) per year, then the projected cumulative deficit through FY 2023 would be reduced to $18.8 million.
- Revenues from commercial space. The amount of revenue from business licenses and nonresidential utility consumption taxes that was excluded from this analysis because reliable estimation factors could not be identified within the time available is not known. It is expected to be relatively small, but would nevertheless increase the total revenue from the project, and consequently reduce the expected fiscal deficit.
- Periodic resales of rental housing and commercial space. This analysis conservatively assumes that neither the apartments nor the commercial space in the project will be resold during the study period. It is more likely that these properties would be sold at some point (income tax treatment typically encourages sales in 7 to 10 years). If sales were completed, the property tax revenue from these properties would be increased.

APPENDIX A
REVENUE AND COST CALCULATIONS

REVENUE CALCULATIONS

Property Tax

Property tax is assessed on all real property. Assessed value – that is, the value on which the property tax levy is based – is equal to the value of the property on the date of sale or completion of construction, adjusted for inflation but not to exceed an increase of two percent per year.

Assessed value assumptions for residential and nonresidential uses included in the Wood Street Project are detailed in Table 6 (p. 12).

The values assumed reflect current market conditions. Both residential and nonresidential values are assumed to increase at a rate of three percent per year throughout the projection period.

The property tax rate throughout the State of California is one percent of assessed value. Because the project site is located in an adopted redevelopment area, the entire property tax on the increase in assessed value (that is, the "tax increment") would go to the Redevelopment Agency. The property tax on the "frozen base" – that is, the assessed value of the area prior to adoption of the Redevelopment Project Area – is divided among the agencies that levied property taxes at that time. The taxing agencies also receive a share of the tax increment that is "passed through" according to state law. In the area where the project site is located, the City of Oakland receives an estimated 27.39 percent of this one percent levy on the frozen base and of the pass-through.

According to California law, the property tax levied on an individual property may increase no more rapidly than two percent per year except when the property is sold (or undergoes a major improvement or alteration). Upon sale, the property is reassessed at its new market value. To account for periodic sales of property that would trigger reassessment to the new market value, the model assumes that 10 percent of the for-sale residential units are sold each year. The rental units (apartments) and commercial space are assumed not to be sold during the period of analysis.

Sales Tax

Sales tax revenues are collected by the State of California, with a portion returned to the local jurisdictions (cities and counties) based on the point of sale.

Sales tax revenues are assumed to increase with population growth: new residents of the project area are expected to spend about as much on taxable purchases, per capita, as current City residents.

The allocation of all sales tax revenues to population ignores the fact that businesses in Oakland also pay a portion of the existing sales tax, and that businesses in the project area are also likely to pay sales taxes. In effect, this simplifying assumption is equivalent to an assumption that the proportion of sales taxes paid by residents of the project in relation to total sales taxes contributed by residents and businesses in the project area is similar to the proportion of all current sales tax revenues paid by existing residents of Oakland.

As indicated in Table 5, the price of retail goods (and, therefore, revenues from sales taxes) is assumed to increase with the general inflation rate of three percent per year.

Motor Vehicle In Lieu Fee

The City of Oakland receives some revenue in the form of transfers from the state and federal governments. Of these revenues, only the motor vehicle in lieu fee is significant, and it is the only intergovernmental transfer included in this fiscal analysis. Motor vehicle in lieu fees are returned to local jurisdictions by the state based on motor vehicle registrations, so future revenue estimates are based on population.

The amount of revenue from motor vehicle in lieu fees has been the subject of several legislative and electoral actions during the past several years: the levy was reduced substantially when the state had a budget surplus (with the promise that the state would make up the lost revenues to the local governments), and then increased again in the budget agreement for FY 2004, then decreased again during the past year. Recognizing the uncertainty of this revenue source, this analysis assumes that the amount per capita will remain as budgeted in FY 2004.

The City budget for 2003-05, which was adopted before the most recent reduction, assumes that the State of California will "backfill" some of the revenue from the motor vehicle in lieu fee that was lost when the fee was reduced. This backfill revenue is shown in the "miscellaneous revenue" section of the Oakland budget. No backfill revenue is assumed in this analysis.

Revenue from the motor vehicle in lieu fee is assumed to increase with inflation, since the amount collected is based on the value of motor vehicles purchased.

Utility Consumption Tax

Oakland levies a tax of 7.5 percent of gross receipts on electric, gas, telecommunications, and cable television bills. Low-income ratepayers pay a lower levy rate.

This analysis uses the following bases for estimating revenue from utility taxes:

- The average residential electric and gas bill is estimated at $85 per household per month.
- The average telephone bill for residential customers is estimated at $50 per month (the rate advertised by Pacific Bell for residential flat rate service with unlimited long distance calling).

- The average cable television bill for residential customers is estimated at $50 per month.

The number of residential customers for each service is equal to the number of housing units.

This analysis does not include utility consumption taxes on nonresidential customers, because information about utility bills could not be obtained within the time frame available for this study. As a result, the estimate of revenue from this source is low by an unknown amount.

Utility bills are assumed to increase with inflation, at a rate of five percent per year.

Property Transfer Tax

The City of Oakland levies a property transfer tax equal to $1.50 per $1,000 of the sale price on all sales of real property.

As noted above, in the discussion of property tax, this analysis assumes that an average of 10 percent of all for-sale residential properties will be sold each year. The total revenue from property transfer taxes is generated by taxes levied on the sum of the values of the properties sold each year and the value of new development added each year.

Fines and Penalties

The City of Oakland collects fines for traffic and parking violations. Towing fees are also included in the "fines and penalties" revenue category.

Revenues from fines and penalties are assumed to average the same amount per capita for residents of the Wood Street Project as they do for current City residents.

Revenues from fines are assumed to increase at a rate of 1.5 percent per year. This assumption – that they will increase at only half the rate of general inflation – is used to reflect the possibility that cities may not be able or inclined to increase fines (and other locally-imposed fees) every year; this rate is generally equivalent to the assumption that they will increase fines every other year.

Service Charges

In this fiscal analysis, revenue from service charges is not estimated. Instead, an amount based on the revenue per capita in 2003-04 is deducted from the cost of service delivery.

Service charges are assumed to increase at a rate of 1.50 percent per year.

Excluded Revenues

As indicated in Chapter 3 (Table 10) of this report, this analysis excludes revenues from the following sources:

- Business license taxes. Reliable factors for estimating this source were not available within the time frame for this study.
- Transient occupancy taxes. No new hotels are included in the Wood Street Project. It is possible that visitors to residents of or businesses in the project would stay at Oakland hotels; in that case, the approach used in this analysis yields a conservatively low estimate of project-related revenues.
- Parking taxes. No new pay parking facilities are included in the project. To the extent that residents of the project increase their use of pay parking facilities in Oakland but outside the project area, this approach is conservative.
- Licenses and permits. Most revenue from licenses and permits is related to construction projects. The Wood Street Project would generate significant revenues for construction and planning permits during the project development phase. To the extent that these revenues would offset costs that are included in the analysis, the projected fiscal impact shown in this report is conservatively low. Upon completion of the development phase, revenue from this source would decline.

  Non-construction-related licenses and permits – e.g., animal license, bicycle licenses, boat permits, charity permits, security alarm permits, etc. – generated revenues averaging $0.56 per capita in 2002-03. At this rate, the project at buildout would yield revenues of about $2,000 per year from this source.

COST CALCULATIONS

Virtually all of the City services considered in this analysis incur costs both in the General Fund and in other funds. As noted in Chapter 2, this analysis considers only General Fund costs. Therefore, the explanation of cost estimating methodology below covers only the General Fund portion of City costs for ongoing services.

All costs are assumed to increase at the general inflation rate of 3.0 percent per year.

General Government

General government services include City Council, City Manager, City Clerk, City Attorney, City Auditor, and Finance & Management. All costs are assumed to increase with population.

This approach is conservative because some of the included costs are not expected to change with population growth; that is, an increase of less than one percent in the population of Oakland would not be expected to require hiring additional staff or incurring other direct costs. Basing the estimate of costs on population, however, has the effect of assuming that the level of service per resident will not be diminished with growth.

This approach also ignores any impact that nonresidential development might have on the demand for general government services. In effect, it is similar to the approach used for sales tax estimates: that is, it is a simplifying assumption for the concept that residents of

the project will incur the same proportion of total additional general government costs as current City residents incur of total existing general government costs.[13]

Police Services

The cost of police services is assumed to increase with population. This approach is consistent with the staffing guidelines used by most cities, which rely on a ratio of sworn officers per resident.

This approach ignores any costs for police services that might be generated by nonresidential development (see explanation in "General Government," above).

Fire Services

The cost of fire services is also assumed to increase with population. This approach is consistent with the staffing guideline indicated in the DEIR on the Wood Street Project (p. 3.14-8): by assuming that expenditures per capita will remain constant, it implicitly assumes that the ratio of personnel per capita will be maintained. In the City of Oakland, all General Fund expenditures for fire services are for personnel (including overhead and maintenance associated with personnel); other funds cover the costs of most equipment and facilities.

