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# Public Lands for Public Benefit:

## Updating Oakland's Policies on Disposition and Development of City-owned Real Estate

September 25, 2017

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# Outline

- What are “public lands”?
- What is the Surplus Lands Act?
- Where are Oakland’s public lands?
- What are the policy questions and tradeoffs?
- Where is the city in the process of developing its public lands policy?

# What are “Public Lands”?

- Property not privately-owned
- Property owned and/or used by:
  - City of Oakland
    - Administration, libraries, public works, fire stations, parking garages...
    - Parks and open space
    - Former Redevelopment Agency development sites
  - School Districts
  - County, State
  - Caltrans, BART, AC Transit, EBMUD, etc

# What is the “Surplus Lands Act”?

- For land owned by a local agency determined to be no longer necessary for the agency’s use
- Requires sending written offer to sell or lease to local public entities and housing sponsors that request such notices
- Priority given to (1) affordable housing offers, (2) affordable projects with most units, (3) lower income elderly or disabled projects
- 60 days to respond to offer; at least 90 days for negotiating price and terms

# What is the “Surplus Lands Act”?

## (continued)

- If a respondent develops site for housing, at least 25% of units must be lower income units
- If no agreement is reached with a respondent, any residential development of 10 or more units must set aside 15% of units for lower income households
- “Lower income” means 80% or less of area median income (AMI)

# Public Lands: Potential for Next Development Sites

- 15+ projects for upcoming approval by Council on public lands

Project Name	Location	Area	Zoning	Units Allowed	Potential Affordable Units	Potential Affordable %	Potential to leverage state/federal funds for affordable housing?
1800 San Pablo Avenue	521 19th Street	44,347	CBD-X	493	74	15%	Yes
36th & Foothill	3550-3614 Foothill Blvd.	34,164	RU-5	76	11	15%	Yes
10451 MacArthur	10451 MacArthur Blvd	23,000	CN-3	51	8	15%	Yes
27th & Foothill	2759-77 Foothill Blvd	22,581	RU-5	50	8	15%	Yes
66th & San Leandro	905 66th Ave	274,428	IG	NA	0	NA	No
Clara & Edes	9418 EdesAve606 Clara St	26,311	RM-4	24	4	15%	No
Hill Elmhurst	9409-9437 International Blvd	28,802	CN-3	64	10	15%	Yes
Coliseum City	Various Sites	1,504,670	D-CO-2 **	4,000	600	15%	Yes
Rotunda Garage remainder	524 16th Street	6,697	CBD-C	74	11	15%	Yes
8280 MacArthur	8280 MacArthur Blvd.	6,720	RU-4	15	2	15%	No
8296 MacArthur	8296 MacArthur Blvd.	6,000	RU-4	13	2	15%	No
73rd & International	7318 International Blvd	5,435	CC-2	20	3	15%	No
Wood Street *	1707 Wood Street	147,081	D-WS **	267	267	100%	Yes
Golf Links Rd/82rd Ave/MacArthur *	82nd Ave/Golf Links Rd ++	41,072	RU-4	91	91	100%	No
Total Units		2,376,645		5,256	1,107	21%	

\* Affordable Housing Sites owned by Housing Successor Agency or City are assumed to be 100% affordable.

\*\* Also consider Specific Plans when calculating units allowed.

++ Several non-contiguous parcels in a single family neighborhood.

# What does the City consider when it is thinking about options for development for public lands?



## affordable housing

- Developing 100% affordable housing on a property
- Developing a minimum threshold % of affordable housing on a property
- Extracting fees per unit on a market rate development to support affordable housing development on another property
- Using sales proceeds to increase the AHTF, purchase land suitable for affordable housing, or rehab/preserve existing affordable housing



## economic development

- Encouraging development of office, industrial, retail, or hotel uses in a manner that supports local living wage jobs, local business incubators, businesses owned by worker cooperatives
- Enhancing under-served neighborhood commercial corridors, such as adding grocery stores in food deserts
- Increasing long term revenue streams that can fund other public benefit programs, such as job placement and training programs, or assistance to underrepresented entrepreneurs



## other community benefits

- Creating additional parks, community gardens, or other publicly accessible open space
- Creating affordable space for community organizations, non-profits, and arts and culture
- Encouraging development of childcare facilities



# Other Policy Questions and Tradeoffs to Consider

- What other public benefits should the City seek?
  - Economic development – i.e. expanding job opportunities and tax base through development
  - Fiscal sustainability – diversifying and increasing sources of revenue for City services and programs
  - Reinvesting proceeds - leverage other resources, make strategic acquisitions
  - Local and minority hiring
  - Project labor agreements
  - Other community benefits

# Other Policy Questions and Tradeoffs to Consider

- How does community input get heard? How can the disposition, negotiation, and decisionmaking process be more transparent? How can the community participate?
- Should there be absolute minimum public benefit thresholds for each project?
- Or should there be flexibility to meet property and market conditions, and to leverage funding sources, in order to maximize public benefits?

