

The Economics of Land Use



Final Report

Downtown Oakland Specific Plan: Incentive Program Feasibility Study

Prepared for:

City of Oakland, Planning and Building Department

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COVID-19 STATEMENT

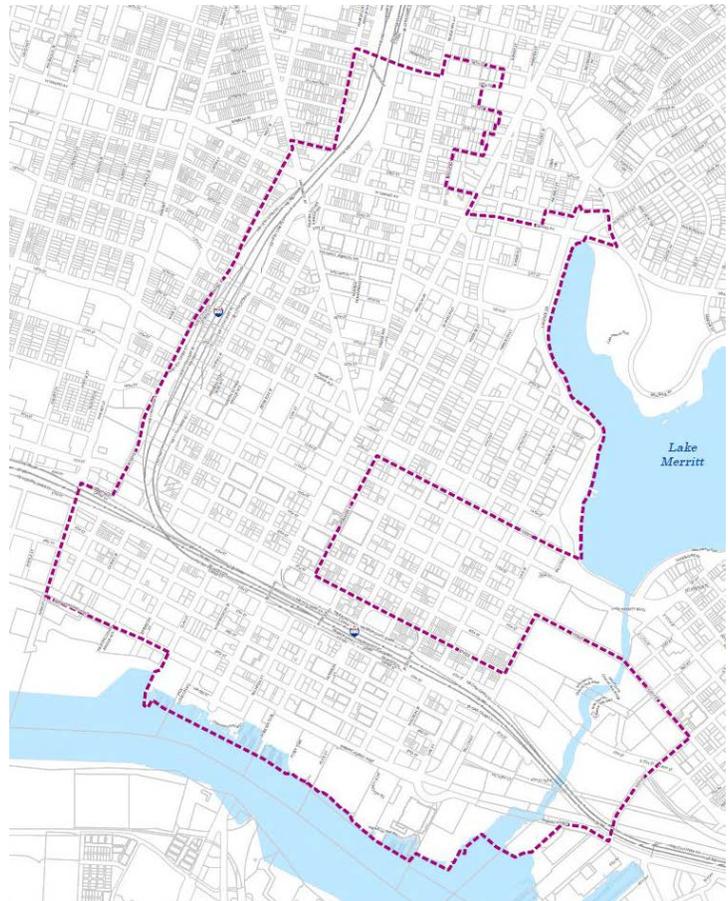
Economic & Planning Systems authored this Report as the nation and world seek to address the coronavirus pandemic, an unprecedented public health crisis. The research effort was substantially completed during 2019, before the crisis. Report documentation occurred during early 2020, before the severity of the crisis became apparent. In recent weeks, the economic fallout has been both significant and abrupt. Given that the length and severity of the coronavirus pandemic are still unknown, economic implications will depend fundamentally on how the crisis unfolds over the next three to six months. The current consensus is that negative economic impacts are likely to dissipate, although the exact pace and timeframe for economic recovery remain unclear. The potential implications of the pandemic for the Incentive Zoning in Downtown Oakland have not been considered in the findings of this Report.

1. EXECUTIVE SUMMARY

The City of Oakland retained Economic & Planning Systems (EPS) to provide technical analysis and recommendations to inform establishment of a zoning incentives program for the Downtown Oakland Specific Plan (DOSP). The Draft Plan (August 2019) proposes policies that link real estate development, land use, transportation, economic development, housing, public spaces, cultural arts, and social equity as measurable outcomes. The DOSP envisions increased heights, densities, and floor area ratios to ensure the Downtown's continued growth and revitalization while providing community benefits to local residents and the broader community. This EPS analysis supports the planning effort by informing how and to what degree upzoning might create value that could be used for funding a range of community benefits within the downtown¹. The geographical boundary of the DOSP is shown in **Figure 1**².

In addition to technical real estate market and financial feasibility perspectives, this report also provides examples of zoning incentives programs, summarizing case studies of relevant programs in other jurisdictions. Given DOSP

Figure 1. DOSP Geographic Boundary



Source: City of Oakland

¹ During the community outreach process numerous stakeholders inquired about the possibility of using a downzoning to lower base development density allowances, thereby increasing the value creation through more significant bonus density provisions. While downzoning is not unprecedented in California, EPS recommended against downzoning because it likely would result in financial losses for landowners and local investors, hinder the momentum of redevelopment progress downtown, reduce property tax revenue for the City, and negatively affect Oakland's reputation for business and investment.

² Chinatown's zoning was updated as part of the Lake Merritt Station Area Plan, which was completed shortly before the launch of the DOSP.

priorities, the work also contemplates transfer of development rights (TDR), and identifies other funding sources for community infrastructure. Key findings are described below.

Key Findings

Community Benefit Case Study Findings

Community benefits programs in California can be characterized as formulaic or negotiated, though most are hybrid approaches. The optimal approach to generating community benefits from development incentives depends on City goals for the program, how much ongoing flexibility is desired, and City resources that might be dedicated to the program. Formulaic, plan-based programs generally are easier to administer and are implemented with minimal discretion. Negotiated programs are more costly to administer and can be highly discretionary. The benefits of the formulaic approach include lower program costs and increased certainty. The downside of formulaic programs is that they typically do not respond quickly to changing economic conditions. Alternatively, negotiated programs are relatively costly to administer and may increase development project risk for the applicant, but these programs offer cities the flexibility to increase or reduce community benefit requirements to reflect diverse market conditions and other project-specific factors.

Community benefit incentive programs are structured around a voluntary exchange in which municipalities offer an optional increase in development potential in return for public investment desired by the community. These programs create an option for development that is more valuable than what normally would be permitted by the local jurisdiction, and in return the developer provides a community benefit that is above and beyond what otherwise would be required. Because these programs are optional, development outcomes vary based on the degree to which developers participate. Some developments may seek to take advantage of the program while others do not.

Community benefit incentives must create value and the magnitude of the community benefit sought must be equal to or less than the value of the incentive or entitlement enhancement offered. In order for community benefit incentives to work financially, the public sector must create value through the provision of increased development potential (commonly increased project density). If the public sector seeks to extract more value than is created, project applicants will not use the program. Since the value of development incentives varies with locational and temporal market conditions, development incentives may be very valuable during a strong market but of lesser value or without value in a weak market. Some community benefits programs seek to be responsive to various market conditions or anticipate that the program will not be used in some areas or during periods of market weakness.