Cultural Arts & Marketing

Cultural Arts & Marketing is a new City department that is responsible for managing public cultural facilities (such as the Oakland Museum, the Henry J. Kaiser Convention Center, and the Alice Arts Center) as well as marketing the City of Oakland and supporting artists and arts organizations.

The costs of these functions are assumed to increase with population.

Library Services

The cost of library services is assumed to be the same, per resident, as the existing citywide cost.

Parks and Recreation

The cost of park and recreation services is assumed to be the same, per resident, as the existing citywide cost.

This approach implicitly incorporates several simplifying assumptions: (1) that the amount of new public park land included in the project that is maintained by the General Fund is similar to the amount per capita in the rest of Oakland, and (2) that residents of the proposed project use City recreational programs at about the same rate as current City residents.

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[13] This simplifying approach is used for all costs included in the model.

Human Services

The Department of Human Services is operates programs for children, youth, seniors, and other adults in the City of Oakland. These programs include, for example, care management and support for frail seniors and adults with disabilities; the Summer Food Program (nutritious lunches for low-income school-aged children); the Safe Walk to School Program; the Community Action Agency (education, job training, life skills training, mentoring, health care); Welfare-to-Work; early childhood education programs; family literacy programs; hunger and homeless services; community and public programs for young people aged 0 through 20; the older workers employment and training program ("ASSETS"); paratransit for seniors and adults with disabilities; and other programs to assist Oakland residents.

The cost of these services is assumed to increase with population; that is, the average cost per resident of the Wood Street Project is assumed to be the same as the average current cost per Oakland resident.

Community Economic Development Agency

The Community Economic Development Agency (CEDA) provides those services related to building (plan check/approval, permits, and code enforcement), economic development, *housing and community development, planning and zoning services (development review,* general plan and zoning, historic preservation, major projects, and pedestrian safety), and redevelopment. (Redevelopment projects are not covered by the General Fund.)

The services of this department are widely varied: some apply to specific geographic areas and some to the city as a whole; some are required by specific development proposals or projects and some by existing conditions or ongoing programs; most are related to property, but some are related to people.

Formulating a rationale for predicting the changes in these costs that would result from new development is complicated. For simplicity, this analysis assumes that all costs increase with population; that is, the average cost per capita for residents of the Wood Street Project would be similar to the average cost per city of Oakland resident in 2003-04. This approach is likely to overstate the increase in costs that would occur as a result of the project; it is used here in the absence of a more accurate, defensible assumption.

Non-Departmental Costs

Non-departmental costs in the City budget cover four primary functions: "citywide activities," which benefit the city as a whole or city employees as a whole (e.g., Employee Recognition, Oakland Family Day, state and federal lobbying); community promotion (e.g., arts, street festivals, tourism, and public safety); debt/lease payments; and fiscal management.

Of these functions, the first two – citywide activities and community promotion – are assumed to change with the development of the proposed Wood Street Project. The costs of these activities are assumed to increase with population.

Excluded Costs

As noted in Chapter 3 (Table 10) and elsewhere, this study excludes the following services that are funded in the FY 2003 budget:

- Public Works: functions in this department are funded entirely by sources other than the General Fund.
- Non-departmental: costs of debt/lease payments and fiscal management.

Neither of these costs is expected to be directly affected by the proposed project.

APPENDIX B
THE EFFECTS OF INFLATION

INFLATION AND DISCOUNTING

Inflation

The regulations that govern public finance in California virtually dictate that costs and revenues will increase (inflate) at different rates in the future:

- A few revenues – most notably, sales tax – and virtually all costs (except those governed by contracts with no inflation adjustment) increase with the general rate of inflation.
- Locally-imposed taxes and fees cannot be changed without approval of the electorate. For this reason, they are expected to increase more slowly than the general inflation rate.
- Some conditions that contribute to revenues or costs are likely to grow more rapidly than the overall rate of inflation. In this analysis, this condition applies only to utility prices.

This report provides revenue and cost estimates for the two indicator years – completion of development (FY 2013) and 10 years after completion of development (FY 2023) – in constant FY 2004 dollars. To reflect the differential inflation rates, however, the model first inflates all dollar amounts to their future year values. Table B1 illustrates the effects of inflation on $1 over time. In the table, the key indicator years are supplemented by several intermediate years to provide a more complete picture of these inflationary effects.

Table B1
Dollars Needed in Future Years to Pay for Goods/Services Selling for $1 in 2004

Inflation Rate	Model Applications	Value of $1 in:		
		FY 2004	FY 2013	FY 2023
0.0%	(None; included here for illustration)	$1.00	$1.00	$1.00
1.5%	Fines & penalties; grants	1.00	1.14	1.33
2.0%	Assessed value of real property not sold	1.00	1.20	1.46
3.0%	General, housing prices, nonresidential building space	1.00	1.30	1.75
5.0%	Utilities	1.00	1.55	2.53

Source: Mundie & Associates

Future dollars that reflect the effects of inflation are typically called "current" or "nominal" dollars. In this study they are also called "inflated" dollars.

Discounting

After inflating revenue and costs estimates to future year prices, the model "discounts" those future, differently-inflated projections to today's values at the general inflation rate of 3.0 percent. Because this constant dollar calculation first inflates and then discounts the dollar estimates, amounts expressed in constant dollars may vary in unexpected ways. For example:

- $1 inflated at a rate of 3.0 percent per year (the assumed general inflation rate) and then discounted back to present value at the same rate has a value of $1 in constant FY 2004 dollars.
- $1 inflated at a rate of 5.0 percent per year (the assumed rate for utility prices) and then discounted back to present value at a rate of 3.0 percent per year has a value greater than $1 in constant FY 2003 dollars.
- $1 inflated at a rate of 1.5 percent per year (the assumed rate for fines imposed by the City of Oakland) and then discounted back to present value at a rate of 3.0 percent per year has a value less than $1 in constant FY 2003 dollars.

Table B2 illustrates the value in constant FY 2004 dollars of $1 inflated at the various rates shown in Table B1 for different numbers of years and then discounted to back to present value.

Table B2
Constant Dollar Value of $1 Inflated at Different Rates and Then Discounted at Three Percent to FY 2004 Dollars

	Value in 2004		
Inflation Rate	FY 2004	FY 2013	FY 2023
0.00%	$1.00	$1.00	$1.00
1.50%	$1.00	0.88	0.76
2.00%	$1.00	0.92	0.83
3.00%	$1.00	1.00	1.00
5.00%	$1.00	1.19	1.44

Source: Mundie & Associates

Dollars that are first inflated and then discounted back to FY 2003 dollars are called "constant" dollars.

EFFECTS OF INFLATION ON EXPECTED PROJECT REVENUES AND COSTS

Revenues

The revenue estimates for the proposed Wood Street Project presented in Table 11 are expressed in constant (FY 2004) dollars. Those constant dollars are adjusted first by inflation and then by discounting, as described in the first part of this appendix.

For comparison, Table B3 reports the revenue estimates for the proposed project in current (inflated) dollars. Thus, the estimates for FY 2013 are inflated to FY 2013 dollars and the estimates for FY 2023 are inflated to FY 2023 dollars. The values of these estimates in terms of today's dollars is exactly the same as the values shown in Table 12.

Table B3
Wood Street Project: Projected Revenues
Current (Inflated) Dollars

Use	FY 2013		FY 2023	
	Dollars	% of Total	Dollars	% of Total
Property Taxes	$429,642	26%	$647,300	27%
Sales & Use Taxes	417,539	25%	561,138	24%
Motor Vehicle In Lieu Fee	86,681	5%	116,492	5%
Utility Consumption Tax	386,214	23%	629,102	26%
Real Estate Transfer Tax	90,989	5%	122,282	5%
Fines & Penalties	259,419	16%	301,066	13%
Grants & Subsidies	1,038	0%	1,205	0%
Total	$1,671,522	100%	$2,378,585	100%

Note: Detail and totals may not agree because of independent rounding.

Source: Mundie & Associates

Costs

The cost estimates for the proposed Wood Street Project presented in Table 12 are expressed in constant (FY 2004) dollars.

Table B4 reports the cost estimates for the proposed project in current (inflated) dollars.

Table B4
Wood Street Project: Projected Costs
Current (Inflated) Dollars

Use	FY 2013		FY 2023	
	Dollars	% of Total	Dollars	% of Total
General Government	$526,030	16%	$706,940	15%
Police Services	1,679,516	50%	2,257,129	49%
Fire Services	981,592	29%	1,319,178	29%
Cultural Arts & Marketing	78,441	2%	105,418	2%
Library Services	118,251	4%	158,920	3%
Parks & Recreation	134,273	4%	180,452	4%
Human Services	70,237	2%	94,393	2%
Community Econ. Dev't Agency	245,332	7%	329,706	7%
Non-Departmental	63,690	2%	85,594	2%
Less Costs Covered by Service Charges	-538,481	-16%	-624,929	-14%
Total	$3,358,881	100%	$4,612,801	100%

Note: Detail and totals may not agree because of independent rounding.

