

OFFICE OF THE CITY CLERK
2006 DEC 21 PM 2:25

CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City/Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: December 5, 2006

RE: Report And Possible Action On The Provision Of Affordable Housing As Part Of The Proposed Development By Suncal Oak Knoll In The Oak Knoll Redevelopment Area, And Direction On The Reallocation Of Surplus Central City East Affordable Housing Units To Meet All Or A Portion Of The Affordable Housing Area Production Requirements For Oak Knoll.

SUMMARY

Pursuant to the existing Oak Knoll Redevelopment Plan and the proposed amendments to this Plan, the Agency Board may require a developer in Oak Knoll to meet the 15% affordable housing production requirements of the California Community Redevelopment Law (CRL). Without any action requiring a developer to meet affordable housing requirements or a portion thereof, the Agency retains the responsibility to meet the affordable housing production requirements of the CRL for each project area.

The proposed merger amendments to the Oak Knoll and Central City East (CCE) redevelopment plans now pending before Council authorize the Agency to provide for the affordable housing production requirements at Oak Knoll to be met by reallocating surplus affordable housing units developed within the CCE project area to Oak Knoll. Compensation to the CCE project area must be made using either non-affordable-housing redevelopment funds from Oak Knoll, developer contributions, or a combination thereof.

The applicant for development at Oak Knoll, SunCal, is seeking direction from the Agency regarding the provision of affordable housing as part of its proposed development. Direction from the Agency will allow the developer to design the project early in the process to accommodate any affordable housing the Agency will require. Staff is recommending that the Agency adopt a non-binding motion in support of the CCE Project Area Committee's recommendation that no affordable housing be required as part of the SunCal project at Oak Knoll, and that CCE surplus affordable housing tax units be used to satisfy all of the affordable housing production requirements resulting from the SunCal project at Oak Knoll.

FISCAL IMPACT

Under the proposed motion, no Agency funds would be expended or committed for future expenditure. The motion is non-binding. At a future date, when the proposed SunCal development and associated development approvals are brought forward to the Council, an

amendment to the Oak Knoll five-year implementation plan will also be brought to the Agency Board to provide for funding the CCE affordable housing reallocation out of Oak Knoll tax increment revenue based on Council direction, along with a formal Agency resolution approving the reallocation. Modifications to other Oak Knoll expenditures will be proposed to accommodate the funding of affordable housing credits. It is unknown at this time the exact number of affordable housing units needed to satisfy CRL requirements, since the SunCal project is still under initial review. Additionally, the cost of the reallocated "credits" to Oak Knoll is not known at this time because the purchase of credits is based on a formula which considers affordable housing NOFA funding levels at the time of purchase. It is estimated, depending on direction from the Agency regarding the amount of credits to be used, that the cost of the credits could be as much as \$25,000,000 if the Agency approves using credits to reallocate 100% of the affordable housing requirements at Oak Knoll from CCE. The tax increment capacity of Oak Knoll is estimated at \$37,000,000 over the next five years, based on anticipated build-out of the SunCal project, and can accommodate any percentage of affordable housing the Agency allows to be covered by CCE housing credits.

BACKGROUND

The CRL affordable housing production requirements mandate that a redevelopment agency ensure that at least 15% of all residential units developed in a redevelopment project area over each 10-year period be affordable to low and moderate income households. At least 6% of units must be affordable to very low income households. Rental units must remain affordable for at least 55 years, while ownership units must be affordable for at least 45 years. The CRL allows an agency to meet this requirement by requiring developers in the redevelopment area to include affordable units as part of their developments.

SunCal and staff are seeking direction on the amount of affordable housing to be provided at the proposed SunCal development at Oak Knoll. The SunCal project is proposed to include 800 to 960 residences plus about 82,000 square feet of commercial space, 50 acres of usable open space, and community recreation facilities. This would create an affordable housing production requirement for Oak Knoll of between 120 and 144 low and moderate income housing units, with between 48 and 58 units being very low income affordable. Direction for the developer will allow any affordable housing the Agency requires be built on site to be designed into the project during the initial project review phases. Previous large projects such as Wood Street and Oak to Ninth had affordable housing direction addressed well into the project review process. Early direction will provide more flexibility for planning unit types, location, and negotiating any developer contribution.

There is currently pending before the City Council a proposed merger of the Central City East and Oak Knoll project areas, including a merger of the areas' affordable housing production requirements. The merger amendments provide for, but do not require, the possible reallocation of surplus affordable housing units developed in the CCE redevelopment area to satisfy affordable housing production requirements at Oak Knoll through the "purchase" of housing "credits" by Oak Knoll from CCE. There have been 171 surplus low and moderate income housing units developed within the CCE redevelopment area since the CCE redevelopment plan was adopted in

2003, calculations for which are shown in Attachment 1. One hundred of these surplus units are very low income affordable. The locations of affordable and market rate housing constructed or substantially rehabilitated are shown in Attachment 2.

