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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Director, EWD

SUBJECT: SUPPLEMENTAL - City Real Property
Disposition and Development Strategy
and Policy

DATE: June 13, 2018

City Administrator Approval

Date:

6/15/18

RECOMMENDATION

Receive A Report On The Public Lands Policy Process And Analysis To Inform Council Direction To Prepare Legislation To Implement A City Public Lands Policy And/Or Strategy.

REASON FOR SUPPLEMENTAL

The Oakland Citywide Anti-Displacement Network¹ ("Citywide Network" or "CWN") submitted an updated version of their proposal titled: A People's Proposal - A Visionary Approach to Using Public Land for Public Good in Oakland, dated June 11, 2018 (**Attachment A**). This new proposal ("CWN June Proposal") was provided after the initial staff report was submitted and there was not enough time to rewrite the initial report and update all the analysis in it, so this supplemental report was produced instead. However, the CWN June Proposal would effectively produce the same results, in terms of units produced and subsidy requirements, as the all affordable "book-end" scenario staff analyzed in the initial report.

The key housing provisions in the CWN June Proposal and how they compare to CWN's April Proposal and staff's proposed Public Lands Strategy (PLS) are summarized in **Table 1** below:

¹ The subcommittee of the Citywide Network includes the Building & Construction Trades Council of Alameda County, Communities for a Better Environment (CBE), East 12th Coalition, East Bay Alliance for a Sustainable Economy (EBASE), East Bay Housing Organizations (EBHO), East Oakland Black Cultural Zone, and Public Advocates

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Table 1: Comparison of Key Housing Provisions of CWN Proposals and Staff's PLS

	CWN April Proposal ("Fixed" and "Flexible")	CWN June Proposal ("All Affordable")	Staff's Public Lands Strategy
% Affordable Per Site:	100% affordable is a priority on all sites where zoning allows housing. Exception: 15% minimum affordability allowed per project if in lieu fees equivalent to 40% affordability per project are paid to AHTF	100% affordable is required on all sites where zoning allows housing. Exception: if project is over 300 units, 25% minimum affordability allowed	100% affordable on majority of sites where zoning allows housing
Affordability Level Requirement:	(1) at least 5% of total units must be affordable at or below 30% AMI (to extremely-low); (2) at least 10% of total units must be affordable at or below 60% AMI (to very-low and low); and (3) no more than 10% of affordable units may be between 81 and 120% of AMI (moderate).	(1) all units for extremely-low (30% AMI), very-low (50% AMI), low- (80% AMI), and moderate-income (120% AMI) households; and (2) no more than 10% of affordable units may be for moderate-income households.	On average at or below 80% of AMI (low-income)
In-Lieu Fee Payment Option:	Yes for housing projects that only meet the minimum 15% affordability	No	No
Minimum % Affordable Portfolio-Wide:	40%	(1) 20% to Extremely low-income households; and (2) 20% to Supportive Housing. (These two may overlap)	20% at an average of 80% of AMI (low-income)
Net Land Sale Proceeds Set-Aside for AHTF:	50%	50%	40% , except 80% if market rate residential

Staff's PLS proposal and the CWN June Proposal are in general agreement on a number of other housing and other policies (as reflected in staff's draft Resolution proposed for City Council consideration), including:

- requiring a community visioning process prior to issuing an RFP on a development site;
- requiring an open and competitive RFP process for disposing of development sites;
- giving priority to affordable units serving households at the lowest income levels and serving special needs populations such as homeless people or people with disabilities;
- giving priority to family-sized housing units;
- prohibiting developers from asserting or selling condominium conversion rights;
- giving preference to displaced tenants, and neighborhood and Oakland residents/workers, for affordable housing units;
- requiring fair chance policies (ban the box) in tenant selection for affordable housing units;
- requiring compliance with fair chance laws for employees on projects developed on City land;
- giving preference for leases over sales, per current City policy;
- allowing for discounted conveyances of land to affordable housing developers;
- giving priority for projects that provide access to fresh food, health services and affordable childcare;

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- prohibiting discrimination/harassment of tenants or employees based on immigration status; and
- requiring projects on City land to comply with green building standards.