The use of Transferable Development Rights (TDRs) is a distinct approach to achieving community benefits in which historic sites are preserved and their unused development capacity is relocated to create a density bonus on a different site. A well-designed TDR option can be integrated into a broader community benefit program, though existing programs reveal that a number of factors will influence the use of TDRs. Most importantly, the density bonus achieved with TDR needs to create meaningful value at a receiver site to justify the time and resources necessary to acquire the rights. Programs that minimize restrictions to eligible TDR transaction sites are more successful. For example, allowing non-

adjacent sending and receiving sites across zoning districts has proven to yield a more dynamic, appealing, and better-utilized marketplace. In addition, some restrictions on the program can improve functionality. Anecdotal evidence from other programs reveals that third parties (e.g., developers, brokers, investors, and financial institutions) that speculate on TDR value may inhibit transaction activity, and various approaches that limit TDR hoarding may be beneficial to the overall functioning of the program.

Market Overview

Oakland enjoyed a robust cycle of real estate development, but in recent months construction cost escalation has significantly outpaced rents and for-sale value growth, leading to a pullback in new development activity. Though new projects have delivered thousands of new multifamily units in Oakland in recent years, vacancy is now increasing as new buildings are delivered and rents are flat or declining. New construction starts are waning due to mounting competition among recently-delivered residential projects and challenges associated with the financial feasibility of development. Similarly, commercial office development in Oakland, and Downtown in particular, appears to have peaked. The local market exhibits increasing vacancy rates, flat rents, and no new project has broken ground in the last year. City staff notes that there has been decreased development application activity. Even when office market fundamentals were stronger, new ground-up development of major office projects required developers to secure an anchor tenant (e.g., 601 City Center and The Key). While market conditions have deteriorated, a number of new potential residential and office projects remain in the pipeline, positioning themselves for construction when conditions improve or major commercial end-users are ready to commit to new space.

Feasibility Findings

The City of Oakland provided EPS with prototype development projects and hypothetical development incentives. Staff selected prototype projects with characteristics that are common in the various downtown subareas, and defined potential density bonuses appropriate for those locations. EPS used financial modeling to test feasibility and value creation associated with upzoning and use changes. The findings of the financial tests are as follows:

None of the tested prototypes appears financially feasible under the current market conditions, regardless of the zoning scenario. Rapid increases in construction and land costs in recent years, fueled by a high level of development activity in the region, have resulted in dampened real estate development conditions. In the current market, development costs commonly exceed anticipated market value, making new development in Downtown infeasible in most cases. Additionally, City-imposed costs, such as affordable housing and other development impact fees, have added to the overall cost burden for development in recent years. The EPS pro forma financial feasibility analysis indicates that all eight development prototypes have a negative residual land value³, with costs exceeding revenues and developer returns falling below

³ Residual land value is defined as the calculation of the difference between capitalized revenue and development cost (including construction, indirect cost, and required developer return on investment). The analysis determines what a developer would be willing to pay for land, given a sufficient risk-

the feasibility threshold. In these market conditions, community benefit incentives do not improve the financial feasibility of new development projects. While there is evidence of recent feasibility observed through the construction activity in Downtown, these projects likely predate current City impact fee levels, have dated, lower-cost construction contracts, or benefit from some other unique market condition.

Development may become feasible for certain prototypes if real estate economics improve. Real estate cycles dictate the financial feasibility of new development, with various market factors that evolve over time creating and eliminating opportunities to make at-risk investments in new construction. To address the cyclical nature of real estate development, EPS constructed hypothetical scenarios to test development economics of projects that become feasible in the future (i.e., “market upside”). This test assumes a 25 percent increase in rents.⁴ The hypothetical market shift illustrates potential future real estate economics for the eight tested prototypes under market conditions in which new development is largely economically feasible.

Once market conditions improve sufficiently to support the feasibility of new development, additional community benefit contributions may become financially viable. While all eight tested prototypes are feasible under base zoning and upzoning with market upside conditions, EPS finds that the upzoning adds value to four of the eight tested prototypes. Specifically, one office (the sole office prototype tested) and three residential prototypes experience residual land value gains that might be sufficient to support community benefit contributions under improved market conditions. The type of use (i.e., residential or office), the base density allowance, and the characteristics of upzoning allowance influence whether added density creates net value for a project.

For some upzoning scenarios, shifting to more costly construction type or changing land use (i.e., from commercial to residential) results in diminished value despite increased project density. Increased density for a midrise residential prototype shifts it to a more expensive construction type with upzoning, which reduces its residual land value.⁴ The land value reduction from upzoning also takes place in all three prototypes converted from office to residential use, due to higher construction cost for high-rise residential. In the scenarios

adjusted return on development investment. When residual land values are positive and on par with (or above) land sale market transactions, new development is deemed feasible.

⁴ The 25 percent increase in rents should be considered a proxy for what will likely be a multi-variable shift of various development revenue and cost factors affecting development feasibility.

⁴ This assumes that a developer would be interested in maximizing density rather than profit, which is a simplifying assumption. Land value decreases because the revenue increase is below the cost increase associated with a more expensive construction type.

tested, upzoning of sites zoned for mid-rise office uses did not result in community benefits value creation.

Community Benefit Program Recommendations

City staff and EPS have had initial discussions concerning the desired key characteristics of a community benefits program for the Downtown Oakland Specific Plan. EPS recommendations reflect these conversations, as well as community comments, Planning Commission comments, and EPS case study research of existing community benefits programs.