Source: Mundie & Associates

Note:
A comment letter on the Draft EIR from the Oakland Heritage Alliance dated November 14, 2004 was not included or responded to in the Final EIR because it was not received by the Planning Department within the EIR comment period. It did not reach the Planning Department because the author of the letter transmitted it via email to an incorrect email address.

ATTACHMENT K

OAKLAND HERITAGE ALLIANCE

November 14, 2004

Margaret Stanzione
City of Oakland CEDA
250 Frank Ogawa Plaza
Oakland, CA 94612

Dear Ms. Stanzione,

Oakland Heritage Alliance appreciates the opportunity to comment on the draft EIR for the Wood Street Project, #2004012110.

While there is some helpful information in this DEIR, it is not as useful as its weight and length would indicate. While it repeats lengthy passages from extant documents and regulations, in some sections the analysis and background information about the project is inadequate and incomplete. Analysis of problems, mitigations and potential alternatives is given surprisingly short shrift. We respectfully request that the city require a revised Draft EIR before proceeding to a final version, and that an edit for concision be undertaken in conjunction with the development of new analysis, so that the report can fulfill the CEQA requirements without becoming too heavy to lift.

Below, we are focussing our comments on the cultural resources aspects of the EIR, with the understanding that these issues are intimately connected with aspects of urban planning, design,and project's relationship to its community surroundings.

As mentioned at the Planning Commisison hearing:

1) Paucity of information on relation of historic buildings and site to Oakland's railroad history makes evaluation difficult. Please assess historic buildings beyond the train station itself.
2) More serious consideration must be given to retaining and reusing Bea's Hotel.
3) Ensure that the EIR and the project addresses and responds to the cultural and economic inheritance of the descendants and veterans of Oakland's railroad workforces, the decades-long railroad in-migration of varied demographic groups, and related cultural history.
4) Additional analysis, discussion and subalternatives should deal with retaining all or more of the elevated platform and baggage claim areas at the train station.
5) More analysis and perhaps additional alternatives are required to show how the project can link and interconnect with adjoining neighborhoods and the people who live in them.
6) More information and analysis should address the reuse and the historic aspects of the cannery building, a rare early Chinese-American-owned business. Archaeological study may be warranted.
7) Meaningful historic mitigations must be added. Currently suggested mitigations are painfully inadequate.
8) Practical timetables for preservation of the historic structures must be incorporated into the report and into project plans.
9) Address how mitigations can occur within the affected areas, rather than all around the city or at the army base.

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Web Site: www.oaklandheritage.org

10) Address measures to secure and protect the train station and ancillary structures until restoration is undertaken.

Here are some specific comments on the report:

Section S.2, Project Sponsors' Objectives, page S-13
Fourth bullet: Note that this item omits mention of the proposed demolition of the baggage claim area and elevated platform, identified in the Dreyfus appendix as of historic importance.

Section S.4, Environmental Impacts and Mitigation Measures, Page S-15
Greater consideration should be given to an alternative which would preserve the baggage claim area and elevated platform, and minimize loss of views and relationship between the station and the signal tower. Additional mitigations should be required in the event of losses described under the main project. The mitigations proposed are inadequate.

Section S.5 , Project Alternatives, Page S-16
In view of Table S-3, it seems likely that the Preservation Alternative, the Reduced Project Alternative, and the No Redevelopment of Bea's Aternative are deserving of more serious consideration and additional study. Simple assertions do not provide enough basis for moving forward. Without economic analysis, it is hard to tell how feasible these alternatives or variants of them might be. The Preservation Alternative seems the obvious preferred alternative—there isn't even any loss of housing or commercial space

Table S-2, page S-22
Elsewhere in the report, it is stated that the visibility of the train station and the signal tower are affected by the project; if the project is implemented as described, mitigation should be required for effect on visual quality.

Table S-2, page S-36
CR-1.1 and 1.2 We associate ourselves with the comments of Anna Naruta in her letter concerning archaeological impacts and mitigations for this project.

Table S-2, page S-37 and 38
Mitigations listed in this table and elsewhere are seriously inadequate.

• CR-2.1 We view HABS recordation as an extremely weak mitigation—more a formal requirement than a mitigation at all. It is unobjectionable. It is not really a mitigation. We award it zero points.

• CR-2.2 Any salvage and reuse of original building materials should be required to occur on site. An additional useful mitigation might be to mount an effort to track down the already stolen, "borrowed" or misappropriated pieces of the station that have been lost due to inadequate security on the part of Southern Pacific, Union Pacific, the Port and the City of Oakland. No doubt architectural salvage dealers, collectors, railroad buffs and recycling companies might have some ideas. This would be a great opportunity to enlist the community in assisting a search for critical pieces of this historic site.

• CR-3 We demand additional work on mitigations for visual and historic impacts. There is no reason to "lose" Bea's Hotel. Retaining it would reduce this impact.

• CR-4 and 5 Perhaps this is one place to address the site's historic relationship to the population of Oakland. The EIR should address the relationship of the people of Oakland to this site. Among many other relationships, consider the following:

- living and remembered descendants of the workforce on the original transcontinental railroad
- railroad employees as a major sector of Oakland's population for many critical decades of its history
- the political and cultural inheritance of the Brotherhood of Sleeping Car Porters, with impacts still felt today.
- the train station was for many decades a primary point of arrival for many newcomers to Oakland
- see attached photo for example of the station as a point of transit for returning Japanese internees
- the station as showpiece of the Southern Pacific system
- Oakland's relationship to San Francisco as the actual endpoint of the transcontinental railroad. See attached for example of a period board game showing Oakland.
- the railroad as a primary employer and reason for settling in Oakland, still part of the cultural memory of Oakland, in particular West Oakland. Railroad's status as a link to the port activities, historic in themselves. (Note that the Port produced an entire illustrated book on its history. Is it time for one about the railroads in Oakland?)
- Role of Pacific Coast Canning Co. in development of Asian-American-owned business in California.

More serious mitigations must address these and similar important features of the site in relation to Oakland and its people. Why are no mitigations proposed to address the economc impacts on these same people? Maintaining and strengthening the connection between the physical site and the citizens who share the historic legacy should be a goal for the project.

Section 2.5, Project Description, Page 2-14

The Proposed Uses for Development Area Two, pg.2-14, seems to indicate a partial reuse of the historic Pacific Cannery Building but it is not clarified in any of the drawings. Please strengthen the description of this aspect of the project, including a more detailed analysis of historic resources at and around the building.

Section 2.5, Project Description, Page 2-15

The assessment of Bea's Hotel as described under Existing Conditions is incorrect. No study of this building was done, other than to refer to somewhat cursory sixteen-year-old city documents. This building must be more completely studied in the EIR. The description of its significance may not be accurate, and is based on outdated information. We recommend the EIR preparers or the city subcontract or assign the analysis of this site to the city's Cultural Heritage Survey, or work with Mr. Dreyfuss to prepare a detailed report. The building is clearly a contributor to an area of historic importance. It may also present a great opportunity to provide historic context, to tie the project into the neighborhood, and perhaps even to provide affordable housing or some other mitigating use. Demolition should not be assumed to be appropriate.

Section 2.5, Project Description, Page 2-16 through 2-21

The division of the train station area between Development Areas 5, 6 and 9 may be causing some of the tension about what to keep or demolish in the area. We are not privy to how the lines were drawn, but would like to point out that if viewed as a whole, the area might admit of more flexible design solutions, perhaps more conducive to historic preservation.

If we understand the DEIR correctly, it seems that the total number of residential units to be constructed would not be disastrously impacted by retaining more of the historic structures. Better description of the difference between the preservation alternative and the proposed project would be useful to decision makers.

We request that some kind of phasing plan and tax increment funds usage plan be incorporated into the analysis. Our fear is that further damage will occur to these resources before anyone gets around to securing them properly or commencing their restoration.

As to Development Area Nine, our question is one of maintenance.Who would maintain it? How is public access guaranteed?

View Section: Figure 3.3-7 page 3.3-27

View 5 (Existing and Projected Conditions) showing the front of the station illustrates the importance of retaining the whole complex. In the Projected Condition, the Station losses its prominence, it seems to shrink because of the domination of tall buildings and trees hiding it. It appears grander in the existing view. Prepare an additional visual, showing an appropriately restored historic Bea's Hotel in relation to the train station. This might well be the best reuse, could serve to connect the train station to its surroundings, and provide historic context.

Figure 3.3-10, page 3.3-35

We regret what looks here like the disappearance of the train station and its elevated platform from the view of travelers on 880. Is this an accurate portrayal? Provide an additional view to show how it might look if more of the platform were retained, and the station remained more visible from the freeway. The existing concourse should remain visible to the frontage road and thefreeway as seen in Figure 3.3-10, View 8 (Existing). Besides its wonderfulm sculptural form with train sets visible on them they will be an advertisement for the museum or other isntitution occupying the space..

Preservation Alternative, page 5-18, 5-20

We believe that the preservation alternative requires more in-depth analysis, as it seems to reduce impacts to the historic buildings. As there are significant questions about traffic and circulation in any case, this alternative deserves further study in conjunction with addressing the emergency access and other transportation access issues.Review the other hotel, diagonally across from the Bea's Hotel, to see how it could contribute.