The CWN June proposal in effect limits the City's 20 identified development sites to 100% affordable projects whenever zoning allows housing. There is an exception for projects with over 300 units to allow 25% minimum affordability, but this size of project can only be reached on a couple of downtown sites zoned for high density and would require projects to be built as high-rise. However, because affordable units are so much cheaper to build in a low-rise that is all affordable projects (and leveraged with Federal and State funds) than as inclusionary units in high-rise projects, it would not make economic sense to build to the high densities allowed with a 25% inclusionary requirement.

A high-rise project becomes infeasible if 25% of the units are required to be affordable to extremely low-, very low-, and low-income households, even when the City contributes the land. This is explained in further detail in staff's initial report. Basically, the infeasibility is due to a much higher per unit cost to build high-rise compared to low-rise, as well as a much higher per unit local subsidy requirement to build high-rise compared to low-rise. For example, even with Low Income Housing Tax Credits (LIHTC), bond financing and other governmental programs, it costs roughly \$297,000 in City subsidies to build an inclusionary unit in a high-rise building versus \$125,000 in City subsidies to build in a 100% affordable low-rise building. But it is unlikely that those programs would make funding awards to a high-rise because of the high development cost per unit.

For comparison with the proposed PLS, staff modeled the possible affordable housing outcomes under the CWN June Proposal and the detailed results are shown in **Attachment B**. Since subsidizing high-cost high-rise units would not be a prudent expenditure of limited AHTF funding, staff projects that under the CWN June Proposal, all but two of the projects on the 20 identified development sites would become low-rise, 100% affordable projects. **Table 2** below shows the projected affordable housing and fiscal outcomes under staff's PLS and the CWN June Proposal.

Table 2: Affordable Housing Outcomes When Proposals are Applied to 20 Sites

	Staff's PLS Strategy	CWN June Proposal
# Sites Designated for 100% Affordable Housing	14	18
# Sites Designated for Market-Rate Residential	1	0
# Sites Designated for Commercial	5	2
Total Sale Proceeds Generated	\$51M	\$11M
Net Proceeds to GPF/Redevelopment Funds	\$26M	\$8M
Fiscal Benefits NPV	\$96M	\$7M
Gross AHTF Funds Generated (incl. fees)	\$44M	\$4M
Total Units Produced	1,238	1,080
Market Rate Units	492	0
Affordable Units	746	1,080
% Affordable	60%	100%
Commercial/Office Sqft	1,420,341	294,428
(Additional City Subsidy Needed)	(\$32M)	(\$115M)
<i>Estimated Years to Fund</i>	<i>3-4 years</i>	<i>10-14 years</i>

Effectively, the main difference between the two proposals is that the CWN June Proposal would produce 334 more affordable units but require \$83 million more in additional City subsidies and 10 more years to fund. Again, the impact of the CWN June Proposal mirrors that of the all affordable “book-end” scenario analyzed in the initial staff report. This high marginal cost to produce these affordable units is due to using high-value, high-density Downtown land for low-density affordable housing. In addition, compared to staff’s PLS, the CWN June Proposal comes at the cost of 492 market rate housing units that would not be developed to help reduce the region’s housing shortage; over 1 million square feet of commercial/office space that would not be developed to promote economic development; and \$18 million in one-time upfront funds as well as millions more (estimated at a 30-year net present value of \$89 million) in ongoing tax revenue streams that would not be generated for other City purposes.

Again, staff’s proposed PLS is able to optimize the number of affordable units at the lowest subsidy cost per unit by allowing 100% affordable housing projects to be subsidized through the high value received from six select market rate development sites. Staff’s proposed PLS balances the need to produce affordable housing quickly with other public benefit goals such as fiscal responsibility and sustainability, economic development, and providing for other community benefits. Staff recommends that the City Council receive this report, and direct the City Administrator to prepare and return to Council with the necessary legislation to implement a public lands strategy and policies consistent with staff recommendations. The adoption of such legislation will allow staff to begin a community engagement process for disposition and development of the 20 City real property sites identified in this report.

ACTION REQUESTED OF THE CITY COUNCIL

Receive A Report On The Public Lands Policy Process And Analysis To Inform Council
Direction To Prepare Legislation To Implement A City Public Lands Policy And/Or Strategy.

For questions regarding this report, please contact Mark Sawicki, Director of Economic &
Workforce Development, at 510.238.2992.

Respectfully submitted,



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Attachments (2):

- A. CWN June Proposal
- B. Summary Table of Affordable Housing Outcomes Under CWN June Proposal