# The Path to Updating City Ordinance

- Housing Cabinet working group (2015-16)
- Proposed Ordinance revisions (May 2016)
- Citywide Network working group (2016-present)
- Goal is for Council consideration of amended Ordinance by December 2017

Oakland Public Land  
Comparing Affordable Housing Options



Imagine the city owns two centrally located sites...

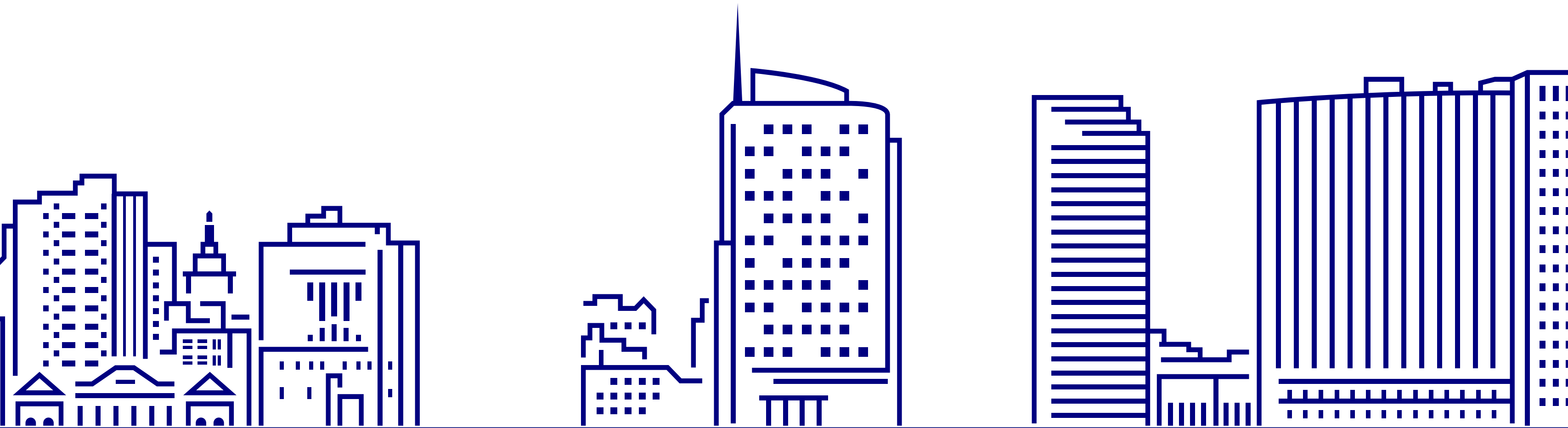
\* This is just an example,  
these are not **real** sites



What is the best way to use these assets to produce affordable housing?