No Redevelopment of Bea's Hotel, page 5-23

We strongly object to the statements under Land Use. Rather than this negative approach, the site should be viewed as an opportunity to do some historic preservation, possibly some inclusive affordable housing, and some commercial development that would help to tie the historic and the more modern buildings together.

We strongly oppose a "blight" argument as a reason to demolish historic buildings. Bea's Hotel should be studied in greater detail for its potential to contribute to a historic district and to the project. It is critical that Oakland understand that "supporting role" buildings are what knits spectacular historic buildings into the urban fabric. Please see above for our suggestions for further study.

Table 5-3, on page 5-25 is thus incorrect in asserting that the plaza could not be successful if Bea's Hotel were retained. This is an assertion, not a reasoned conclusion, and we reject it completely.

Again, on page 5-26 we strongly object to what seems an argument from the bygone Yuppie Era of urban design. One developer's blighted eyesore is another developer's golden opportunity. We are eager to discuss the possibilities for this small building with the project sponsors. The EIR consultant must not accept the developer's assertion, but rather make its analysis from an impartial perspective.

Preservation Alternative

We feel that the analysis here is seriously lacking. Where are the economic analyses? Where is the discussion of additional sources of financing for the historic restoration? Has syndication of potential tax credits been discussed? For any of the alternatives, has anyone looked into sources of funding for the train station? Where is the documentation for these economic considerations? Where is the detail on the Cannery building?

Page 5-28

Again, the baseless conclusion that Bea's Hotel would continue to be a blighting influence is unfounded. Let's go back to the drawing board on Bea's.

MITIGATION MONITORING AND REPORTING PROGRAM

With awareness of our overworked city staff, we do not believe that staff resources exist to watchdog the MMRP in combination with all the other MMRPs now supposedly in effect. Without constant vigilance, these plans are not executed. We propose that an identified staff position coordinate this and all the other MMRPs now in effect. The city should set up an arrangement in which developers fund such a position, or funds are found internally. Otherwise, with gradual staff turnover, with the frequent transfer of property from one entity to another, and with the evolution in political officeholders, the only people with any memory of the mitigations will be the ever-aging citizens. While citizens can attempt to keep track, our experience is that many items are never carried through. Each EIR should identify how and by whom the mitigations are monitored, how to fund and staff this oversight.

MENU OF POSSIBLE MITIGATIONS:

If the preferred described project is undertaken, the mitigations for damage to historic resources must be expanded. Here are some options we would suggest, and which should be studied in the DEIR:

1) Program of facade improvement loans in vicinity of project (Hey, that could include Bea's Hotel!)
2) Establishment of longterm funding for maintenance of Train Station, plaza, and related buildings.
3) Provision of funding for city staff oversight of MMRP.
4) Implementation of mitigation for economic impacts on historically railroad-related community in the area, perhaps to include ownership incentive programs or affordable housing provisions.
5) Retention of larger portions of historic structures, to include baggage claim and elevated platform.
6) Mount a search for the missing pieces of ornamentation and building material from the train station. Do historic study so missing pieces can be replicated if needed.
7) Redesign the project to improve visual integration of historic structures and to improve views.
8) The whole station complex should be preserved and developed as a National Railroad Museum or some kind of similar institution with relevance to the local population. Retaining the entire remaining concourse would allow train cars, perhaps including pullman cars, to be exhibited. Testimony from many at the Planning Commission public hearing illustrated the importance to the community of the reuse of this historic resource for such a purpose.

REQUIRES MORE STUDY:

Phasing, budgetary, scheduling and regulatory considerations around tax increment funding for the train station must be included in this report. While cheerfully referring to this funding mechanism for

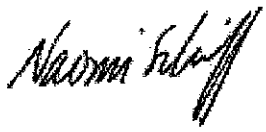
restoration of the station, without clear steps to achieve this in a timely manner, we fear it might not happen. We are concerned about the ongoing deterioration of the buildings. We wonder about the inclusion of this project within the OARB area. How will this be handled?

How this project fits into the historic West Oakland community has not been fully addressed. We do not see a full discussion of linkages into the adjoining areas. The EIR should not contemplate an isolated development, but rather one that is tied into the urban fabric as much as possible.

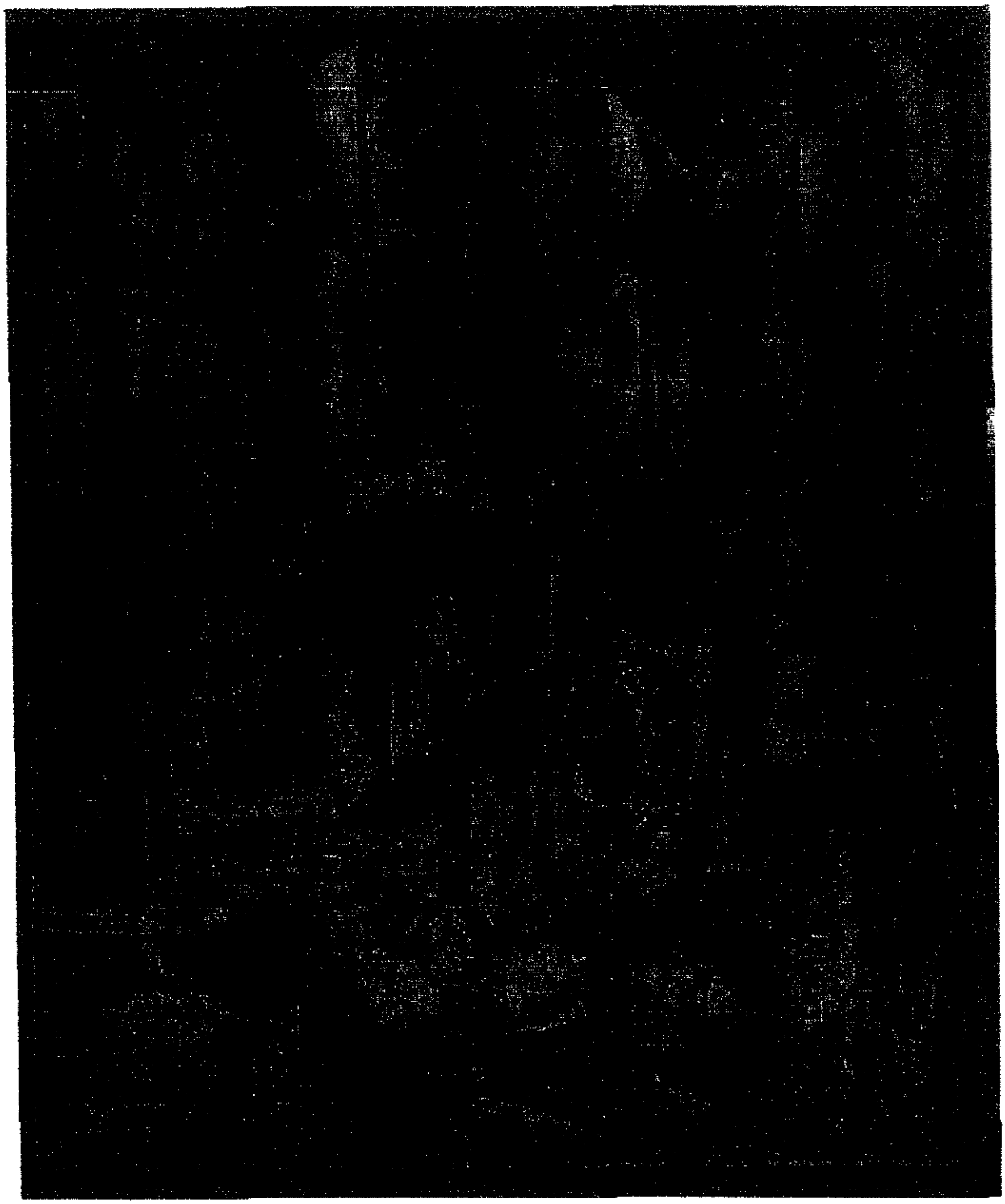
A modern and enlightened approach ties the community together rather than replacing one group of people with another. A design which dismisses ambient buildings such as Bea's or the baggage claim building is passé. A more modern and enlightened urban planning approach will make use of historic buildings rather than replace them.

