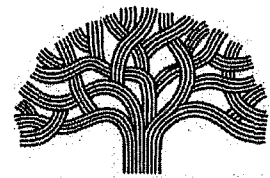


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CITY OF OAKLAND

CITY HALL ■ 1 FRANK H. OGAWA PLAZA, 2nd Floor ■ OAKLAND, CALIFORNIA 94612

Dan Kalb
COUNCILMEMBER ~ DISTRICT 1

(510) 238 - 7001

Jean Quan
OAKLAND MAYOR

(510) 238 - 4991

AGENDA REPORT

SUBJECT: Informational Report on the Progress of the Soft Story Seismic Retrofit Program
DATE: 11/25/2014

RECOMMENDATION

Recommendation for the City Council to accept this informational report on the progress of the Soft Story Seismic Retrofit Program.

EXECUTIVE SUMMARY

By early 2015, the City of Oakland seeks to complete the design of a seismic retrofit program that reduces displacement and safety risks posed by wood-framed “soft story” apartment buildings. This is an information report to describe the steps being taken to design the program, and decisions that remain to be made.

Adopting a seismic retrofit program is urgent because Oakland has twenty-two thousand (22,000) rental units in “soft story” apartment buildings. Soft story buildings are the primary type of buildings that collapsed in the Loma Prieta and Northridge earthquakes. In Oakland alone, 1,300 housing units in multi-family buildings were lost or severely damaged in Loma Prieta. These buildings were a significant affordable housing resource for elderly and minority residents.

Oakland is split by the Hayward Fault. The United States Geological Survey estimates that of all Bay Area faults, the Hayward fault has the highest likelihood of a major earthquake in the next 30 years. All of Oakland will experience strong shaking as a result of this earthquake, and older vulnerable building types, many of them soft story buildings, will experience disproportionate damage. Without proactive measures to reduce risk, following a major earthquake, Oakland’s character could change forever, with a potentially significant loss of life and housing crisis hampering community recovery.

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OUTCOME

The City Council will accept this informational report as additional information to further understand seismic soft story retrofits in preparation of the more detailed discussion in early-mid 2015 where the further developed program will be presented to Council for adoption.

The Soft Story Retrofit Program adoption in early-mid 2015 will be important because the City of Oakland seeks to preserve the character of its diverse communities by designing a soft story retrofit program that (1) makes housing safer and saves lives, (2) facilitates emergency response and housing recovery, (3) keeps Oakland residents in Oakland, and (4) softens the economic blow of a major disaster. The Soft Story Retrofit Program, after ordinance adoption in early-mid 2015, will begin as a pilot that lasts approximately two years, transitioning into an ongoing effort.

Property owners and tenants will play a significant role in the implementation.

BACKGROUND/LEGISLATIVE HISTORY

The City of Oakland and the Association of Bay Area Governments (ABAG) partnered to assess the scope of the housing challenge posed by soft story apartment buildings in Oakland. Throughout this process, ABAG supported the City of Oakland by contributing expertise in methods for strengthening vulnerable housing and designing retrofit programs based on best practice. In 2008, Oakland and ABAG surveyed 1,400 multi-family buildings with five or more units, identifying approximately 1,100 soft story apartment buildings with about 19,000 rental units.

ABAG estimates that although only 11 percent of the occupied housing units in Oakland are in soft story buildings, damages to these buildings could cause 67 percent of the expected housing losses. The potential housing loss could displace more residents than can currently be provided emergency shelter in the City's current inventory of 5,000 beds.

Oakland has already taken the initial steps toward a retrofit program. In 2009, City Council adopted an ordinance to require wood-frame multi-family building owners to complete a short structural assessment to verify the city's inventory of potential soft story buildings. Through this process, 1,379 building owners were contacted. As of this year, 90 percent of building owners have responded. The City sent four notices to the remaining building owners requesting compliance with the ordinance. The data collected to date has been instrumental in characterizing the city's potential housing risk. It confirms the need to take next steps toward a retrofit program.