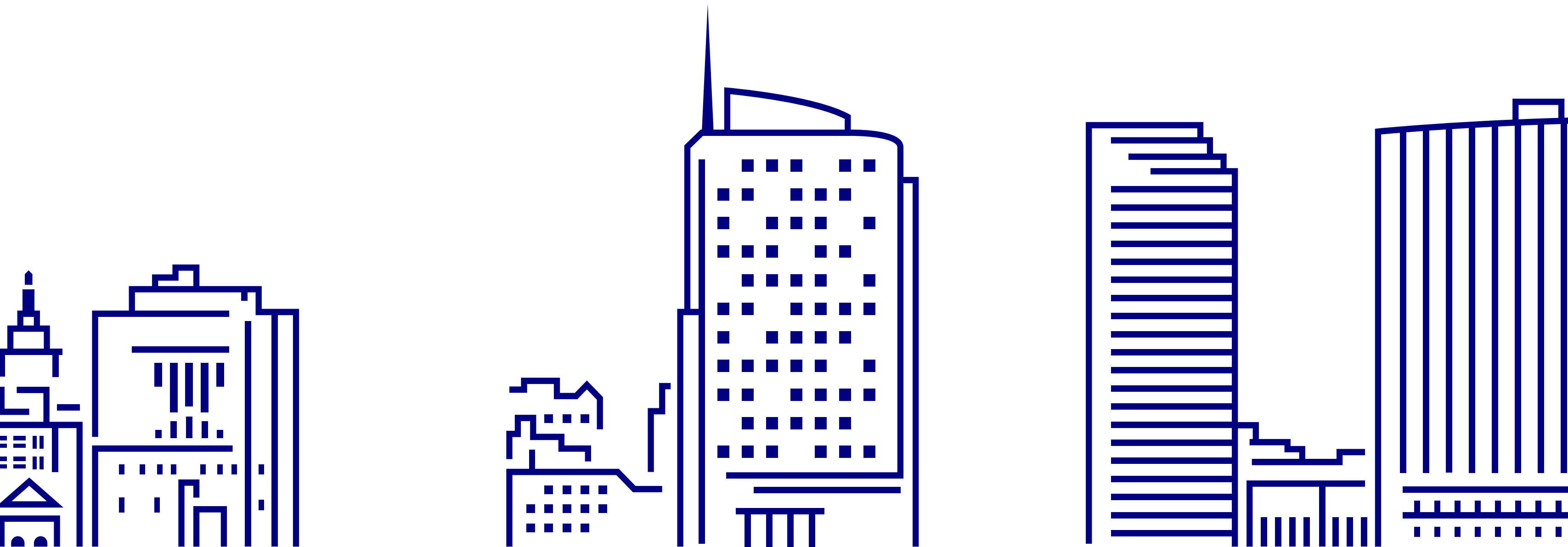


Can we get more affordable units by requiring onsite units or selling land and reinvesting the proceeds?



The short answer is...

**...it depends.**





Here is an example...



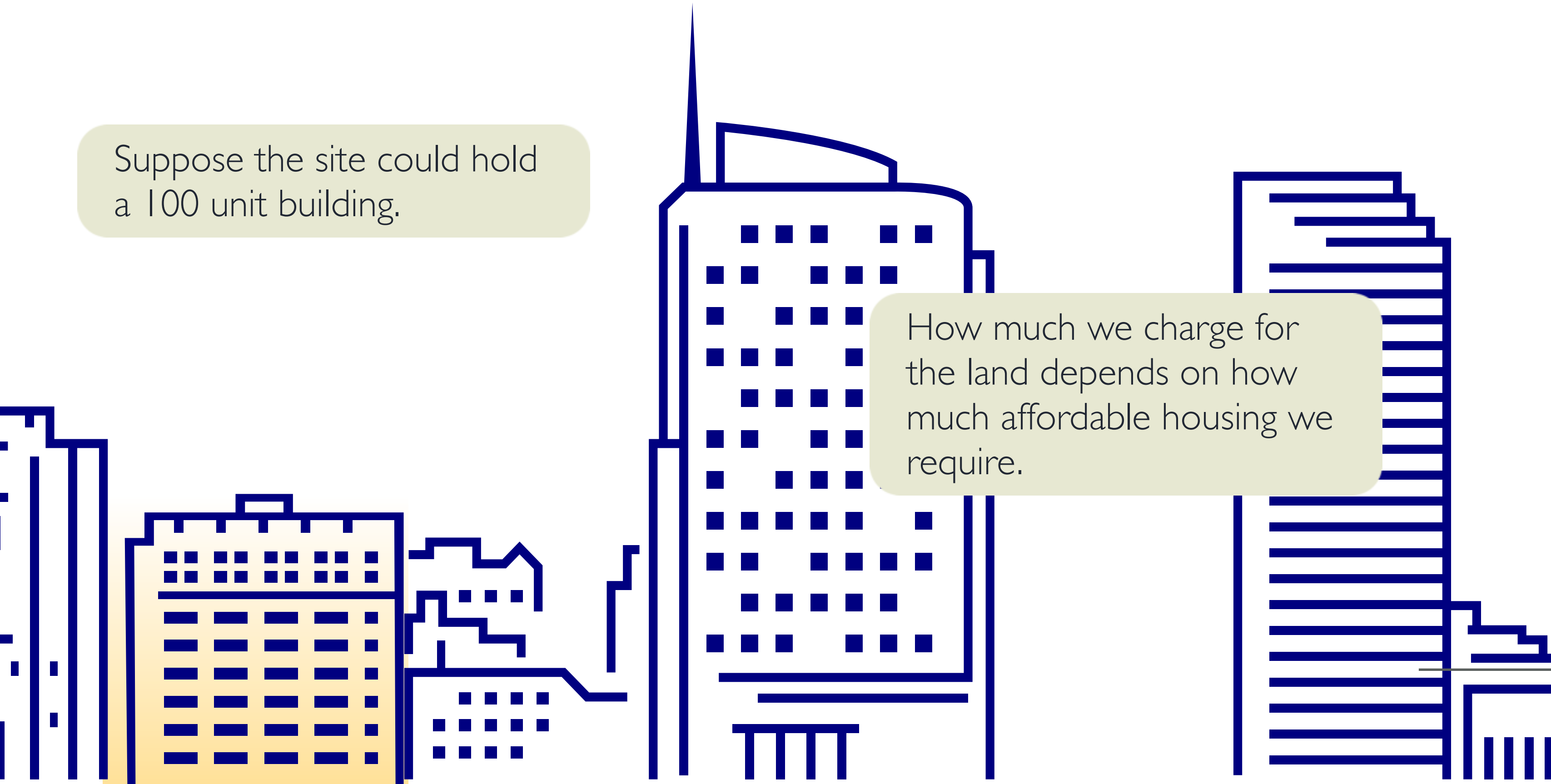
## Option 1: Onsite Units

The City could sell the land and require some % of affordable units



Suppose the site could hold a 100 unit building.