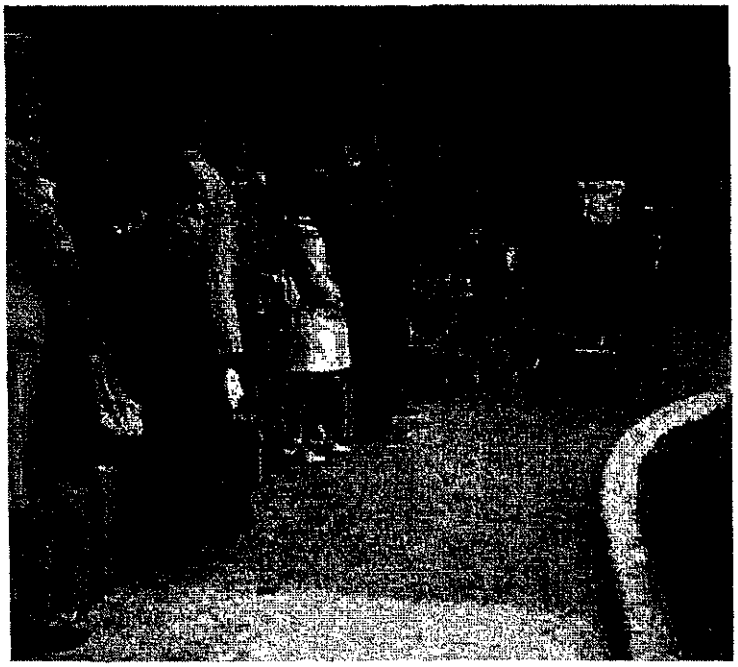
Thank you for the opportunity to comment.

Sincerely,



Naomi Schiff
President





Top left: Bea's Hotel
Above: views of railroad station, emblem from Sleeping Car Porters union.
At left: Japanese-Americans returning home from internment camps by way of Oakland 16th St. Station
Below: Lew Hing family.

16th & Wood Train Station Coalition, League of Women Voters, & Oakland Heritage Alliance

February 1, 2005

Claudia Cappio
Oakland Planning Director
250 Frank Ogawa Plaza
Suite 3330

Mark McClure
Nicole Franklin
Suzie Lee
Colland Jang
Michael Lighty
Anne Mudge
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Oakland Planning Commission
250 Frank Ogawa Plaza
Suite 2114
Oakland, CA 94612

Re: Wood Street Project Transparency in Process

Dear Ms. Cappio and Oakland Planning Commissioners:

We are writing in the spirit of desiring effective and healthy public participation in planning and zoning decisions with large-scale and long-term impacts to the Oakland communities. Specifically, we have concerns regarding the lack of clear timeframes and process for the Wood Street Project, and would like to propose guidelines to help ensure effective community participation.

As you know, there are many nonprofit organizations, grassroots agencies, and individual residents who would like to be informed and involved regarding the land use decisions for the Wood Street Project. There are also many complicated and weighty issues ranging from a very large environmental review; proposed demolition and reuse plans for the historic Train Station; amendments of the General Plan, Redevelopment Plan, Army Base Reuse Plan, and other applicable plans; as well as proposals for a new Zoning District, and subdivision of five vesting parcels. Interested community organizations often do not have the resources or time to quickly respond to the type of new documents that will be going before the Planning Commission for final approval, including the Final Environmental Impact Report and new Social Economic Impact Report.

There have also been less than ideal community relations surrounding this Project. For example, it is our understanding that some of the tentative agreements made that would have supported an effective community process in defining the social economic impacts of the Project on the West Oakland community, such as meeting with pro bono national research experts identified by the 16th & Wood Train Station Coalition, have lacked timely responsiveness by City staff. The failure to provide adequate public notice to the applicable community list regarding the Design Review Committee's discussion on January 26th at 4pm of the Pacific Coast Canning Company,

a Potentially Designated Historic Property in the Project's Development Two area, is another example. We also understand that CEDA staff violated state and local requirements in responding to the Coalition's public records request last October. While we understand the limitations of staffing resources, it is clear to us that publicly accountable land use decisions cannot be made without effective community, notice and participation.

We are recommending that the following occur to ensure public transparency and accountability for the Wood Street approvals process:

1. That the Social Economic Impact Study involve pro bono national experts identified by the 16th & Wood Train Station Coalition in reviewing the scope, methodology, significance and mitigation levels, and outcomes for the Study, as directed by Commissioner Lighty at the Special Hearing on January 26th. And that the involvement occurs in a timely way so that these experts can be meaningfully utilized.

2. That the specific timeline and steps for the approvals process be provided in one timeline to interested Community members, including when the Final EIR and Social Economic Impact Study will be finalized, and when the Landmarks Board meeting, the Planning Commission hearing for final project approvals, the Redevelopment approvals, and the City Council approvals process will occur and in what order. The Planning Director promised the provision of this timeline to the Train Station Coalition at a meeting in late November.

3. That the public notice and review period of all applicable meetings and documents be provided with more than 10 days notice, given the large-scale nature and complexity of the Project. We would recommend a minimum of 14 days notice.

We strongly believe that these recommendations will help ensure a more effective and meaningful community participation in land use planning decisions for Oakland, as well as support the integrity of the final project decisions.

Please contact one of us to let us know how you will proceed with our requests. Given the fast track nature of the Wood Street Project, we are respectfully requesting a response by Friday, February 4th.

Sincerely yours,

Judi Bank
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531-5449,
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Margaretta Lin
Member
16th & Wood Train Station
Coalition
548-4040, ext. 316,
margarettalin@ebclc.org

cc: Councilmember Nancy Nadel

Stanzione, Margaret

From: bronwyn barry [bronwynb@yahoo.com]
Sent: Friday, February 18, 2005 7:19 PM
To: mstanzione@oaklandnet.com
Subject: Wood Street Development

Dear Margaret,

I wanted to add my two cents to the comments on the above project since I will not be able to attend any of the official hearings.

I live two blocks away from this project, on Campbell at 12th, and therefore have a vested interest in the neighborhood and the success of this development. I have attended numerous neighborhood meetings and reviewed the preliminary EIR.

Overall, I feel it is in the best interest of the community that this development goes ahead. We need to eliminate (or at least drastically reduce) the number of diesel trucks driving along the residential streets.

My chief concern is that this development become PART of the neighborhood, and not isolated from it. The current layout with access primarily from the frontage road to the west creates a defacto 'gated community.' I feel it is imperative that at least one of the number streets transverses the new development, connecting it to the rest of the neighborhood. Truck use can be limited by design features such as an overhead walkway, a turning circle or simple signage. The residents of the rest of the Lower Bottom also receive the benefit of being able to access the frontage road. After all, our tax dollars have helped offset the cost of this road. We should be able to use it.

I look forward to watching the progress of this development. I think this is a great opportunity for both the neighborhood and the whole of Oakland. Let's make sure it's done well!

Regards,
Bronwyn Barry

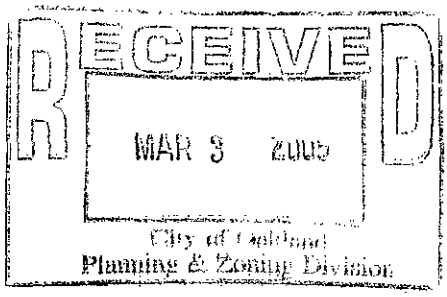
=====
Bronwyn Barry

U R B A N S T R U C T U R E
155 Filbert Street, Suite 234
Oakland, CA 94607
Tel: 510.465.1187

EAST BAY COMMUNITY LAW CENTER

Formerly the Berkeley Community Law Center

February 28, 2005



Andy Getz
HFH
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Emeryville, CA 94608

Rick Holliday
Holliday Development
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Emeryville, CA 94608

Carol Galante
BUILD West Oakland
One Hawthorne Street, Suite 400
San Francisco, CA 94105

Re: Follow Up on Requests for Negotiation Discussions on 16th & Wood Train Station Project

Dear Wood Street Developers:

I am writing on behalf of the 16th & Wood Train Station Coalition, a broad-based coalition of West Oakland residents, cultural historic preservationists, and labor, environmental, and affordable housing organizations, seeking community benefits from the 16th & Wood Train Station Project. I am following up on our messages requesting to meet with you to discuss the Coalition's proposals for community benefits from the Project, including environmental clean up and mitigation, affordable housing, local hiring and prevailing wage, and Train Station preservation.

At the special meeting of the Planning Commission on the Project held on January 26, 2005, the Planning Commission recommended that you meet with us to address our concerns regarding negative Project impacts on the environment and community residents. We believe that there is plenty of room for addressing both your concerns and ours in a manner that can make this a win-win Project for you and the residents of West Oakland.

I understand from the labor union members of the Coalition that they have been in meetings with you to discuss the prevailing wage issues. We look forward to having a similar opportunity to discuss other community concerns and proposals with you.

I look forward to hearing from you.

3130 Shattuck Avenue, Berkeley, CA 94705 Tel: (510) 548-4040 Fax: (510) 548-2566

Sincerely yours,

Margaretta Lin
Staff Attorney

cc: Oakland Planning Commission
Councilmember Nancy Nadel
CEDA Planning Director, Claudia Cappio
CEDA Project Manager, Margaret Stanzione
16th & Wood Train Station Coalition

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OAKLAND, CA 94612

ALAMEDA Child Care Planning Council COUNTY

MEMO

TO: Interested Oakland Officials and Planning and Social Services Staff
FROM: Ellen Dektar/Alameda County Local Investment in Child Care Project
SUBJECT: Impact of Wood Street Development on Child Care Supply
DATE: March 9, 2005

The purpose of this Memo is to follow up on our meeting several months ago with City of Oakland and school district child development department staff and Councilwoman Nadel. In summary, we expect that the development will create new child care demand which should be mitigated by improving nearby child care facilities, parks or community centers, and/or possibly transportation options for children and families. The lower income children might be able to find space in West Oakland centers, although there is limited center based infant care. Higher income families have limited options but the demand, based on our estimates (see below), is not sufficient to warrant the opening of a new center, which the field typically estimates would need 50 children enrolled to be viable.