On August 28, 2006, the CCE Project Area Committee (PAC) voted to recommend a limited merger of the CCE and Oak Knoll redevelopment plan areas which includes merger of the affordable housing production requirements for both areas and adoption of a five-year implementation plan for Oak Knoll which provided funding for the "purchase" of surplus housing "credits" from CCE by Oak Knoll tax increment funds to satisfy about 50% of the Oak Knoll affordable housing requirements. This action mirrored the vote of the Oak Knoll neighbors at a community meeting that accepted the option of 50% of the required affordable housing units being built on-site at Oak Knoll and 50% being satisfied using CCE surplus housing credits.

At Council's October 31st, 2006, meeting, Council continued the proposed merger amendments and adoption of the Oak Knoll implementation plan to provide time for more discussion of affordable housing requirements at Oak Knoll.

On November 6, 2006, the CCE PAC again considered the question of the amount of CCE surplus affordable housing which it would be willing to have utilized to satisfy Oak Knoll affordable housing requirements. The PAC adopted the following two motions:

1. That the PAC recommends the Council not modify the wording in the proposed redevelopment plan amendment allowing for the sale of the surplus affordable housing credits for up to 100% of Oak Knoll requirements.

Vote: 15 Ayes, 0 Nays, and 0 Abstentions. The vote was unanimous and the motion passed.

After a request for an actual recommended number, another motion was presented:

2. That the PAC recommends the amount of surplus affordable housing credits accommodate exactly 100% of the Oak Knoll requirements.

Vote: 11 Ayes, 3 Nays, and 1 Abstention. The motion passed.

KEY ISSUES AND IMPACTS

1. Amount Of Affordable Housing To Be Included At Oak Knoll

As indicated, the Oak Knoll neighborhood and the CCE PAC originally voted to recommend a combination of 50% affordable housing being developed on-site at Oak Knoll and 50% of the requirement being satisfied using CCE surplus affordable housing credits. Subsequently, the CCE PAC reconsidered the question of how many surplus housing credits should be used to satisfy the Oak Knoll requirements. The PAC considered the Council policy of awarding additional points in the City/Agency's affordable housing Notice of Funding Availability (NOFA) process to projects above Interstate 580, the limited opportunities to provide affordable housing above Interstate 580, and East Bay Housing Organization's position that

50% of the affordable housing requirement should be built at Oak Knoll. The PAC also considered the amount of affordable housing that has been built within the Council District where Oak Knoll is located (see Attachment #3). The CCE PAC determined that it would better suit the needs of the CCE redevelopment project area to use as many surplus affordable housing credits as necessary to accommodate 100% of the Oak Knoll requirement. This recommendation was based on the fact that this option would generate the maximum revenue to the CCE project area and that a surplus of 30-50 affordable housing units would still exist in the CCE project area (not counting new units which may be funded in the current NOFA cycle) even after 100% of the Oak Knoll requirement were met with existing surplus affordable housing credits.

2. Affordability Level of Affordable Housing at Oak Knoll

Neither the Oak Knoll neighbors nor the CCE PAC indicated what level of household income should be targeted if affordable housing were built at Oak Knoll. The CRL requires at least 40% of all affordable units to be affordable to households with very low incomes, with the remainder in the low to moderate income range. The Oak Knoll neighbors indicated a general preference for ownership housing or senior housing but made no specific recommendation on affordability level or tenure. If the Agency determines that some affordable housing should be constructed as part of the SunCal project at Oak Knoll, then it would be beneficial to indicate a desired target household income range to provide direction to staff in negotiating with the developer and determining the financial feasibility and subsidy options of including affordable housing within the development. Due to the lack of certain amenities at Oak Knoll, affordable housing would need to be subsidized using some combination of 4% low income housing tax credits, developer contribution, and tax increment financing,

SUSTAINABLE OPPORTUNITIES

Economic: The proposed non-binding motion has no sustainable economic opportunities. However, if implemented at the time of project approval, it would reduce or eliminate the need for use of the Oak Knoll affordable housing tax increment to subsidize affordable housing at Oak Knoll. The amount of reduction of the potential affordable housing subsidy is proportionate to the amount of CCE surplus affordable housing credits that would be used to satisfy the Oak Knoll affordable housing requirements. The reduction in needed subsidy could range from about \$11 million to \$22 million if the Agency were to be solely responsible for funding the purchase of affordable housing credits. As a result, the reduction in the need to use the 25% affordable housing set aside will mean more funds will be available citywide for the affordable housing NOFA.

Environmental: The proposed action has no environmental opportunities.

Social Equity: Provision of affordable housing above Interstate 580 is a social equity issue promoted by the City Council.

DISABILITY AND SENIOR CITIZEN ACCESS

The proposed development would be designed to comply with all applicable accessibility laws and regulations.

RECOMMENDATION AND RATIONALE

It is recommended that the Agency Board adopt a non-binding motion in support of the CCE PAC's recommendation that no affordable housing be required at SunCal's Oak Knoll project, and that CCE surplus affordable housing tax units be used to satisfy all of the affordable housing production requirements resulting from the SunCal project at Oak Knoll.