Based on input from City staff, EPS understands that City of Oakland preferences for the DOSP include:

- **Formulaic Program.** DOSP community benefit contribution requirements shall be systematically determined, not negotiated. The program will seek to establish community benefit requirements early, creating a clear and certain contribution at the time of zoning adoption. The program will establish a dollar value, metric, or formula for determining the community benefit contribution for each project that opts to participate in the program. The calculation method will be clear and transparent, which will facilitate implementation, provide the development community with certainty about program costs, and make reporting and auditing of the program straightforward.
- **Diversity of Benefits.** The City and DOSP stakeholders seek to encourage a wide variety of community benefits, ranging from subsidized artist and not-for-profit space to affordable housing and homeless services, for example. The program will provide flexibility to generate an array of community benefits.
- **Incentives Layering.** The program will seek to encourage layering of local development incentives. The City and stakeholders wish to encourage the use of Transferable Development Rights (TDRs) to promote historic preservation in Downtown.

The incentives to be offered by the City will be formalized by future zoning and subsequent codification. EPS community benefits program recommendations assume that density bonuses, similar to those formulated for financial testing, will be the primary incentive offered through the program. Parking requirements and other code provisions also may be considered.

The primary EPS recommendations for the DOSP incentive program are as follows:

- **Establish a Bonus Payment Program.** The simplest and most transparent method for projects to participate in a DOSP community benefits program is through a payment program. The City would establish standardized monetary charges for development incentives in the DOSP. For example, the City could publish a per-square-foot payment requirement for density bonuses annually. The charge should be linked to the value of the density bonus or other incentive. One option for setting the charge is for the bonus payment level to be established as a percentage of construction cost (e.g., per square foot building permit valuation), similar to the basis used for many “percent for art” programs. In addition to providing easy implementation, certainty for applicants, and straightforward tracking, the payment program approach allows for the pooling of resources across multiple projects,

providing a funding mechanism that can scale up to fund for more significant community benefit projects.

- **Offer Competitive Incentives.** DOSP community benefit incentives should be calibrated to be financial attractive. By offering density bonuses that create value, development applicants will choose to participate in the incentive program. The program might initially introduce modest incentives that require only modest community benefits, and increase the requirement over time as market support for the program improves.
- **Link Maximum Incentives to TDR.** The DOSP program might tier development bonuses, reserving the most significant incentive level of density bonus for projects that bring TDR credits¹. Without creating a unique incentive to use TDRs, it is unlikely that market forces will support the use of TDRs. Creating a valuable bonus tier that encourages use of TDR may promote increased use of TDRs in Downtown, though the TDR program parameters also may need to be revised to encourage use (e.g., donor and receiver site eligibility and requirements, credit banking rules, etc.).
- **Provide an In-Lieu Option.** Applicants might be allowed to fulfil their “payment” for the program through the direct provision of on-site or off-site community benefits. The bonus payment program requirements will establish the value of community benefits that must be provided to earn the development incentive sought. The applicant would need to consult with and obtain approval of their community benefit proposal from the City.
- **Establish a DOSP Community Benefits Committee.** Considering the diversity of community benefits sought, and evolving priorities within the community, a community benefits committee for Downtown would direct community benefit funds to important projects. Local stakeholders representing different neighborhoods or priority community issues could comprise the committee, which would make recommendations on how and to what extent the City should establish and/or fund programs or projects that generate community benefits for Downtown and the City of Oakland.

2. ZONING INCENTIVES PROGRAM CASE STUDIES

This chapter is focused on the background of the incentive zoning programs in California, lessons learned from the case studies, and detailed case studies of six distinct community benefit programs used by various jurisdictions across the State.

Background

California cities have a long history of obtaining community benefits from real estate development through a variety of mechanisms, including fees, conditions of approval, and development agreements. Throughout California, zoning incentive programs are establishing clearer, better-defined approaches to ensuring that community benefits from new real estate development projects fulfill unmet development objectives while also providing transparency to developers. Zoning Incentive programs commonly are founded on the concept of “value capture,” an approach in which a public entity recovers value for public purposes. Public entities commonly create value with investments in public facilities and services (e.g., transit and utilities upgrades), as well as through changes to zoning codes that increase the potential value of land. Typically, when the public sector creates value in these ways, landowners enjoy an associated financial gain. However, value capture may be used to leverage specific outcomes of public interest or benefit that would not otherwise occur.

The State of California’s Affordable Housing Density Bonus Law is an example of a zoning incentive value-capture program. Under this law, developers are granted additional density (i.e., the right to build additional market-rate units) in return for their development of affordable-housing units. Whenever a city offers planning and zoning flexibility, an additional increment of value is created, and it is appropriate for the project developer to share a portion of that value gain with the community for use toward a public benefit.

Table 1. Summary of Case Study Community Benefits

Municipality	Geographic Extent	Developer Incentive	Benefits Program Methodology	Public Benefits
Emeryville	Citywide	Height and density	Point system	Affordable housing, public open space, green building features, public improvements, utility undergrounding, family-friendly units, small business support, additional flexible community benefits
San Francisco	Specific plans -- Eastern Neighborhoods, SOMA; Transferable Development Rights (TDR) in C-3 Downtown Zoning District	Height and density	Tiered fees and TDR	Affordable housing, historic preservation, lower parking requirements, open space, improved public transit, transportation, streetscape improvements, community facilities
Sunnyvale	Peery Park Specific Plan	FAR over 0.35	Defined benefits and negotiated benefits	Green building features, site and streetscape improvements, retail, childcare facilities, open space, recreation, efficient parking (structured)
San Diego	Downtown	Height and density (FAR Bonus)	Defined benefits	Retail, open space, green building features, 3-bd units, parking
Culver City	Designated commercial areas	Residential density above 35 DU / Acre in mixed-use projects	Simple profit sharing formula	Streetscape improvements, parks/open space, parking facilities
Los Angeles	Downtown Central Business District’s Transfer of Floor Area Rights (TFAR)	Height and density	City Planning Director approves projects less than 50,000 SF; projects larger than 50,000 SF go before Planning Commission for approval	Historic preservation

Emeryville

Miroo Desai, Senior Planner at the City of Emeryville, was interviewed by EPS to supplement case study research.

Motivation

The basis for the City of Emeryville's Development Bonus program was rooted in the 2009 verdict of the Palmer Case, where the court ruled that a City of Los Angeles affordable housing mandate violated state law. Due to this decision, inclusion of affordable rental units in market rate developments could no longer be upheld as a requirement. This decision meant that affordable housing production in California saw a sharp slowdown and, coupled with the dissolution of redevelopment in the state, ultimately prompted the City to develop their Bonus System Program in 2013.