Background

The purpose of our meeting in late October was to discuss how the city could systematically consider the child care impact of new development before plans are approved in order to mitigate the impact of the development on the child care infrastructure. One meeting outcome was a suggestion that the child care field supply the city with informational material for developers on why and how child care can be considered in projects. I have attached to this email several sections of a new resource, "Linking Development and Child Care: A Toolkit for Developers and Local Governments." A hard copy of the 50 page guide is also available which I am happy to provide for you at your request.

The meeting also focused on the imminent Wood Street development. Staff did not offer more precise estimates on the number of families with children or children expected in the new development beyond the information contained in the Environmental Impact Report (EIR). In the absence of better data, LINCC made assumptions to estimate the potential child care impact based partially on child care industry rules of thumb.[1] (The field is working on standardizing child care demand assumptions but an individual's child care selection has many variables and is difficult to predict).

[1] *LINCC made the arbitrary estimate that half of the anticipated 500 two bedroom or greater units will have one child.* If this were the case, there would be 250 children ages 0-18. If the children were evenly distributed across age groups, there would be 180 0-13 year olds and 69 0-5 year olds. An estimated 30% of children would use a licensed center if it were available, resulting in a need for about 20 center spaces to accommodate preschool aged children. An estimated 17%, or 12 preschool children, would use family child care.

Child Care Centers

Subsequent to the meeting, LINCC did an informal phone survey of Head Start, school district child development centers, and three large privately run child care centers in the area to assess their current capacity and the potential impact from new demand generated by Wood Street. The 2002 Child Care Planning Council Needs Assessment information on the child care supply in this zip code is that there is an undersupply of infant care and school aged care, but some providers offer odd hours care and there are care options for all age ranges.

My overall impression from several phone conversations that I had with several major center operators in the area echoes the Needs Assessment data. There are not a lot of licensed infant care options; Kidango's eight infant spaces are full, and it will close its Chestnut-Linden center in May due to a variety of operational challenges unrelated to demand. There are not a lot of non-subsidized child care opportunities. Programs serving subsidized children (school district, Head Start and St. Vincent's Day Home) have some openings for preschool aged children, but most have enough children enrolled to have good prospects for continued operation. Some centers use parks for outdoor activities, so park improvements could indirectly benefit the child care infrastructure. New or improved community center space also could be used by neighborhood providers for children's activities. Transportation related problems for children and families are harder to pinpoint, and more specific gaps in the system for them could emerge from the anticipated Community Based Transportation Planning processes. Safety walking to BART from centers was mentioned as a concern.

The exception is 4 C's which serves 150 children and has a relatively large waiting list. They do not currently serve full fee paying families or infants but are open minded about future directions the program could take. The center uses a self contained playground, and has 15 year old modular classrooms. This might be a good organization to keep in touch with as projections for Wood Street residents are refined and child related infrastructure is considered.

Family Child Care

Gauging the impact of new development on family child care providers in the area is more difficult because of the diffuse nature of the family child care field and the consuming nature of their work. Family child care homes are a good option to have in a new development because they could serve children within the development and serve a range of income levels. They also are often favored by parents with younger children because of their smaller scale.

1) We assume that current providers would use parks and new parks and/or park improvements would have a ripple effect on improving play experiences for children in these providers' care.
2) We also would like to make sure that the current or prospective providers know of any rental or affordable housing purchase opportunities in the Wood Street development and if some are interested, work with the developer to secure a ground floor unit close to potential outdoor play space. We could work with you to do outreach to current providers.

Gauging the development's impact on the child care supply is difficult because of unavailable or inaccessible demographic projections and other variables. Some support for child care from the development is warranted in light of the magnitude of project and the obvious need to improve West Oakland's infrastructure for children. We will continue to monitor the plans and hope that you can keep us informed in the event new demographic estimates become available or you have further questions or comments.

Linking Development and Child Care:
Benefits of Child Care

Benefits of Child Care to Business & Real Estate Developers

Child Care Enhances Business Operations and Cost Savings

On-site child care centers and related programs for employees can bring substantial benefits to both employers and their employees. The benefits of on-site child care to employers include reduced turnover and absenteeism, and associated reductions in costs of training and recruitment, project delays, and employee inefficiencies. According to one comprehensive study conducted by Sandra Burud for Union Bank at its 1,200-employee operations center in Monterey, California (1987), this employer's on-site child care facility resulted in the following benefits during its first year of operations:

- Participants missed 1.7 fewer days of work than parents who did not use the center
- Maternity leaves were 1.2 weeks shorter for mothers who used the center
- A 2.2 percent turnover rate for employees who used the center in its first year of operation, compared to a 9.5 percent rate for parents who used other arrangements
- 61 percent of potential hires considering job offers said that the child care center would be a factor in their decision
- Costs of the center were covered by these quantifiable benefits

Hugh McColl CEO of Bank of America, has explained his firm's broad support for child care with the note that "it costs 50 percent of one year's salary to replace an entry level worker and from 150 to 200 percent to replace a senior level executive." He sees the direct link from child care to employee retention.

Providing Sick and Back up Care Directly Affects Business Bottom Line

According to the National Association for Sick Child Daycare the need for sick and back up care are demonstrated with:

- Daily more than 350,000 children under 14 years of age with both parents working are too sick to attend school or their regular child care.
- Working mothers are absent from their jobs from 5 to 29 days per year caring for ill children.
- Estimated costs to employers from this loss is between $2 and $12 billion annually.

Child Care Can Expedite Development Entitlements, Mitigate Impacts, or Reduce Development Fees

Local governments, developers, and communities have found various methods of evaluating development proposals or creating incentives to expedite entitlements or reduce impact fees. For example:

- Glenborough Partners' plans to build over 480,000 square feet of office space in Millbrae near the SF International Airport BART station had been turned down repeatedly by the city's Planning Commission. The developer then offered to donate both land and a $3 million dollar building for a child care center on site, leading to subsequent entitlement approvals.

- Throughout California, State enabling legislation provides for local provision of density bonuses for on-site child care. The specific benefits enumerated in this legislation can be found at: http://ceres.ca.gov/planning/pzd/2000/pzd2000_web/pzd2000_plan4_3.html.
- Some jurisdictions in California recognize the benefits of providing licensed child care in reducing unnecessary new automobile traffic. For example, both San Mateo and Monterey County offer "credits" as part of impact mitigation programs if a child care center is developed on-site in a project (with credit for one reduced trip for every two child care spaces), saving the developer the cost of providing other expensive mitigations. These programs also offer additional credit for mixed age care or providing support to existing centers to expand the number of child care spaces.

Child Care Center Can Increase Real Estate Marketability and Absorption

- In Tampa Bay, office park developers at Netp@rk created a child care center to help lease their call center space because call centers operate for long hours and target female staff.
- Realty Manager Services provided a child care center in a newly developed apartment building in the 1980s as an amenity to attract new renters to a less desirable part of Bakersfield. The apartment project achieved 100 percent occupancy, which the developer attributed to the provision of child care.
- Dominguez Hills, a master planned community in Southern California, has incorporated a child care center into its planned amenities. According to a MarketPointe Realty Advisors, a third party realty service tracking developments throughout Southern California, Dominguez Hills had two of the fastest-selling housing projects in Southern California including 2.80 units sold per week in the 81-unit Enclave, and 2.25 units sold per week at 60-unit The Classics. The developer notes new residents are asking when the child care center will open.

Benefits to Local Government

Providing for increased licensed child care can bring numerous benefits to local government and the residents and businesses within California's cities and counties, as profiled below.

Child Care Industry Contributes Directly to the Economy

The child care industry is often overlooked in terms of its importance to the economy, both as its own industry sector and its support for working parents. In 2001, LINCC and the National Economic Development and Law Center found statewide benefits of licensed child care to the state's economy include[1]:

- 123,000 workers are directly employed by the licensed child care industry (more than the legal services industry)

[1] *Child Care and Its Impact on the California Economy*, National Economic Development and Law Center, 2001.

