DRAFT

Assumptions for Public Lands Modeling

Outline

The assumptions used for the public lands modeling are discussed below. Under each of these major categories, assumptions are divided into those that apply to all of the scenarios modeled, versus those that are specific to the individual scenarios modeled. The scenarios modeled are:

- City Staff Strategy
- Guillen/Kaplan Proposal
- CWN – June Proposal
- Surplus Lands Minimum

Assumptions for 20 Targeted Sites

The assumptions below apply to the 20 sites identified as currently available for disposition and development.

ALL SCENARIOS

Land Uses

- 66th and San Leandro is zoned for industrial uses and prohibits housing. While the share of land sale proceeds diverted to the AHTF varies across each scenario, all scenarios assume the same intensity commercial development, as well as the resulting impact fees and fiscal benefits.
- Old Fire Station #24 sits directly on the Hayward Fault, limiting most residential uses. As with 66th and San Leandro, all scenarios assume the same intensity commercial development.

Development Intensity

- Density is limited by the zoning regulations of each property. The maximum density assumed to develop on any site, regardless of whether the zoning allows for greater densities, is 450 square feet per unit or approximately 100 units per acre, which is the highest density than can be achieved under Type V-A wood frame construction. The only exceptions are for high-rise projects, where densities of 90 square feet per unit are assumed in the downtown area and densities of 300 square feet per unit are assumed in the Coliseum area.
- Density bonus regulations apply to all projects, with the limitation that the density cannot exceed 450 square feet per unit, or unless there are particular site constraints that further limit development intensity (e.g., Hill Elmhurst, Golf Links Road).
- Standard density calculations of allowable units are rounded down, while density bonus calculations are rounded up as per state law.
- Commercial development intensity, as measured by floor area ratio (FAR), is also controlled by zoning. FARs have been adjusted by City staff based on best available information and expertise.

- High-rise development is only feasible on 1911 Telegraph Avenue and 1800 San Pablo Avenue, and only for market-rate residential or commercial development. The only scenario for which high-rise development is modeled is the City Staff Strategy.

Costs

Construction

- Construction costs are based on consultant analysis from Century Urban and Willdan reports. The hard costs to develop a new residential unit are assumed to be $444,000 for high-rise, and $328,000 for low-rise. There is no variation in cost based on project location within Oakland.
- Costs for nonresidential construction are assumed to be the following:

Table 1: Cost of Nonresidential Construction

	Office (per sq.ft.)	Retail (per sq.ft.)	Industrial (per sq.ft.)
Downtown	$400	$350	N/A
Neighborhood	$270	$270	$180

- The total costs to the City of developing one affordable housing unit offsite in a 100% affordable project at an average of 50% AMI, net of outside funding sources, is estimated at $125,000, based on 10 projects in the City's most recent NOFA solicitation.

Project Labor and Local Hire

- A Project Labor Agreement (PLA) is assumed to increase construction costs by 5%. Per a Councilmember proposal, when PLA is applied, it is only assumed to apply to residential projects of at least 80 units and all nonresidential projects of at least $40 million in construction costs. PLA is not required for any properties unless specified in the scenario, as while projects receiving A1 funds must apply PLA, it is not anticipated that any projects of at least 80 units will receive A1 funds.
- Local hire programs (L/SLBE and LEP) are assumed to increase construction costs by 5%. Local hire programs are required for any projects where land sale is discounted, and those costs are factored into the $125,000 estimate for developing one affordable housing unit at an average of 50% AMI. However, local hire programs are not required for any additional properties unless specified in the scenario.
- The costs of providing PLA and Local Hire are subtracted from the land sale price for the scenarios in which they are applicable, as these added costs reduce what developers would be willing to pay for land.

Impact Fees

- The residential impact fee rates for future development projects, with the exception of some sites in process, are based on the fee schedule for FY 2020-2021, as it is not expected that any future development project not in process will be completed before then.
- Residential projects will be exempt from impact fees if they provide any of the following onsite:
    - 10% BMR units at 120% AMI
    - 10% BMR units at 60% AMI
    - 5% BMR units at 50% AMI

- The jobs housing fee rates for office or warehouse are assumed at $6 per square foot for any square footage over 25,000 square feet, with the exception of some sites in process. The current fee rate is $5.44 per square foot, though that is assumed to increase by the time the future development projects begin construction.