Description

The City's formulaic program allows developers to participate in a voluntary points-based bonus system in which bonus development capacity is exchanged for community benefits. Intensity, height, and density bonuses are permitted after developers provide certain community amenities, which could include family-friendly housing, green architecture, and public open space. The Emeryville General Plan notes that the bonuses are "discretionary and contingent on excellence in design," and the program gives points for specific elements that are public benefits.

The FAR bonus is calculated by multiplying (1) the total number of points divided by the maximum number of points by (2) the maximum allowed FAR bonus increment, as follows:

$$\text{(Number of Points/Maximum Points)} \times \text{Bonus FAR Increment} = \text{Bonus FAR Amount}$$

To qualify for a bonus, the public benefits provided must be significant and clearly beyond what would otherwise be required by City code provisions, conditions of approval, and/or environmental review mitigation measures. Development bonuses are in addition to any density bonuses for affordable housing.

Modifications

Public benefits sought by the program originally included a detailed list of 19 different options. After a year and a half of this framework, the City noticed that some categories were being used by developers consistently, while others were never selected. Realizing that this pointed to imbalances between developer effort and benefit, the City revised and simplified these categories down to seven. **Table 2** shows the benefits sought in 2014, compared with the revised and still current list from 2016.

Table 2. Comparison of Emeryville Development Bonus Point System, 2014 vs. 2016

Original Program		Revised Program (2016)	
Public Benefit	Max. Bonus Points	Public Benefit	Max. Bonus Points
Public Open Space	50	Public Open Space	50
Sustainable Design	35	Zero Net Energy	50
Alternative Energy	50	Public Improvements	50
Water Efficiency	35	Utility Undergrounding	50
Energy Efficiency	35	Additional Family-Friendly Units	50
Public Improvements	50	Small Businesses	50
Utility Undergrounding	50	Flexible Community Benefit	50
Transportation Demand Management	35		
Family Friendly Housing	50		
Neighborhood Centers	35		
Small Businesses	35		
Public Art	20		
Public Parking	35		
Bike Station	35		
Significant Structures	35		
Electric Vehicle Charging Stations	35		
Concealed Mechanical Equipment	20		
Universal Design	50		
Flexible Public Benefit	N/A		

Some of the more specific categories were grouped together to become a single, less-nuanced category, and some were eliminated altogether. The City also revised all of the maximum bonus point numbers to 50, to further streamline the program.

Effectiveness and Reception

The program is still fairly new relative to typical development timelines, so in turn much of the results of the program have yet to be seen. However, there have been a number of small projects and one major project to take part in the program. The latter is known as the Sherwin Williams project and is now in construction. It consists of the redevelopment and new construction of four buildings containing 500 live-work units with 6,000 square feet of retail and gallery space. According to the project conditions of approval, the following provisions were tied to the granting of the project's density bonus:

- 17 Percent Affordable Housing Units
- West Oakland BART Shuttle Service
- Public Art Gallery and Community Room
- Building Pass Through
- Public Improvements and Utility Undergrounding

The benefits outlined above came out to a value of \$7 million. This extracted benefit value was determined based off of five percent of the total construction valuation of the project, as determined by the Chief Building Officer.

Regarding smaller projects, the City has seen the “Additional Family-Friendly Units” benefit option being selected frequently. Another favored benefit has been writing a check to contribute towards “Support to Small Local-Serving Businesses”.

The City also has an Affordable Housing Program (AHP), that requires developers to pay impact fees to mitigate the project’s impact on the demand for affordable housing in the City, or alternatively, they can opt to provide on-site rental affordable units. The AHP impact fee has generated \$2.2 million over the last five years (**Table 3**). The development bonus program works in conjunction with AHP, requiring at least half of a project’s bonus points to be dedicated to the provision of affordable housing, as specified in **Table 4**. Nonresidential developments are required to pay an additional affordable housing impact fee.

Table 3. Emeryville Affordable Housing Impact Fees Fund

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	Total
Account Description						
58470 RESIDENTIAL IMPACT FEES	-		28,000	28,122		56,122
58480 NON-RESIDENTIAL IMP FEES	479,168	446,055	1,105,258	52,477	129,632	2,212,591
	479,168	446,055	1,133,258	80,599	129,632	2,268,713
					Fund balance as of 6/30/2019	463,565

Table 4. Bonus Points for Affordable Units in Project

Bonus Points Awarded	Rental Projects				Ownership Projects
	TOTAL	Very Low Income	Low Income	Moderate Income	Moderate Income
5	12.5%	2.8%	4.3%	5.3%	20.5%
10	13.0%	2.9%	4.5%	5.5%	21.0%
15	13.5%	3.1%	4.7%	5.8%	21.5%
20	14.0%	3.2%	4.9%	6.0%	22.0%
25	14.5%	3.3%	5.0%	6.2%	22.5%
30	15.0%	3.4%	5.2%	6.4%	23.0%
35	15.5%	3.5%	5.4%	6.6%	23.5%
40	16.0%	3.6%	5.6%	6.8%	24.0%
45	16.5%	3.7%	5.7%	7.0%	24.5%
50	17.0%	3.9%	5.9%	7.2%	25.0%

Table 5 outlines how additional fee payment affords bonus points to these nonresidential developments. The Emeryville Municipal code gives the following example to explain the fee payment:

"If the current fee for nonexempt uses were four dollars (\$4.00) per square foot, to earn thirty (30) points, an additional fee of two dollars and forty cents (\$2.40) per square foot would be required (sixty percent (60%) of four dollars (\$4.00)) for a total of six dollars and forty cents (\$6.40) per square foot. A use type that is normally exempt from the affordable housing impact fee would not pay the base fee of four dollars (\$4.00) per square foot, but would pay the fee increase of two dollars and forty cents (\$2.40) per square foot."