Linking Development and Child Care: Benefits of Child Care

- 86,000 additional jobs are supported by the child care industry's spending in the economy
- $4.7 to $5.4 billion in revenue is generated in the child care industry itself (on par with major agricultural receipts and greater than sporting goods or women's apparel)
- 1.1 million working parents hold jobs in California with support from licensed care, generating $40 billion in overall economic benefits to the economy including almost $5 billion in tax revenues

Attending Pre-School Enhances Kindergarten Preparedness

Fight Crime: Invest in Kids, an advocacy group of more than 2,000 police chief and sheriffs, prosecutors and crime victims recently commissioned a survey of kindergarten teachers. The teachers rated school preparedness factors, and the study found that children with pre-school were much more likely to:

- Be less disruptive in class
- Pay attention
- Get along with other children

Public Investment in Pre-School Programs Provides Substantial Long-Term Returns

The High/Scope Perry Preschool Study Through Age 27, a cost-benefit analysis tracking at-risk adult participants of pre-school programs compared to those who don't, revealed:

- Pre-school participants earned significantly more income as adults
- Pre-school participants had higher rates of home ownership and higher levels of education as adults
- Pre-school attendees experienced significantly fewer arrests and needed less social services as adults
- Non-participants were five time more likely than participants to be chronic crime offenders (more than four arrests) by age 27

Available Child Care Facilitates Parents' Welfare to Work Transition

The Federal Reserve Bank of San Francisco's review of work to integrate child care support into welfare reform in Massachusetts and Rhode Island[2] found:

- Improving the availability of child care voucher programs resulted a higher rate of leaving welfare for work
- One of the largest barriers to moving welfare recipients off cash assistance and into work and economic self-sufficiency is the lack of adequate and affordable child care

Further, a recent study of welfare reform and its impacts on California children[3] indicated some of the negative impacts of parents having less time with their children were mitigated by positive

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[2] Maureier, Ashley and Rebecca Russell, Federal Reserve bank of SF and Wellesley College, *Factoring Child Care in to the Welfare to Work Equation Lessons From Massachusetts and Rhode Island, Spring 2003*

socialization in child care centers. Specifically they found among children whose mothers entered the workforce after receiving welfare, "Television viewing rose .., on average, ..., but not for children attending child care centers or pre-schools."

Child Care Near Transit Reduces Automobile Trips and Traffic Congestion
National, State and local surveys indicate that working parents are more likely to drive rather than take transit compared to commuters without children. However, child care provided near mass transit stations can reduce total trips, mileage per trip, and increase transit ridership. For example:

- A survey of parents at Santa Clara Valley Transit Authority's Tamien Transit Station Child Care Center (in San Jose) found that 25 percent of parents with children at Center used transit, compared with three percent of residents countywide (first year of operations).

Benefits to Smart Growth Initiatives

The U.S. is currently experiencing a rapid expansion of the concept of Smart Growth, the idea that new development serving growing populations can be planned to reduce sprawl and encourage more pedestrian-oriented mixed use neighborhoods. Smart Growth seeks to reduce automobile congestion, encourage communities with a nearby mix of uses fitting today's lifestyles, and provide a Main Street orientation to retailing.

As Smart Growth initiatives are implemented, the concept of integrating child care centers and licensed family child care homes directly into mixed use developments will allow for young children to be cared for near the homes and workplaces of adults, leading to parents better able to manage quality time at both work and home. This concept will also benefit the community in terms of reduced auto congestion, reduced air pollution, and enhanced ability to blend civic, volunteer, and work interests into sustainable communities. Additional research is needed to evaluate these benefits as they are realized in smart growth initiatives.

Across the U.S., initiatives to promote green building techniques have also been implemented. This approach involves use of environmentally preferable materials and construction techniques. While green building has been cautiously adopted with concerns about adding additional upfront costs to development, there is substantial evidence in the building and energy industry literature that these methods can generate overall savings over the life of a building, due to reduced energy and maintenance costs. Children are often the most sensitive to toxic materials, and green building techniques offer the benefit of reducing these impacts. Moreover, lowering energy and maintenance costs to the child care provider can be beneficial to controlling overall operating costs, a substantial portion of the typical facility's budget.

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[3] Hirshberg, PACE, Working Paper, 02-3. *Child Care Demand and Supply under CalWORKs: The Early Impacts of Welfare Reform for California's Children, 1998-2000.*

Linking Development and Child Care: Local Government Tools

As the demand for child care grows, city and county governments throughout California have focused on encouraging an adequate supply of child care within their communities. Communities have recognized that child care impacts not only quality of life, but the specific vitality of the local economy as well. The following summarizes efforts by local governments to promote the creation of new child care spaces and to facilitate access to existing facilities.

General Plans and Zoning Ordinances

Land use regulations offer an array of tools and approaches to encourage the supply of child care.

General Plans

In order to establish clear policy level support for adequate child care, numerous communities throughout California address child care as part of their General Plans. Approaches vary, with some communities writing separate Child Care Elements to stand along side other General Plan elements such as Housing and Transportation. Other communities include child care policies within their Public Facilities element or in various sections throughout the document.

While approaches vary, several common themes emerge from these documents. General Plans address child care in order to encourage or require the following[1]:

- Analysis by local government staff of the child care supply and need as part of existing conditions documents and/ or environmental impact reports;
- Reduction/ removal of barriers to child care from zoning ordinances;
- Development mitigation measures or incentives to encourage/require developers to include child care facilities;
- Provision of governmental assistance (informational and financial) in Child Care development;
- Support for the inclusion of child care facilities at transportation hubs; and
- Coordination of agencies and governmental entities regarding child care.

According to an annual survey conducted by the California Governor's Office of Planning and Research in 2003[2], the following communities include child care policies in their general plans:

- Alameda County
- Chula Vista
- Huron
- Mountain View
- Petaluma

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[1] Child Care Law Center. *A Child Care Advocacy Guide to Land Use Principles.* 2003.

[2] Governor's Office of Planning and Research. *California Planners' Book of Lists.* 2004.

- Redondo Beach
- San Joaquin County
- San Jose
- Santa Cruz County
- Santa Rosa
- Susanville
- Walnut Creek
- West Sacramento
- Winters
- Woodland

Zoning

One of the means through which General Plans are implemented is zoning. Depending on how a community's ordinance is written, zoning can either limit the supply of child care or facilitate its development. It is easiest to develop new facilities where child care facilities are allowed by right and where development regulations are coordinated with state standards regarding child care licensing. Finding no overriding safety concerns, jurisdictions that wish to increase the supply of child care facilities have allowed child care centers in most districts and large family child care homes by right in residences. The California Department of Social Services is charged with reviewing applications for child care licenses to ensure that health and safety standards are met including minimum square footage requirements, qualifications and numbers of staff, operation standards and requirements for the care of children.[3]

Child Care Inclusionary Requirements & Impact Fee Programs

Adopted Regulations

While changes to zoning can remove obstacles to the development of child care facilities, other regulations and programs are available to local government that offer a more proactive approach to addressing the need for child care facilities. In several communities land use regulations require that new development must include child care space and/or pay an impact fee or in lieu fee. Such communities understand that new development translates into new residents and employees, which increases demand for child care. These communities view child care space as a vital community facility and expect new development to pay its own way by providing new child care space or funds with which additional space can be created. Examples include:

- In San Francisco, the Board of Supervisors established a law that requires new office and hotel development projects in the downtown area to make space available for child care centers or pay a fee to help fund child care facilities.

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[3] In addition to the standards listed above, licensed facilities must also pass a fire inspection meeting standards set by the State Fire Marshal. Child Care Law Center. *A Child Care Advocacy Guide to Land Use Principles. 2003.*

- In Santa Cruz County, a similar law requires developers of most types of new developments (residential, commercial/retail, industrial/warehouse, and quasi-public uses) to pay a child care impact fee. Funds collected from the fee are made available to existing child care providers through loans, which are forgiven provided that expansion is carried out according to specified criteria.

The City and County of San Francisco and Santa Cruz County provide just a couple of the examples of jurisdictions where regulations require that new development provide or support the expansion of child care facilities. Similar laws exist in several California communities with some localities encouraging developers to include child care space and charging fees in lieu when it is not provided, while other communities prefer to collect fees, pooling and leveraging funds to support the development of additional child care space at off-site locations. Under such programs, fees are collected on a per unit, per square foot or percent of cost basis with fees levels determined as part of a nexus study.

Ad Hoc Approaches

Some communities approach the issue of child care impacts from new development on an ad hoc basis through the Environmental Impact Report (EIR) process or through development agreements. Examples include:

- In the City of Half Moon Bay, the planning department used the EIR process to require the inclusion of a child care center as part of an affordable housing development. Today the 160-unit farm worker housing development includes a child care center with 40 preschool and six infant spaces.
- In Berkeley, the City negotiated a development agreement with a major employer in 1992 that allowed the company to expand its facilities and required it to pay an annual subsidy on an ongoing basis toward affordable child care for low income families.

Use of Surplus Public Land for Child Care

One tool available to many local governments is the use of surplus government-owned sites for child care centers. School and transit sites offer opportunities for this strategy, in addition to municipally held lands. Examples include:

- The City of Redwood City negotiated a lease with a developer who agreed to build a child care center to serve an existing neighborhood and employment center. The 1.8 acre site was leased at very favorable terms: $1,000 per year for 31 years and market rate thereafter until the lease expires.
- In Watsonville, the Redevelopment Agency, the Santa Cruz Metropolitan Transit District, and a non-profit housing developer are cooperating on a mixed-use development that will include 40 apartments and a 2,500 square-foot child care center adjacent to the downtown bus terminal. The Transit District owns the land, which it is leasing for $1 a year for 50 years.