Land Sale Proceeds

Land Values and Sale Prices

- Land valuations for most properties were provided by CB Richard Ellis (CBRE) based on highest and best use. Land values were modeled as the midpoint of the CBRE ranges, with some adjustments made by City staff in cases where CBRE valuations were either not available or had not been updated to reflect a change in property-specific market conditions.
- Valuations account for the cost of impact fees that would apply to a sale at full market value. If a scenario changes the impact fees that will apply to a property, the City's land sale proceeds are adjusted.
- The cost of providing BMR units, the cost of any applicable in lieu fees (if proposed), and the costs of providing PLA and Local Hire (if proposed), are not accounted for in the CBRE valuations. The scenarios modeled subtract these costs from the land sale price, as these added costs reduce what developers would be willing to pay for land.

Restrictions by Source of Purchasing Funds

The share of land sale proceeds that can be dedicated to the AHTF is impacted by the funding source used to purchase the land:

- All sale proceeds from sites that were purchased with funds from the AHTF (e.g., Wood Street, the MLK Sites, and Golf Links Road) must be allocated back to the AHTF.
- All sale proceeds from sites purchased with General Purpose Funds (GPF), such as the Fire Alarm Building or the Clay Street Garage, are at the City's discretion as to what share of the sale proceeds are distributed to the AHTF.
- Sites that were purchased with redevelopment tax increment revenue are subject to compensation agreements with the other taxing entities (county, schools, etc.). In such cases, the City receives only 29 percent of the proceeds when the land is sold, with the remainder going to the other taxing entities. Of that 29 percent going to the City, one quarter is dedicated to the AHTF, and the rest is allocated to the General Fund. Of the sites that are owned by the City under the LRPMP, only one of the future development sites, Oak Knoll-Barcelona, is subject to an unrestricted compensation agreement. Two sites that are under agreement, 6775 Oakport and City Center Parcel T5/6, also are subject to unrestricted compensation agreements. Regarding sites purchased with bonds with covenants that restrict proceeds to redevelopment purposes, the City can use the entirety of the proceeds for an eligible purpose under redevelopment law (including affordable housing). It is the City's discretion as to what share of the sale proceeds are distributed to the AHTF.

Variability Across Scenarios

- The share of land sale proceeds allocated to the AHTF varies across the scenarios for sites purchased with funding sources that allow discretion (i.e., general purpose funds and restricted bond funds).

- The share of land sale proceeds allocated to the AHTF does not vary across the scenarios for sites purchased with AHTF funds (e.g., Wood Street), as well as sites subject to compensation agreements (e.g., Oak Knoll-Barcelona).

City Staff Strategy

Land Uses/BMR Levels

- The majority of properties not already under development agreements or negotiations are designated for 100% BMR housing at an average of 50% of AMI, while other properties are designated for commercial development, and others for market-rate residential development, while maintaining at least 20% BMR on a portfolio-wide basis.

Costs

BMR Units

- It is assumed that in all projects developed as 100% BMR housing at an average of 50% of AMI, the land will be donated by the City at no cost, with additional subsidy required. This additional city subsidy for onsite affordable units, estimated at $101,752, was derived by subtracting land acquisition costs, averaged from the costs of 10 projects in the most recent NOFA solicitation, from total development costs.

Impact Fees

- Impact fees apply to more sites under the City Staff proposal than the other scenarios, as market rate development and commercial development are proposed for sites that in every other scenario have at least 15% BMR.

Land Sale Proceeds

- 40% of the net land sale proceeds from sites purchased with funding sources that allow discretion (i.e., general purpose funds and restricted bond funds) will be allocated to the AHTF, unless the site is developed as market rate residential, in which case 80% of net land sale proceeds will be deposited in the AHTF.

Citywide Network Proposal

Land Uses/BMR Levels

Proposal Requirements

- The CWN proposal requires that 100% of all housing on each site must be restricted as affordable housing, except where the development will include more than 300 housing units, in which case 25% of the units must be affordable.
- At least 20% of the housing units on public land portfolio-wide must be affordable to extremely low-income households.

Modeling Assumptions

- All 20 sites are assumed to develop as residential, with the exception of 66th and San Leandro and Old Fire Station #24.

- All housing is assumed to develop as 100% affordable housing at an average of 50% AMI, or the tiers necessary to apply for LIHTC. Projects of over 300 housing units are possible only through high-rise development on 1800 San Pablo and 1911 Telegraph, but the requirements of 25% BMR, PLA, and local hire would render high-rise development infeasible on those sites. The LIHTC tiers allow for enough units affordable to extremely low-income households to satisfy the CWN's 20% portfolio-wide requirement.

Costs

BMR Units

- Similar to the City staff proposal, it is assumed that in all projects developed as 100% BMR housing at an average of 50% AMI, the land will be donated by the City at no cost, with an additional subsidy required of $101,752 per unit.

Project Labor and Local Hire

- PLA and local hire are modeled for all residential projects of at least 80 units and all nonresidential projects of at least $40 million in construction costs.