How much we charge for the land depends on how much affordable housing we require.



The higher the rent, the more someone will be willing to pay for the building.

**100 Units - Market Rate**

<i>Monthly Rent:</i>	<i>\$270,000</i>
<i>Est. Building Value:</i>	<i>\$40 million</i>
<i>Cost to Build:</i>	<i>\$35 million</i>
<i>Remaining for Land:</i>	<i>\$5 million</i>

Adding affordable units decreases the rent and therefore the value - but it still costs the same to build

**10% Affordable Units (50% AMI)**

<i>Monthly Rent:</i>	<b>\$258,000</b>
<i>Est. Building Value:</i>	<b>\$38 million</b>
<i>Cost to Build:</i>	<b>\$35 million</b>
<i>Remaining for Land:</i>	<b>\$3 million</b>

Increasing the % affordable, reduces the amount available to pay for land

**20% Affordable Units (50% AMI)**

**Monthly Rent: \$252,000**

**Est. Building Value: \$35.5 million**

**Cost to Build: \$35 million**

**Remaining for Land: \$500,000**

This is called the **'land residual'**

Eventually the project is not feasible, even with free land.

**30% Affordable Units (50% AMI)**

<i>Monthly Rent:</i>	<b>\$240,000</b>
<i>Est. Building Value:</i>	<b>\$34 million</b>
<i>Cost to Build:</i>	<b>\$35 million</b>
<i>Remaining for Land:</i>	<b>-\$1 million</b>

Another option is to sell to an affordable developer who builds a Low Income Housing Tax Credit Project.

## 100% Affordable Project

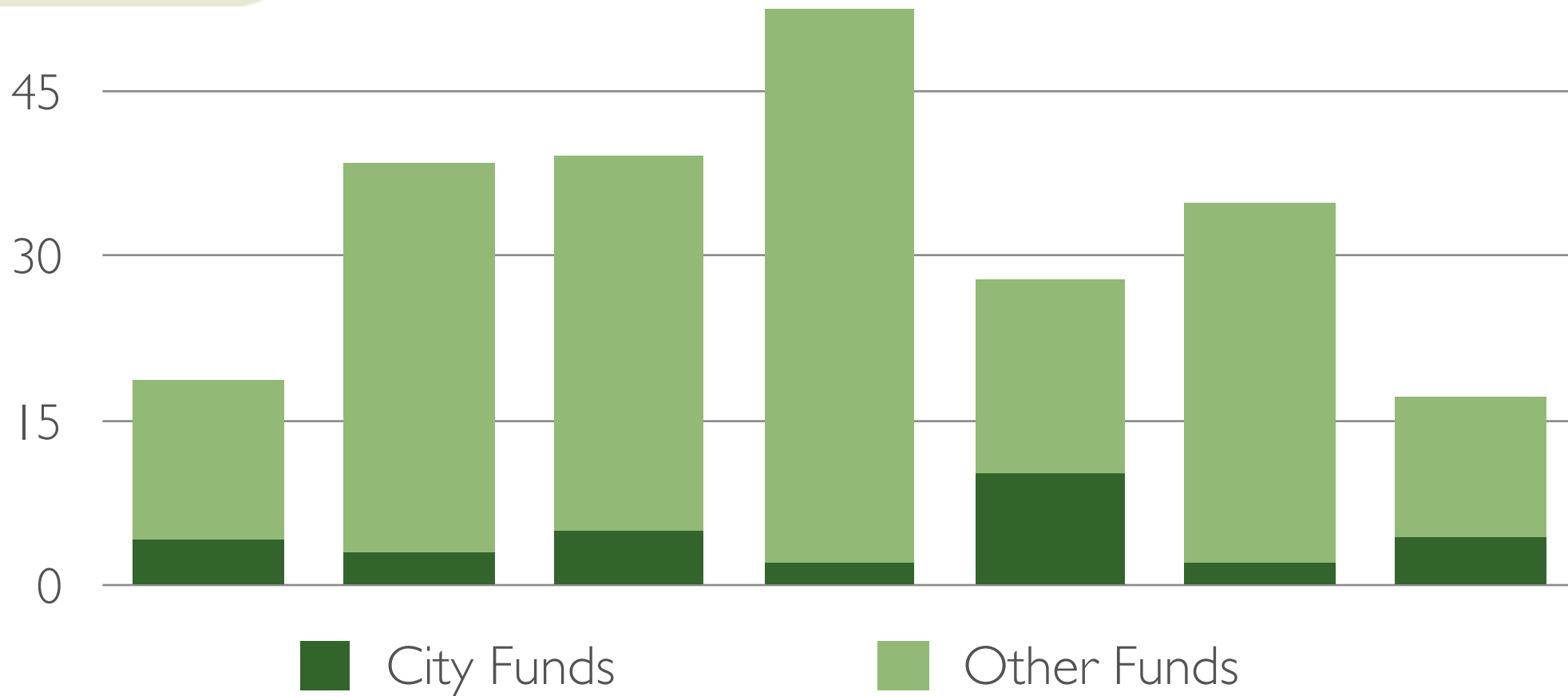
Free land would not be enough - the city would need **cash subsidy** in addition.