- Other jurisdictions have been actively exploring the idea of developing child care centers on city-owned sites including San Diego, Salinas, and Lompoc.

Government as Model Employer

Local government in many communities plays an important role in addressing the need for child care through its role as an employer. In numerous communities throughout California including the Cities of West Sacramento, San Luis Obispo, San Rafael, Gilroy, and Yolo County, the local government has established a Dependent Care Flexible Spending Account (FSA) program for child care expenses.[4] FSAs are set up at the discretion of employers and allow employees to use pre-tax dollars to pay for child care, providing a simple, inexpensive, and important means of assisting employees to pay for child care costs.

As one of the largest employers in many communities, local governments are well-suited to make investments in child care for their employees. One example of a local government making this investment comes from San Diego where the city has an expressed commitment to acting as a model employer. In 2002, the City opened a 150-space child care center in downtown near the City Administration Building. This facility serves City employees as well as other downtown residents.

Local Government Partnerships

Local governments also have a vital role to play in establishing partnerships between various governmental agencies, non-profit organizations, philanthropic foundations, and business groups. There are several exciting initiatives underway in California where local governments are spearheading efforts to pool scarce resources, share and disseminate knowledge, and lobby and advocate on behalf of improving the quality and increasing the number of child care spaces and facilities. For example:

- To address a shortage of child care options, the City of San Diego established the Child Care Services (CCS) office, which works with both the public and private sectors to create collaborations to expand child care opportunities. CCS provides technical support including planning, architectural, zoning, inspection, and licensing assistance to developers from the design stage through the permitting process. More than 60 child care centers have been built in the City of San Diego within the last 10 years with assistance from CCS.
- The City of San Jose has undertaken an impressive effort to increase child care opportunities. In 2002, the City established a four-year strategic plan to increase the number of slots in licensed child care and to improve the education of people working with young children in an effort to get more kids ready for school. The plan commits the

[4] Dependent Care FSAs allow the use of pre-tax salary dollars to pay for child as well as elder care and other adult dependent care expenses.

City to $15 million in spending over four years to create 2,000 new licensed child care slots and to train 1,000 workers. Other goals of the strategic plan include: working with other local, state and national partners to bring universal preschool to San Jose, meaning preschool for all 3- and 4-year-olds regardless of the parents' ability to pay. The City's strategic plan folds in the City's existing Smart Start program, created in 1999. This program supports the capital funding for Smart Start facilities with ongoing operations of centers handled by the city's Smart Start partners, including schools, Head Start, and other early education operators. San Jose has 13 new Smart Start centers and 60 family-care homes providing early childhood education for to nearly 1,000 children ages three to five. With the support of the San Jose Unified School District and the Packard Foundation, the City plans to open 20 Smart Start centers and 124 family child care homes that can serve more than 1,200 young children by 2005.

Linking Development and Child Care: Tools for Commercial Developers

Commercial developers throughout California and the U.S. have incorporated child care into office buildings, retail centers, and hotels to meet a range of objectives including attracting employer tenants and creating unique commercial amenities.

Early Lessons

Child care in commercial centers throughout the U.S. has evolved most often from direct employer sponsorship rather than developer efforts. For example, the largest operator of private child care centers operates 500 employment-based centers nationally, but only 20 of these facilities were sponsored by the initial master developer of the commercial space.

Commercial developers may have overlooked this opportunity to create a market advantage in their projects. Some commercial developers have learned that:

- Child care can be a priority to prospective tenants, depending on the age range and household make-up of the employees
- Developers can partner with local governments during the approval and development phases of a commercial project, often tapping public subsidies or land write-downs made available because the government views child care as an economic development incentive (e.g., attracts major employers)
- Developers can partner with tenants and/or operators during development to share facility costs
- Developers who initially integrate child care into their commercial spaces face fewer barriers in attracting employees of tenants to use the center (as compared to retrofitted centers which must overcome parent loyalty to existing child care arrangements)

Tools

In more recent years, developers of commercial space have used a number of tools to create child care, as profiled below.

Land Donation

- In South San Francisco, at the Gateway Business Center, Boston Properties donated 0.7 acres for a child care center. The Redevelopment Agency and the County Coordinating Council then funded the $2.7 million for construction of a 100-space center.
- In nearby Burlingame, CA, Glenbourgh Partners donated both land and construction funds for development of a child care center.

Development of On-Site Child Care

- The developer of the Redwood Business Park located in Petaluma, CA, Basin Street Properties, included a child care facility in its large corporate center built for technology companies such as Cisco, AT&T, and Nokia. The center offers a 7,400 sq ft facility with 60 square feet of space per child.

- At netp@ark, an interesting development in Tampa Bay, FL, the developers reused a former shopping mall as a call center. The developers, John-Hancock Mutual Life Insurance Company and Divaris Property Management Corporation (DPM) reused a 17,000 square foot former Ward's Tire Center as a child care center to assist employees in the call centers with their child care needs stemming from long shifts and evening work periods. The child care center, designed to serve 300 children, was constructed by the developer (including outdoor and indoor playgrounds) and leased to an operator with flexible terms to accommodate the risks of commercial space lease-up. The developers allowed the operator to accept children from the surrounding community, resulting in a 50 percent utilization rate even when netp@rk was only 20 percent leased.

Off-Site Facilities for Employees

Rather than develop their own child care facility, Oracle underwrites the operating budget of a nearby center in Redwood Business Park. In exchange for reservation of 50 percent of the center's 120 spaces for Oracle employees the company provides a monthly fee directly to the operator. This arrangement allows the developer of the center to attain market rate rents necessary to support the center, and achieve a return on investment the operator would otherwise not be able to support.

Genentech offers a comprehensive child care center off-site, exclusively for use by company employees.

Family Child Care Home (FCCH) Support

Developers or employers with smaller-scale office facilities may not have sufficient on-site demand to support a child care center, or find that employee needs are best served by family child care homes. For example:

- Patagonia in Ventura County augmented an on-site child care center with support to a referral and training network serving 9 local child care providers. This system allowed infant care to be cost effectively provided in FCCHs, while school age children were shuttled from their schools to an on-site center to reduce disruptions in employee's days.
- Stanford University integrates special training to staff at FCCHs to serve mildly ill children and underwrites providers' fees to offer back-up care.

Support for Sick, Back-Up or After-hour Care

Some companies have found that meeting special child care needs such as when children are ill, providers are ill or on vacation, or evening care can positively affect employee absenteeism and reduce costs. Developer investment in infrastructure for such services can provide a direct benefit to prospective tenants they may not be able to provide themselves. Examples include:

- Wheezles and Sneezles, a stand-alone sick care facility used by many area employees in Albany, CA,
- Bank of America is a "subscribing business" at the Downtown Children's Center (DCC) in St. Louis, providing back-up and emergency care for its employees. Bank of America

employees can drop children off when schools are closed, paying $10 to $30 per day on a sliding fee scale.

- Stanford University offers emergency back-up care to its 9,000 employees. The program offers subsidies and referrals to selected centers and family care homes that provide back-up care. The subsidy includes a reimbursement of up to 80 percent of the cost of back-up care (up to $10 per hour) with a maximum of 16 reimbursable hours per faculty/staff per year.
- PalCare offers clients, many of whom work at the nearby San Francisco International Airport, the ability to schedule hours of care to match their work schedules. Parents sign up for child care each month. Client fees cover 75 percent of the center's operation, with corporate support from local employers subsidizing the center's operating gap.
- In Fremont, CA, a regional non-profit child care operator, Kidango, offers the employees of the nearby NUMMI car manufacturing plant extended day care off-site. Elsewhere, Ford Motors has developed on-site childcare including sleeping bunks for children of night-shift employees.

Drop-in Centers To Supplement Full-Time Programs

Combining employee child care with drop in care can create more stable economics for the provider in situations serving retail malls or resorts. Examples include:

- Gaylord Entertainment initially developed a child care center to serve 250 children of employees in its Opryland hotel in Nashville, TN but expanded the center to serve hotel guests. Today drop-in services for resort guests are provided for children under three at La Petite Academy, and a separate 2,500 square foot Kids Station offers drop-in care for kids ages 3 to 12. This service is listed as the #3 reason for staying at the resort by guests, and employee needs are met by a flexible 5 am to 11 pm schedule.
- Multiple developers of shopping malls nationally have included drop-in care for shoppers in their projects including both Tierra Santa Mall and University Town Center in San Diego and Palm Desert Town Center in Palm Desert, CA to enhance shoppers spending.
- Cadillac Fairview Corp. scaled back a 7,000 square foot child care center 4,000 square feet and restructured to offer drop in rates to respond to strong but periodic child care demand.

Integrating Child Care with Elder Care

Some companies have found that their employees face the daunting tasks of caring for both aging parents and young children simultaneously. To meet both of these needs, an intergenerational care model has evolved; for example, ONEgeneration operates a care facility in Van Nuys, CA where seniors help with pre-school care, supported by staff attending to both senior and child care needs. This model is also under development in Kern County, CA and in the planning stages for a Santa Barbara community center.