Impact Fees

- Jobs/Housing Impact fees will only apply to 66th and San Leandro. Old Fire Station #24 is assumed to develop as less than 25,000 square feet of commercial, which would exempt it from the Jobs/Housing Impact fee.

Land Sale Proceeds

- 50% of the land sale proceeds from sites purchased with funding sources that allow discretion (i.e., general purpose funds and restricted bond funds) will be allocated to the AHTF.

GUILLEN/KAPLAN PROPOSAL

Land Uses/BMR Levels

Proposal Requirements

- The Guillen/Kaplan proposal requires that 30 percent of residential units on-site shall be affordable to households at 80% AMI, or a minimum of 15 percent of residential units with an in-lieu fee.

Modeling Assumptions

- All 20 sites are assumed to develop as residential, with the exception of 66th and San Leandro and Old Fire Station #24.
- Each site is modeled as developing as either 15% BMR at 80% AMI, while paying the maximum amount of in lieu fees, or as 100% BMR at an average of 50% AMI, while maintaining at least 50% BMR on a portfolio-wide basis.
- The sites designated for 15% BMR onsite were chosen by City staff, based on discussion with the CWN regarding the CWN's earlier proposal that allowed as little as 15% BMR onsite. These conversations produced designations resulting in 70% BMR portfolio-wide, and these same designations were applied to the Guillen/Kaplan proposal. As 15% BMR inclusionary

projects are market-driven, sites were prohibited from being 15% BMR if they would result in the City providing a subsidy over and above the full value of the land.[1]
- High-rise development was not modeled on 1800 San Pablo or 1911 Telegraph, as the requirements of 15% BMR, PLA, and local hire would render high-rise development infeasible on those sites.

Costs

BMR Units
- The reduction in land value for onsite affordable units was derived through models developed by Street Level Advisors. The average annual rent of a BMR unit, assuming a project in which 15% of the units are affordable at 80% of AMI, was compared to the average annual market rate rent, and this difference in annual rental income was used, along with a target yield, to determine the reduction in residual land value per BMR unit. These calculations were performed separately for low-rise and high-rise units, though only the low-rise reduction/subsidy was applicable.
- Similar to the City staff proposal and the CWN June proposal, it is assumed that for all projects developed as 100% BMR housing at an average of 50% of AMI, the land will be donated by the City at no cost, with an additional subsidy required of $101,752 per unit.

Project Labor and Local Hire
- PLA and local hire are required for all residential projects of at least 80 units and all nonresidential projects of at least $40 million in construction costs.

Impact Fees
- Jobs/Housing Impact fees will only apply to 66th and San Leandro. Old Fire Station #24 is assumed to develop as less than 25,000 square feet of commercial, which would exempt it from the Jobs/Housing Impact fee.

In Lieu Fees
- The Guillen/Kaplan proposal allows for the percentage of on-site affordable units to be reduced with payment of an in lieu fee, set at the cost to the City to subsidize affordable units elsewhere, which has been estimated by the City at $101,752.

Land Sale Proceeds
- 100% of the land sale proceeds from sites purchased with funding sources that allow discretion (i.e., general purpose funds and restricted bond funds) will be allocated to the AHTF.

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[1] Staff made two adjustments to the CWN's final designations based on this rule. Since both 36th & Foothill and 27th & Foothill would require a subsidy at 15% BMR, they were modeled instead as 100% BMR. The CWN stated a preference for both 1800 San Pablo and 1911 Telegraph to be 100% BMR, though to account for the two projects on Foothill (127 units total) switching to 100% BMR, 1911 Telegraph was switched to 15% BMR.

SURPLUS LANDS MINIMUM

Land Uses/BMR Levels

Modeling Assumptions

- All properties are assumed to develop as mixed-income projects where 15% of the units are affordable at an average of 80% of AMI, with the exception of 66th and San Leandro and Old Fire Station #24, which will develop as commercial, as well as residential projects of less than 10 units, which will develop as market-rate residential.

Costs

BMR Units

- The same strategy to that described for the Guillen/Kaplan proposal was used to determine the reduction in residual land value per BMR unit in a 15% BMR project at 80% AMI.

Impact Fees

- Affordable housing impact fees will apply to the three sites with under 10 units. Jobs/Housing Impact fees will apply only to 66th and San Leandro. Old Fire Station #24 is assumed to develop as less than 25,000 square feet of commercial, which would exempt it from the Jobs/Housing Impact fee.

Land Sale Proceeds

- 0% of the land sale proceeds from sites purchased with funding sources that allow discretion (i.e., general purpose funds and restricted bond funds) will be allocated to the AHTF.