<i>Monthly Rent:</i>	<i>\$107,000</i>
<i>Available Financing</i>	<i>\$27 million</i>
<i>Cost to Build:</i>	<i>\$35 million</i>
<i>Remaining for Land:</i>	<i>-\$8 million</i>




In its last grant round, Oakland invested an average of only \$55,0000 per affordable unit created.

2013-15 NOFAs (\$ millions)



All but 13% of the cost comes from sources outside the City of Oakland



Oakland currently has more projects waiting for funding than it will be able to fund.

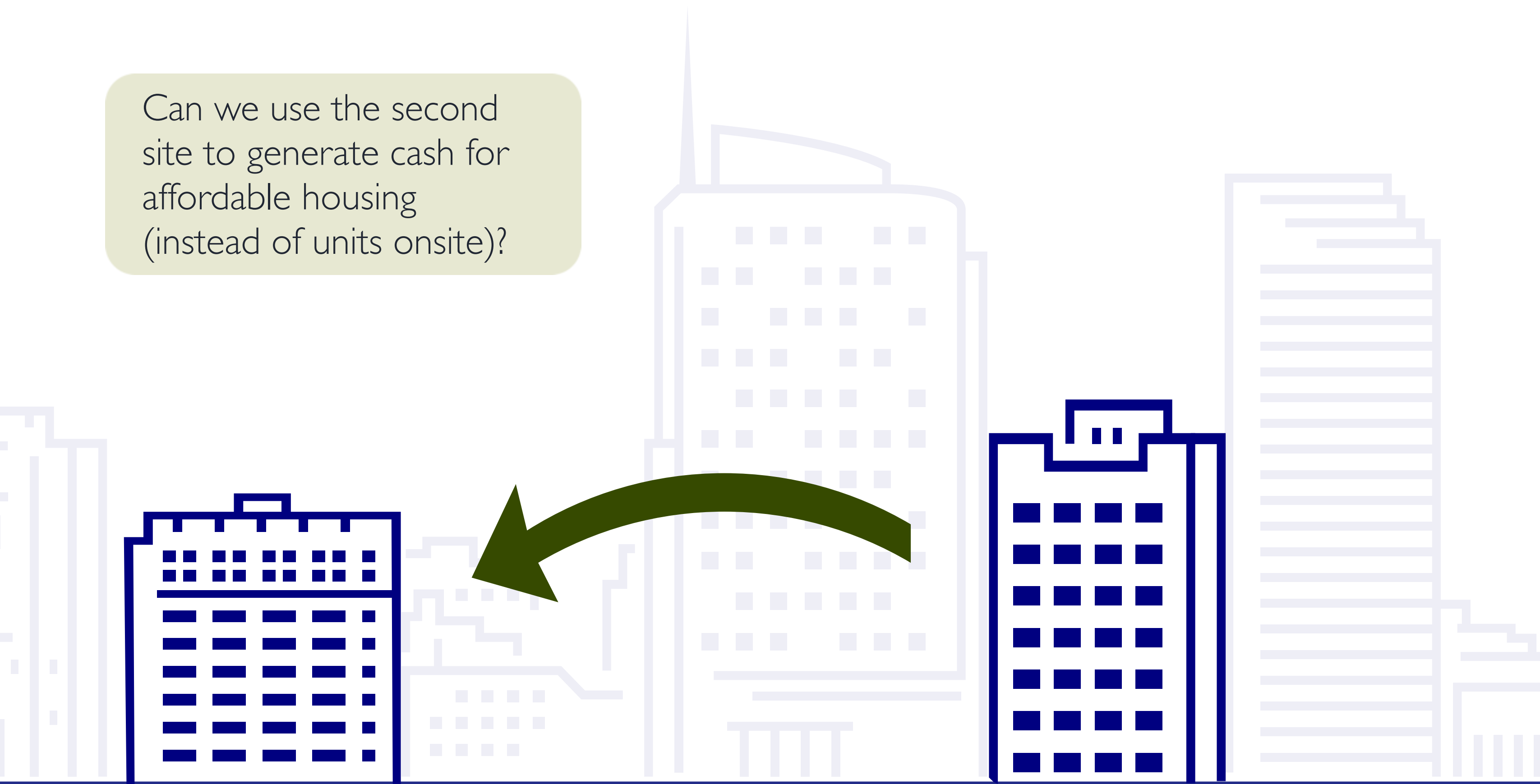
Staff estimate that additional tax credit units will cost around **\$125,000 per unit.**