Table 5. Bonus Points for Nonresidential Uses

Bonus Points Awarded	Additional Fee
5	10%
10	20%
15	30%
20	40%
25	50%
30	60%
35	70%
40	80%
45	90%
50	100%

According to the City, the Development Bonus Program is regarded to be positively received and accepted by developer applicants. There have not been complaints expressed or clarifications needed, and the perception is that it is a clear program with straightforward requirements.

San Francisco

Carly Grob, Senior Planner at the City of San Francisco, was interviewed by EPS to supplement case study research.

Description

The City of San Francisco affords additional density to developments through the programs described below.

HOME-SF

Established in 2017, the optional program is designed to incentivize building more affordable and family-friendly housing in neighborhood commercial and transit corridors. HOME-SF grants density bonuses and zoning modifications for mixed-income projects that set aside 20 to 30 percent of units for low, middle and moderate-income families. Family-friendly housing is also incentivized if the project includes 40 percent two or more-bedroom units.



100% Affordable Housing Bonus Program (AHBP)

The AHBP was developed in 2016 to offer incentives to developers who built projects for solely for low and very-low income households. The incentives offered include additional height and density. Compared to HOME-SF, the eligibility requirements are not as stringent.

Analyzed State Density Bonus

The Program offers a streamlined process for developers requesting a density bonus that is aligned with the State Density Bonus. Affording up to a 35% increase in density, it includes a set menu of concessions, incentives, and waivers that project sponsors may choose to help achieve their bonus in an expedited fashion.

Individually Requested State Density Bonus Program

If a developer's project doesn't meet the requirements for the Analyzed program or

HOME-SF, it can use this program to still achieve additional density. Other incentives may be requested through this individual review process. This customized approach also allows for more zoning district options than the Analyzed State Density Bonus Program.

Transferable Development Rights (TDR)

Transferable Development Rights is a land use planning tool that enables a parcel's unused development rights to be allocated to a different parcel, giving the advantage of adding more density and therefore more value to the receiving development. For the selling parcel, an idle property right is turned in to payment. From a city perspective, they receive the benefit of maintaining overall density, enabling selling parcels to unlock funds for preservation or other community-beneficial purposes, and in some case, receiving an administrative fee for overseeing a transfer.

San Francisco created its TDR Program in 1985, as a response to a boom in high-rise office towers and subsequent anxiety over potential demolition of historical buildings. At the same time, the City simultaneously downzoned all of the Downtown Commercial C-3 district, capping the FAR at 9:1. This move served to make TDR in high demand for developers looking to exceed their now diminished development rights. Originally, the program was only available in the C-3 district, but within the district sending and receiving sites could be located anywhere (not limited to direct proximity). This allowed for a broader and more useable TDR marketplace.

The Central SOMA Plan's Special Use District extends the program to historic buildings and 100% affordable housing sites in the Plan area. It allows purchase of TDRs from both public and private properties in the Plan area or the Downtown's C-3 Districts for a portion of the FAR. The

maximum amount of TDR that is eligible for transfer is the difference between the allowable gross FAR permitted and the gross FAR of the existing development on the site.

The City's Planning Department does not serve as a broker of sales but they do oversee the program, monitoring TDR transfer, use, and cancellation. They are also responsible for approving applications, reviewing status reports and preservation plans, and updating a TDR database.⁵

According to the latest numbers from a 2013 report by Seifel Consulting, 2.3 million square feet of unused, certified TDR are in the marketplace and an additional 2.7 million square feet of TDR is eligible to be certified on private properties but has not yet been certified.

Table 6. FAR Limit on TDR Transfer Parcels by District

Transfer Lot District	FAR
C-3-S	5.0
C-3-C	6.0
C-3-G	6.0
C-3-O (SD)	6.0
C-3-R	6.0
C-3-S (SU)	7.5
C-3-O	9.0
P	7.5

Source: San Francisco Planning Department.

Modifications

HOME-SF

Initially, the HOME-SF program included only one option of bonus, which included an additional 30 percent of density or two additional stories. The City was hearing that developers generally weren't interested in the two-story bonus, as this specific jump would reclassify a project as a high-rise, which would thus result in raised construction costs and other constraints. Only one project was approved under this structure. After a year in place, the City revised the program to introduce the three tiers that are currently in place. Now the City has 8 or 9 HOME-SF projects that have utilized the tiered system, using mostly the first or second options.

The tiered system is temporary but the Planning Department would like to see it made permanent, as it seems to be leading to increased density.

The program also originally required a conditional use application, which meant that the Commission had to find the project necessary and desirable for the community. Now, however,

⁵ EPS made multiple requests to the San Francisco Planning Department for a copy of the most recent TDR database, however this information was never shared.

the program has its own project distinction, and while it still has to go to the Commission for approval, the stipulation that it be necessary and desirable for the community no longer applies.

Table 7. HOME-SF Tiered Benefit System

	Zoning Modifications Awarded	Additional Height Awarded Above Existing Height Limit	On-Site Affordability Requirement
Tier 1	Relief from Density Limit. 7 predetermined zoning modifications.	No Additional Height	20-30%
Tier 2		1 Story	25%
Tier 3		2 Stories	30%

Source: City of San Francisco Planning Department

Transferable Development Rights (TDR)

The program has seen a number of refinements over the years. In addition to extending the geography of the eligible transfer district, and expanding the transfer sites category from beyond historic structures, the City has made amendments to allow development rights to be transferred freely across the four types of downtown commercial zoning districts, which include office, retail, general commercial and support services. Prior to the amendment, they could only be transferred across like commercial zones.

The City also made improvements on the administrative side to start recording transfer details. From the program’s beginnings all the way to 2010, TDR sale prices and transactions were not required to be recorded. This lack of recordkeeping made it so that the City did not have an accurate pulse on the market for TDR.

Effectiveness and Reception

HOME-SF

Because this program cannot be applied in form-based zoning districts (most of which are located in the east side of the City) it has therefore been a useful tool for increasing density on the west side of the City. These western neighborhoods haven’t been particularly receptive to the changes though. The City has seen a lot of pushback occurring from residents concerned over impact neighborhood on character – introducing higher-density development into areas where it has generally been lower.