ANALYSIS

Retrofitting soft story apartment buildings will likely save lives, minimize injuries and help keep people in their homes after a major disaster. Renters can avoid personal losses, costs associated

with relocating, and inflated rental prices. In particular, retrofitting soft story apartment buildings will protect the most vulnerable, the same people most at risk of being displaced after a disaster. Building owners can avoid the cost of demolishing and rebuilding, which is significantly higher than retrofitting costs, and avoid revenue loss while rebuilding occurs. The public sector can avoid or minimize the cost of emergency services for disaster housing, and the loss of tax revenue from rental property owners. Additionally, retrofitting soft story apartment buildings aligns with Oakland's sustainability goals by reducing the City's post-earthquake carbon footprint and material waste.

Pass Through and Cost Sharing

The Rent Adjustment Board is currently discussing how retrofit costs will be split between the tenants and landlords and will make a recommendation to the City Council in early 2015. Presently, renters and owners share the cost of capital improvements, with 70 percent of the cost being transferred to tenants amortized over five or more years. The Rent Adjustment Board is considering adjusting the terms for seismic improvements, including a significantly longer amortization period and allowing a pass through percentage that is different than 70 percent. Greater than 70 percent pass through to tenants could potentially cause significant rent increases and displacement of the current Oakland residents.

Hardship Exemptions

While one of the end goals of the retrofit program is to ensure residents can stay in their apartments after major disasters, it is paramount that the retrofit program not inadvertently displace people living here today. Consequently, the program can be designed to ensure that if the pass through of retrofit costs to renters potentially causes financial hardship, triggers would be in place to create some type of hardship exemption. The precise nature of this hardship exemption will be determined as the cost share for the retrofits is clarified, and more data is gathered on the demographics of the tenants in soft story apartment buildings. The question still remains if the hardship exemptions could be applied to both tenants and landlords.

Building Standards

The Department of Planning and Building is currently finalizing the building standards for retrofits. The pilot program will use engineering standards designed to address the weakest link in these buildings: the so-called "soft story." This can mostly be done with a seismic retrofit of the first story only, minimizing the cost to owners and disruption to tenants. Similar programs in San Francisco and Berkeley show that local engineers and contractors are familiar with such safety requirements. A retrofit based on consensus-based standards should prevent collapse and reduce damage that would require a building to be vacated for repairs. For improved seismic safety, the City will provide incentives for owners to do more substantial retrofits.

Development of the Pilot Program

During the pilot phase, the City will (1) test the efficacy of financial and non-financial incentives, (2) put in place the staffing and programming necessary to support a successful program, and (3) apply lessons learned to the ongoing program. Building owners will be

encouraged to volunteer to participate in the pilot. The details and duration of the Pilot Program will be determined during the next few months of the program and legislation development.

Developing Financial Incentives

To incentivize participation, the City of Oakland will provide financial and nonfinancial incentives to building owners. Financial incentives will primarily be directed at building owners housing low and moderate income residents. Through the pilot, the City of Oakland will ramp up the program and make sure it is working for owners and tenants.

Financial incentives will come from a number of sources. The Housing and Community Development Department, with approval from City Council, has set aside \$1 million in unallocated Community Development Block Grant (CDBG) funds for the Soft Story Retrofit Program. ABAG's BayREN, the regional renewable energy network, has a loan fund of \$1.5 million currently available to owners of multi-unit residential buildings in Alameda County for use to upgrade building energy systems. These two funds could be the initial source of seed monies to launch the pilot program. Staff is also exploring how to establish a loan pool using state-level Property Assessed Seismic Enhancements (PASE) bonding authority, as specified in AB 187 (Swanson, 2011). This approach is akin to the Property Assessed Clean Energy (PACE) program as a means of financing energy efficiency upgrades or renewable energy installations for buildings. Local governments have the authority to offer specific funding instruments to investors through the 2011 legislation.

Prioritization Criteria for Use of Public Funds

The City is also considering providing additional assistance to building owners who own properties near or adjacent other soft story apartment buildings which house low and moderate income residents, as the collapse of these buildings could have ripple effects on other housing and cause disproportionate resident displacement from certain areas of Oakland. Similarly, retrofitting the larger soft story buildings will be a priority as their collapse could potentially cause significant loss of life.