## Option 2: Cash

Suppose the second site can hold a 250 unit building

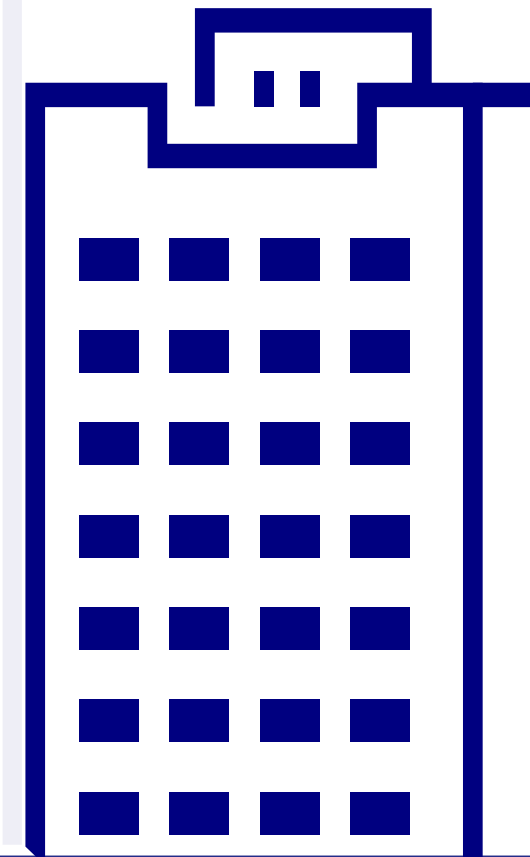
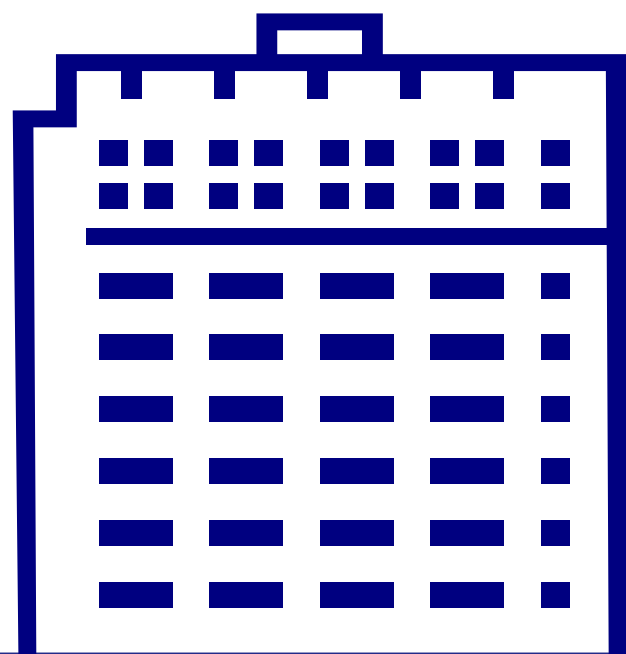


Can we use the second site to generate cash for affordable housing (instead of units onsite)?



Currently any project  
(whether the city owns  
the land or not) has to  
pay a housing impact fee.  
The fee is stepping up to  
**\$22,000 per unit.**

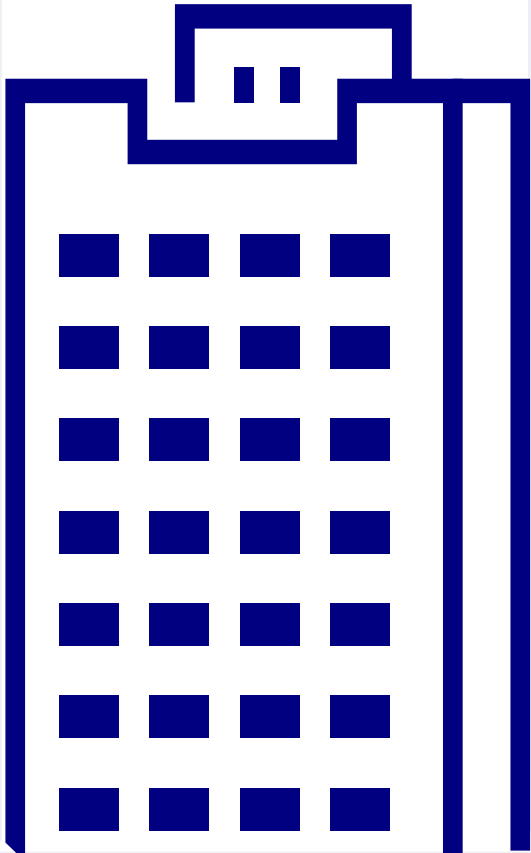
For a 250 unit building  
that comes to \$5.5 million