In terms of utilization, ten projects have taken advantage of the program, including those that were approved before the tiered system was introduced. Small and mid-sized projects, ranging from 10 to 20 units, are more often adding only a single story. This addition seems to be the “sweet spot” between a visual perception that is not overly bulky and a more profitable development.

100% Affordable Housing Bonus Program (AHBP)

According to the Planning Department’s projections, they anticipate that the program could yield as many as 5,000 new affordable units over the next 20 years.

Analyzed State Density Bonus

The City does not have any projects that have taken advantage of the Analyzed State Density Bonus.

Transferable Development Rights (TDR)

The TDR program is often viewed as a very successful program, due to the fact that it has been able to take advantage of millions of developable square feet that would have otherwise sat idly or forced out the presence of landmark structures in the City. Nearly 100 historic buildings around the City have sold their TDR, and while this is a success for the program, it is worth mentioning that these buildings could be at somewhat of a disadvantage in the future. Should they ever need to grow or change their physical buildout, they are restricted from adding square footage.

While there seems to be a strong supply of TDR from the most recent counts, its desirability is handicapped by the fact that the TDR is held by relatively small blocks that on their own wouldn't warrant enough value to a developer on an individual level. Therefore, assembling of multiple sites is required, creating a hurdle and disincentive from a potential buyer's perspective.

San Francisco's program allows third parties such as developers with entitled or proposed projects, brokers, investors, and financial institutions to own TDR. In this system, rights are often not readily implemented due to holder speculation that their value may increase with time. Based off a recommendation from the Seifel report, the City does appear to now require unused or expired TDR to re-enter the market, however, it is unclear what specific timeframe these rights are held to.⁵

The 2013 Seifel Report made a number of recommendations for the program going forward, which included annually reporting on TDR certification, use, and market pricing. The report also suggested implementing a property and transfer tax on TDR transactions based on price upon transfer. It is yet to be seen if these recommendations have been carried through.

Sunnyvale

Amber Blizinski, Principal Planner at the City of Sunnyvale, was interviewed by EPS to supplement case study research.

Description

Within the City of Sunnyvale, the Peery Park Specific Plan was researched because of its hybrid structure, consisting of both defined and negotiated benefits. Adopted in 2016, the Specific Plan details land use types and infrastructure needed for a 446-acre industrial part of Sunnyvale. The intent behind the Plan's Community Benefits Program is to maximize public benefits while preserving project feasibility.

The Program uses a tiered system, with the base tier consisting of the lowest maximum permitted FAR percentage and three successive tiers of increasing maximums. As permitted FAR

⁵ Seifel Consulting. *TDR Study: San Francisco's Transfer of Development Rights Program*. San Francisco Planning Department, 2013, pp. 1–83, *TDR Study: San Francisco's Transfer of Development Rights Program*.

increases, levels of required Community Benefits provisions increase accordingly. The different tiers also require specific application processes and different approval authorities. Requirements are further differentiated between Futures Sites and all other sites.

Defined Community Benefits

The defined benefits indicated the maximum increase in FAR percentage, from five to 17 percent. Every benefit with the exception of Childcare offers a tiered calculation method, affording more FAR for stronger benefits afforded.

1. Innovation-Friendly Development
2. Open Space/Landscaping
3. Publicly Accessible Open Space
4. Public Access Easement
5. Retail
6. Childcare
7. Publicly Accessible Recreation
8. Parking
9. Green Benefits

Flexible Community Benefits

Under the flexible benefits, the maximum increased FAR percentage is determined through negotiations with the City.

1. Innovation Anchor Facilities
2. Transportation/Streetscape Improvements
3. TDM Programs or Facilities
4. Sustainability Project Elements
5. Community Facilities or Services
6. Community Programs
7. Community Benefits Fund
8. Other Community Benefits

Modifications

There have been no changes or modifications to the plan, due to the fact that all available square footage has been used. There is however talk of updating the Specific plan to increase capacity, which will be further addressed toward the end of 2019.

Effectiveness and Reception

Every single project has taken advantage of the Green Benefits option, as developers are generally already used to incorporating such requirements. Retail and public open spaces are also popular options; however, none are built yet.

The City has collected \$2.4 million in flexible community benefits, which are due at occupancy. Because most projects are still under construction, the City is assuming they will collect another \$7 million once additional projects are complete.

From the City's perspective, the Program has been very beneficial. Taking advantage of their flexible community benefits fund to provide a local match, they applied for and were awarded a Metropolitan Transportation Commission (MTC) grant to engage with Santa Clara Valley

Transportation Authority for a shuttle service within the specific plan. Other City Council priorities that have benefited from the funds include upgrades to fire stations and the construction of a new Civic Center.

San Diego

In 2006, the City of San Diego adopted its Downtown Community Plan. The primary goals of the Plan are to increase development intensity in the downtown area and to provide new community amenities. To this end, the City developed a density bonus program in conjunction with the plan.

Description

The City of San Diego offers a formulaic Floor Area Ratio Bonus Program (FARBP) with clearly defined incentives. The program allows additional density bonuses (greater FAR) and/or regulatory exemptions in exchange for specific voluntary community benefits or predetermined cash payments. The plan includes a menu of potential options that offer a variety of ways in which projects may achieve greater density through the provision of community benefits. The Plan defines the following bonus options:

- *Affordable Housing* – offers a FAR bonus (applied to the residential component of a project) for projects meeting on-site affordable housing requirements (bonus varies with the type of affordable housing being built);
- *Urban Open Space* – requires a portion of the site to be allocated for open space, with Covenants, Conditions, and Restrictions (CC&Rs) recorded to ensure ongoing maintenance and use.
- *Three-Bedroom Units* – grants a bonus if 10 percent of dwelling units are three-bedrooms.
- *Eco-Roofs* – supports reduced storm water run-off, lower energy consumption, and decreased urban heat island effect.
- *Employment Uses* – calls for the provision of employment uses within projects.
- *Public Parking* – offers a square foot of FAR bonus for every square foot of dedicated public parking area.
- *FAR Payment Bonus Program* – allows FAR to be purchased. Fees are used to fund public parks and enhance public right-of-way improvements.
- *Green Building* – offers bonus for projects achieving a targeted level of building performance.