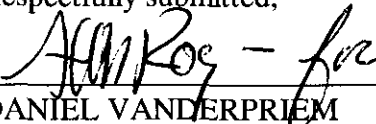
ALTERNATIVE RECOMMENDATION

The Agency Board may continue with its current policy to encourage affordable housing above Interstate 580 and pass a motion that 50% of the affordable housing requirement be met on-site at the SunCal project at Oak Knoll, and that staff negotiate inclusion of affordable housing in the low to moderate household income range.

ACTION REQUESTED OF COUNCIL/ REDEVELOPMENT AGENCY

Provide direction to staff on the preferred affordable housing requirement to be met by the SunCal project at Oak Knoll for the Oak Knoll Redevelopment Area and direction on the reallocation of surplus Central City East affordable housing units to meet all or a portion of the affordable housing area production requirements for Oak Knoll.

Respectfully submitted,



DANIEL VANDERPRIEM

Director of CEDA Redevelopment, Economic
Development, Housing & Community Development

APPROVED AND FORWARDED TO
THE COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



OFFICE OF THE CITY ADMINISTRATOR
/ AGENCY ADMINISTRATOR

Attachments

- #1 - Calculation of CCE Affordable Housing Surplus
- #2 - Locations of New and Rehabilitated Units
- #3 - 10-Year Affordable Housing Production by Council District

ATTACHMENT #1

**CENTRAL CITY EAST HOUSING PRODUCTION
REQUIREMENTS TO DATE
From Adoption to 2006**

| | A | B |
|--|--|--|
| Total Built | <i>Very Low to Mod. Income Total Requirement</i> | <i>Portion of "A" Required to be Very Low Income</i> |
| <u>New Construction & Substantially Rehabilitated Units</u> | | |
| New Units Built | 230 | |
| Units Substantially Rehabilitated | 55 | |
| Total Units Built or Substantially Rehabilitated | 285 | |
| <u>Inclusionary Requirements</u> | | |
| Percent Requirements | 15% of 285 | (40% of 43 units) |
| Inclusionary Units Requirement | 43 | 17 |
| <u>Covenanted Units Built or Substantially Rehabilitated</u> | | |
| New Units Built | 160 | 63 |
| Units Substantially Rehabilitated | 54 | 54 |
| Total Covenanted Units Built or Substantially Rehabilitated | 214 | 117 |
| Total Surplus of Covenanted Affordable Units | 171 | 100 |

ATTACHMENT #2

LOCATION OF NEW AND REHABILITATED UNITS

| Completion Date | Project Name | Affordable/ Mkt. Rate/Mix (list one) (for general background - not required) | Number of New Units Built | | | | |
|--|--|--|---------------------------|----------------------|-----------|-----------|---------------|
| | | | Total All Units | Units With Covenants | | | Above Mod. |
| | | | | Very Low | Lo w | Mod . | |
| NEW CONSTRUCTION FROM ADOPTION TO 2006 | | | | | | | |
| 2003 - 2005 | Scattered site infill | Market Rate | 29 | | | | 29 |
| 2003 - 2005 | 9451 MacArthur | Market Rate | 19 | | | | 19 |
| 2003 - 2005 | 9884 MacArthur | Market Rate | 6 | | | | 6 |
| 2003 - 2005 | 1539 28th Ave | Market Rate | 4 | | | | 4 |
| 2003 - 2005 | 2951 68th Ave | Market Rate | 4 | | | | 4 |
| 2003 - 2005 | 2524 108th Ave | Market Rate | 3 | | | | 3 |
| 2003 - 2005 | 8770 MacArthur Blvd | Market Rate | 3 | | | | 3 |
| 2003 | Foothill Commons 6900 Foothill Eastmont Court 6850 Foothill | Affordable | 65 | 45 | 19 | | 1 |
| 2004 | Blvd | Affordable | 19 | 18 | | | 1 |
| 2005 | Palm Villa | Affordable | 78 | | | 78 | |
| Total | | | 230 | 63 | 19 | 78 | 70 |
| REHABILITATED UNITS FROM ADOPTION TO 2006 | | | | | | | |
| 2003 | Casa Velasco 3430 Foothill Blvd | Affordable | 20 | 20 | | | |
| 2004 | Oak Park Apts 2618 E. 16th St. | Affordable | 35 | 34 | | | 1 |
| Total | | | 55 | 54 | | | 1 |
| GRAND TOTAL ALL UNITS | | | 285 | | | | |
| GRAND TOTAL AFFORDABLE UNITS | | | 214 | | | | |

ATTACHMENT #3

**Summary of Affordable Housing Units Completed by City Council District
1996-2006**

| District | Homeownership | Rental | | Supportive | SRO | Total |
|--------------|---------------|--------------|------------|------------|------------|--------------|
| | | Family | Senior | | | |
| 1 | 29 | 3 | 60 | | | 92 |
| 2 | | 20 | 77 | | | 97 |
| 3 | 118 | 856 | 247 | 31 | 151 | 1,403 |
| 4 | | | 106 | 18 | | 124 |
| 5 | 57 | 44 | 86 | | | 187 |
| 6 | | 121 | 60 | 18 | | 199 |
| 7 | 167 | 124 | 49 | 23 | | 363 |
| Total | 371 | 1,168 | 685 | 90 | 151 | 2,465 |