## 250 Unit Project

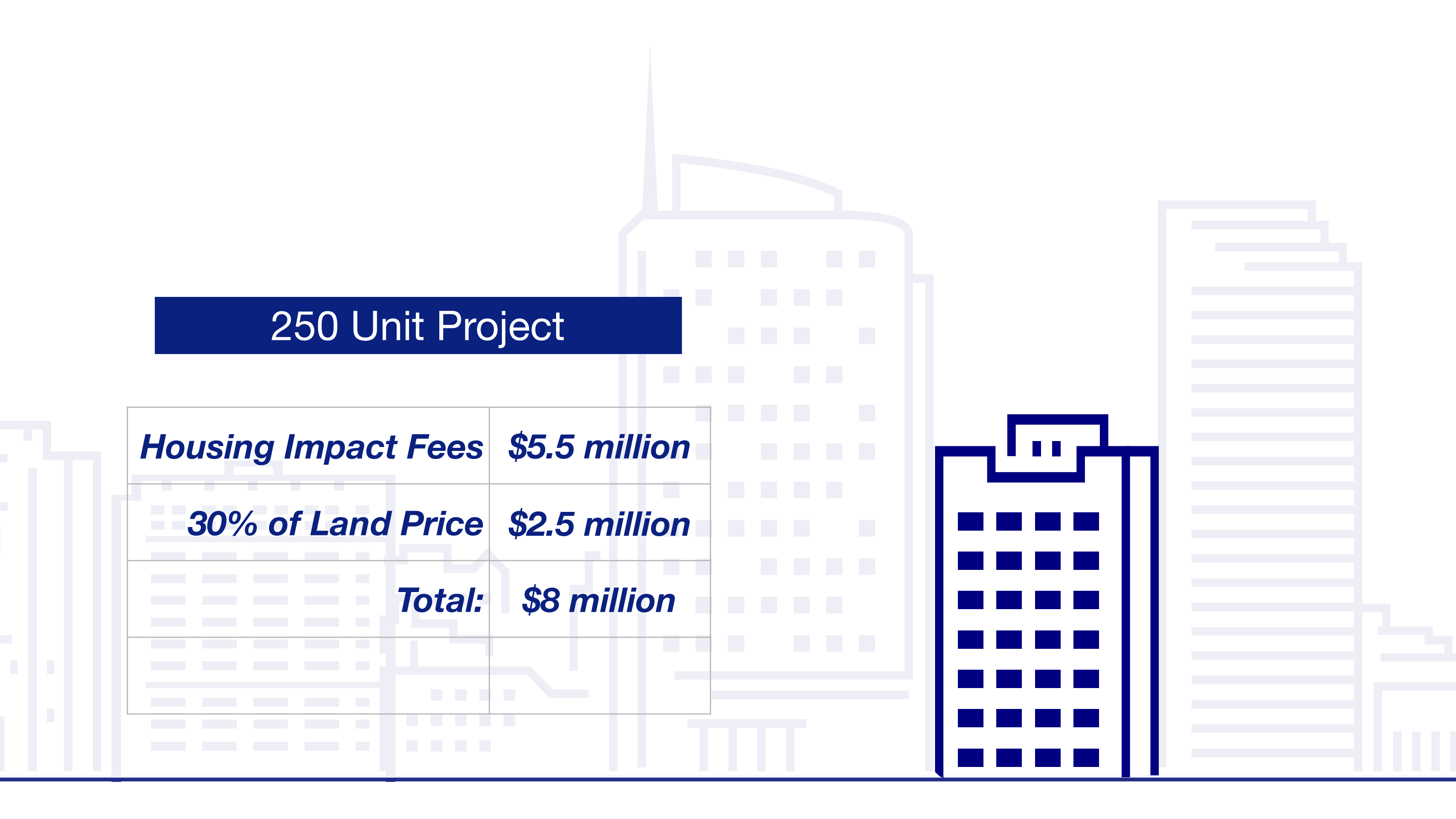
<b>Monthly Rent:</b>	<b>\$775,000</b>
<b>Est. Building Value:</b>	<b>\$115 million</b>
<b>Cost to Build:</b>	<b>\$107 million</b>
<b>Remaining for Land</b>	<b>\$7.5 million</b>
<b>1/3 for Housing</b>	<b>\$2.5 million</b>

Suppose we also set aside 30% of the land sales price for affordable housing.