PUBLIC OUTREACH/INTEREST

Consultation with stakeholders is essential to the design of the pilot program. In May, 2014, Mayor Quan and Councilmember Kalb convened tenant and landlord representatives to establish a Seismic (Soft Story) Retrofit Community Outreach Task Force. The purpose of the Task Force is to assist the City of Oakland with input on:

- Scoping the priorities, incentives, and duration of the program.
- Conducting outreach to building owners and renter associations to report on issues and concerns in order to inform program design.
- Marketing the program, including a kick off during the 25th Anniversary of Loma Prieta.

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Over the course of four stakeholder meetings, areas of concerns and consensus were well documented. Consensus currently exists in following areas: (1) The funding priority for grants and city loans should be focused first on those properties at highest seismic risk and then on properties where tenants are the most financially vulnerable – low income, seniors and disabled residents. (2) Program standards should focus on existing seismic life-safety deficiencies and not on achieving equivalence with new buildings. (3) City inspections should be limited to the scope of the seismic ordinance and not trigger other (non-seismic) building code upgrades. (4) Should parking spaces be eliminated by the retrofit, the buildings already in compliance with the City's parking regulations should not be subject to newer regulations due to seismic retrofit.

On Oct. 30, 2014, Oakland took another important step in the process of making housing safer for the city's residents at a gathering in City Hall where tenants, landlords, and other community members discussed the design of a new retrofit program for multi-family apartment buildings and ways Oaklanders can get involved in shaping the initiative. Salient questions such as "Am I in danger?", "how much will the tenant have to pay?", and "what does an actual retrofit really look like?" were brought up while important resources were shared with the group. City staff from San Francisco and Berkeley also shared lessons learned in the implementation of their respective retrofit programs.

Over the next several months there will be multiple opportunities to provide input on the design of the apartment retrofit program. Based on community feedback at the October 30th meeting, engagement will include online opportunities as well as targeted outreach to residents in soft story apartment buildings and building owners.

As the pilot program launches, engagement with residents and building owners will intensify. The City of Oakland anticipates a broad range of outreach strategies to inform building owners and renters of the retrofit program and its benefits. The efforts will include holding community meetings in areas with high concentrations of soft story apartment buildings; sending mailers to tenants; sharing information through social media channels and webinars; and tailoring communications to the populations concerned.

COORDINATION

The City Administrator's Office, Department of Housing and Community Development, Department of Planning and Building, Fire Department, Office of Emergency Services, Office of the Treasurer, City Attorney's Office, and Office of the Mayor were consulted in the preparation of this report.

COST SUMMARY/IMPLICATIONS

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In the FY15-17 budget the Department of Housing and Community Development and Department of Planning and Building (Zoning), will seek additional funding to manage and implement the soft story retrofit program.

Preliminary estimates of program costs include: the equivalent of two staff members (Full Time Equivalents) for program administration funded through the reserved CDBG funds; \$100,000 in permit fees for the pilot program; and \$700,000 in staffing costs for additional engineering and inspection services.

SUSTAINABLE OPPORTUNITIES

Economic: With the adoption of a seismic retrofit program, local engineers and contractors will have additional business opportunities to perform the seismic upgrades.

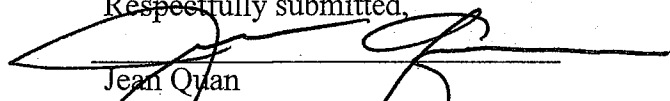
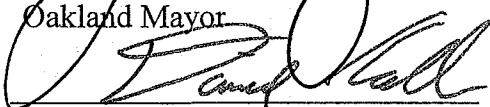
Environmental: Performing retrofits, and improving the physical integrity of buildings, has waste reduction benefits. In the event of a major earthquake, retrofitted buildings will be less likely to collapse, therefore reducing the amount of building rubble that will go to landfills.

Social Equity:

Experience from other disaster recovery processes shows that when people are displaced due to substantial damage to housing stock, building owners often use the opportunity to upgrade apartments into units that previous renters can no longer afford. Retrofitting apartment buildings will ensure that renters are more likely to survive a major disaster and be able to stay in their homes rather than face displacement.

For questions regarding this report, please contact Olga A. Bolotina, Community Outreach Director Office of District One City Councilmember Dan Kalb, 510-238-7240 or obolotina@oaklandnet.com

Respectfully submitted,

Jean Quan
Oakland Mayor

Dan Kalb
Councilmember, District 1