Figure 2 below illustrates the magnitude of combined incentives (bonus FAR) that may be pursued within San Diego's Downtown Community Plan area. **Table 8** provides a summary of the incentive program, including both the benefit requirement and the associated incentive provided by the San Diego program.

Table 8. Community Benefit Incentives

Public Benefit/ Development Amenity	Maximum FAR Bonus (addition to base FAR)	Notes
Affordable Housing	Formulaic	In compliance with State Density Bonus Law
Urban Open Space		Must meet Downtown Design Guidelines and be open to the general public between the hours of 6 AM and 10 PM everyday
10% of site	0.5	
20% of site	1.0	
Three-Bedroom Units		10% of units with a minimum of five three-bedroom dwelling units
50% of residential GSF	0.5	
80% of GSF residential	1.0	
Eco Roofs	1.0	To receive max bonus roof must be accessible to residents
Public Parking	Formulaic	1 square foot of parking earns 1 square foot bonus development entitlement
FAR Payment Bonus Program	5.0	Set in 2007 at \$15/sf and updated annually based on CPI; funds parks, open space, and right of way acquisitions
Green Building	2.0	Performance path (allows applicants to demonstrate level of sustainability) and prescriptive path (select from a menu of green building options)

Source: City of San Diego

Modifications

After one year of being in place, the Program was amended to improve bonus details. The refinements included implementing a sliding scale for the eco-roof bonus calculation, fine-tuning the applicability of the three-bedroom unit bonus to primarily residential projects, and removing the Public Right of Way improvements program from the offering entirely.

Furthermore, in 2012, the elimination of redevelopment and the loss of tax incremental funding led to additional modifications to expand areas where FAR could be purchased and increase amounts available for purchase. This alteration served to increase revenues for the Bonus Fund.

Plan Efficacy

Table 9 outlines how the FARBP has been utilized since its inception, examining how many projects have used a single FAR bonus, as well as those that have used multiple. The City notes that as the economy recovered from the Great Recession, developers did not maximize their FAR potential, leading to many 5-6 podium buildings.

Table 9. Overall Utilization of the FARBP (as of 2017)

Item	# of Projects	Percent of Total
Total Projects Eligible to Utilize FARBP Since 2006	85	N/A
# of Projects which Utilized the FARB	33	39%
# of Projects Utilizing Multiple FAR Bonuses	20	24%

Source: City of San Diego

Table 10 looks at how often specific bonus programs were utilized and how many additional residential units were generated to increase the amount of housing downtown. In 2017, the most recent year the program was analyzed, the City stated that the FAR Payment Bonus Program had been the most popular for built projects, followed by Eco-Roof. For approved projects, Green Building was the most popular followed by Affordable Housing.

Table 10. Specific Bonus Program Utilization and Results (as of 2017)

FAR Bonus Program	# / % of Projects	Bonus DU	Results / Comments
FAR Payment	16 / 19%	478	Over \$10 million generated for public parks and enhanced ROWs.
Green Building	16 / 19%	522	Construction of more sustainable buildings.
Eco-Roof	12 / 14%	194	Landscaped roofs provide bio-filtration and building cooling.
Affordable Housing	14 / 16%	849	Production of 377 affordable DU.
Three-Bedroom Units	10 / 12%	223	Production of 242 3-BR DU.
Urban Open Space	5 / 6%	129	Production of 5 open spaces areas.
Employment Use	1 / 1%	n/a	Sempra Building
Public Parking	1 / 1%	104	Required by DDA for 7th & Market; 200 public spaces.
Total DU generated from FARBP		2,499	

Source: City of San Diego

Issues and Opportunities

The 2017 Analysis report of the FARBP program identified areas for enhancing the specific FAR Bonus Programs. These comments and recommendations are summarized below:

Urban Open Space: Although the program has not been widely utilized, its bonus levels were deemed appropriate and changes were not recommended.

Three-Bedroom Units: The City is concerned that market-rate projects may be occupied by younger renters in roommate situations, rather than families, which may or may not be an unwanted consequence. The primary question posed was whether the maximum size limit should be increased from 1,300 to 1,600, as the current size is posing design issues for developers.

Eco-Roofs: The program may have potential enforcement issues in the future regarding maintenance. The price-per-square-foot of the FAR Bonus Payment was set at \$15 per sq. ft. in 2007 and is adjusted annually for inflation on July 1st of each subsequent year based on the Consumer Price Index (CPI) for urban San Diego County.

Public Parking: It appears to be undesirable to developers, possibly stemming from the cost of constructing parking as well as issues related to allowing the greater public into a building's garage. In addition, there is no minimum threshold or design criteria for public parking which could present problems.

FAR Payment Bonus Program: Has been the most popular, and provides highly desired funds for park and PROW improvements.

Green Building (GB): As the California Building Code has increased requirements around sustainable building, these program goals are easier for developers to achieve as they are already being required.

The analysis notes that there is a degree of competition between the various programs and over-incentivizing one could preclude the use of another. Weighting or amount of incentive for a program should thus closely correlate with its public benefit.

Culver City

Michael Allen, Currenting Planning Manager at the City of Culver City, was interviewed by EPS to supplement case study research.

Description

The City of Culver City established their City-wide Community Benefit Incentive Program in 2008.

The Program affords an increase from 35 units per acre to 50 (a 40% increase) for mixed-use projects. The public benefits that trigger the bonus allowance are described as a menu of options to developers, and include the following:

- Streetscaping improvements
- Public parking (in excess of that required by code)
- Pocket parks and open space (minimum 5,000 sf)
- Green construction
- Other benefits as approved by Council

In general, benefits must be provided in addition to what may be required as part of project approvals. The Community Benefits Contribution, defined as the developer's cost to provide the Community benefits, is a proportional share of the Additional Base Density Value. This additional value is defined as the profit derived from the additional number of units permitted through increased density. The benefits must also be incorporated on-site, unless the developer is providing an in-lieu fee to fund an off-site improvement.

To derive the required quantity of developer contribution, the number of additional units is multiplied by 15 percent of the market value of the unit. This value is agreed upon by the City and developer after being reviewed by a third party. Once the 15 percent is determined, 50 percent of this “value enhancement” is set as the requirement for community benefits.