# 250 Unit Project

<b><i>Housing Impact Fees</i></b>	<b><i>\$5.5 million</i></b>
<b><i>30% of Land Price</i></b>	<b><i>\$2.5 million</i></b>
<b><i>Total:</i></b>	<b><i>\$8 million</i></b>



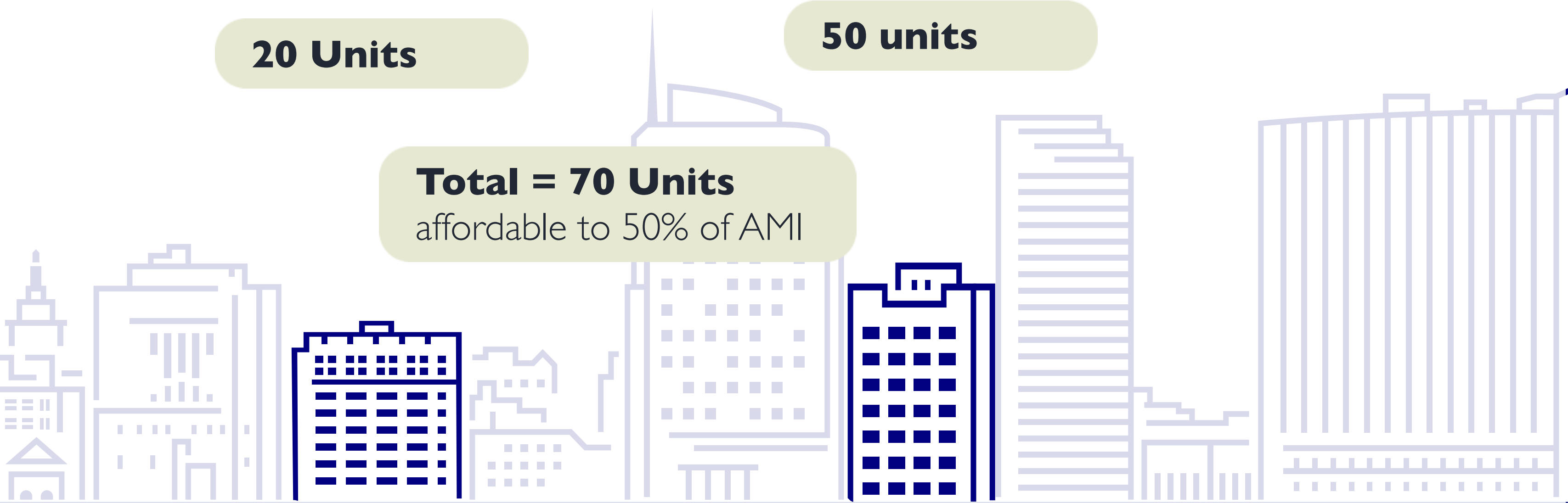


20% Onsite at Both Sites

20 Units

50 units

**Total = 70 Units**  
affordable to 50% of AMI





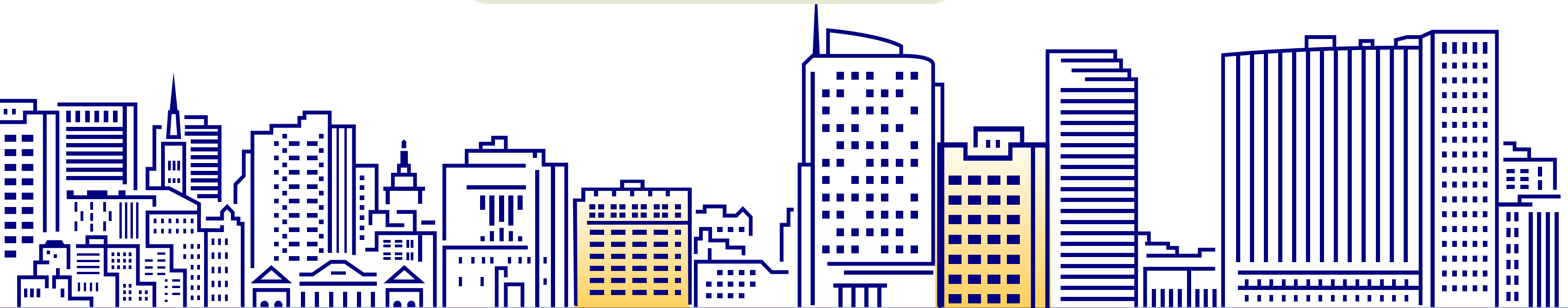
## Combined Approach

**100 Units**

**\$ 8 million**

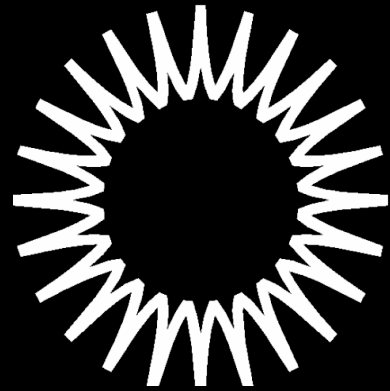
**Total = 100 Units**

Affordable to 20-60% AMI



STREET  
LEVEL





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