Culver City also requires robust community engagement throughout the process. Three community meetings must be hosted by the developer, separate from those stipulated as part of the entitlement process. These are meant to gather community benefit buy-in or feedback, as even with the predetermined menu of benefits, developers still need to get community buy-in. Community comments are expected to be reported back to the City Council for changes to be made. According to Planning staff, however, they have yet to see projects follow through entirely with this process.

Modifications

The program was updated in 2017, nine years after its establishment, to respond to more relevant City goals and priorities. Released in a resolution, the new version added affordable housing and mobility measures as community benefits, and removed public parking in excess of that required. The other remaining benefits include pocket parks and public open space, and streetscape improvements.

Effectiveness and Reception

From the perspective of the developer, the formula for determining the contribution amount is seen as complicated and confusing. When trying to evaluate the market value of the unit, this can yield a wide range, which reduces the developer's ability to anticipate funds that will need to be set aside. Furthermore, the multiplication of 15 percent of the market value doesn't appear to have any basis, besides the result of a negotiation by Council members.

The process for implementation could also be improved, as developers struggle with when to solidify their community benefits. The City's current process is for the Council to first adopt a community benefit district before approving community benefits for a specific project.

Further modifications to the program are not currently in the works, but the Planning Department is aware of areas for improvement. To better react to changing priorities of the future, the City believes it would be prudent to be more flexible in how they are outlining community benefits. By providing a broader initial framework, they would be able to avoid the need for ongoing resolution amendments.

Planning staff ultimately believes that the most beneficial improvement would be to develop a long-range community benefits plan at a city-wide level. Ideally, this plan would already have community districts in place, and an associated, approved menu of options for each. By laying out districts, separate areas could focus more intently on separate needs, such as open space, transit, or affordable housing. The development of such a plan would benefit both developers and the community, as each stakeholder group would know what to anticipate.

Los Angeles

Giselle Corella, City Planning Associate at the City of Los Angeles, was interviewed by EPS to supplement case study research.

Description

In 1975, the City of Los Angeles created their first provisions for brokering the transfers of floor area. These provisions were standardized and codified in the Municipal Code in 1988, designated as the "Transfer of Floor Area Rights" (TFAR) Program, to apply to Downtown's Central Business District. Because the base Floor Area Ratio (FAR) in the CBD is set fairly low, the developer demand for unused floor area is high. This demand creates pressure on historic and other low-density buildings in the area to be redeveloped for more dense purposes. This pressure is relieved by permitting designated "sending" (e.g. low density) sites to sell/transfer their already-granted and unused floor area rights to parcels that are deemed eligible for receipt by the City.

To be able to take advantage of the program, the proposed transfer must fit the following guidelines:

1. The increase in Floor Area generated by the proposed transfer is appropriate with respect to location and access to public transit and other modes of transportation, compatible with other existing and proposed developments and the City's supporting infrastructure, or otherwise appropriate for the long-term development of the Central City;
2. The transfer serves the public interest; and
3. The Transfer is in conformance with the Community Plan and any other relevant policy documents previously adopted by the Commission or the City Council.

The Los Angeles Central Library's air rights transfers is known as one of the programs most successful transactions. In the exchange, the US Bank Tower located across the street, purchased the air above the library to help them achieve the rights to construct their seventy-three-story tower. This resulted in a \$50 million benefit to the City, which enabled them to rehab the Library's historic structure.

Modifications

The program has been modified a number of times throughout its history. It was first amended in 1985 to allow for larger transfers and to include an ordinance intended to preserve historic downtown buildings, specifically the City's Central Library.⁶

In 2010, a number of amendments were made including the stipulation that the City Planning Director will approve projects less than 50,000 SF, and projects larger than 50,000 SF go before Planning Commission for approval. Another amendment added new definitions to allow mixed use projects within 1,500 feet of rail transit stations to be eligible for transfers of additional floor area.

These 2010 amendments also included additional specifications regarding the public benefit payment. In its original form, the TFAR required developers to make a Public Benefit Payment to the City of \$35 per square foot of transferred floor area, which was designated for affordable housing, open space, historic preservation, public transportation and public/cultural facilities. Today, the payments may also benefit job training and outreach programs, affordable child care; streetscape improvements, public arts programs, and homeless services programs.

⁶ "Los Angeles, California." *Smart Preservation*, smartpreservation.net/los-angeles-california/.

The public benefit payment amount is now contingent upon the following formula:

“The Public Benefit Payment under any Transfer Plan shall equal: (1) the sale price of the Receiver Site, if it has been purchased through an unrelated third-party transaction within 18 months of the date of submission of the request for approval of the Transfer, or an Appraisal, if it has not; (2) divided by the Lot Area (prior to any dedications) of the Receiver Site; (3) further divided by the High-Density Floor Area Ratio Factor; (4) multiplied by 40%; and (5) further multiplied by the number of square feet of Floor Area Rights to be transferred to the Receiver Site.”

Example: If Receiver Site with a Lot Area of 100,000 square feet (before any dedications) was purchased for \$40,000,000 (through an unrelated third-party transaction within 18 months of the date of submission of the request for approval of the Transfer), the Public Benefit Payment under a Transfer Plan transferring 100,000 square feet of Floor Area Rights would equal: (a) \$40,000,000 (the purchase price); (b) divided by 100,000 (the Lot Area of the Receiver Site); (c) divided by 6 (the High-Density Floor Area Ratio Factor); (d) multiplied by 40%; and (e) multiplied by 100,000 (the number of square feet of Floor Area Rights to be transferred) = \$2,666,666.67 (or \$26.67 for each square foot of transferred Floor Area Rights).

Effectiveness and Reception

Today the TFAR program is mainly a revenue generating program for the City. Besides the Central Library, the Convention Center and Staples Center have been mutually beneficial sources of transferable development rights. Because of its well-established history in downtown LA, and its multiple revisions and refinements, the program is well understood and utilized in the City. The current effectiveness, however, while still strong, is beginning to curb, as less and less rights are still on the table in the area. This situation has led the City to look more comprehensively at how they can realize community benefits.

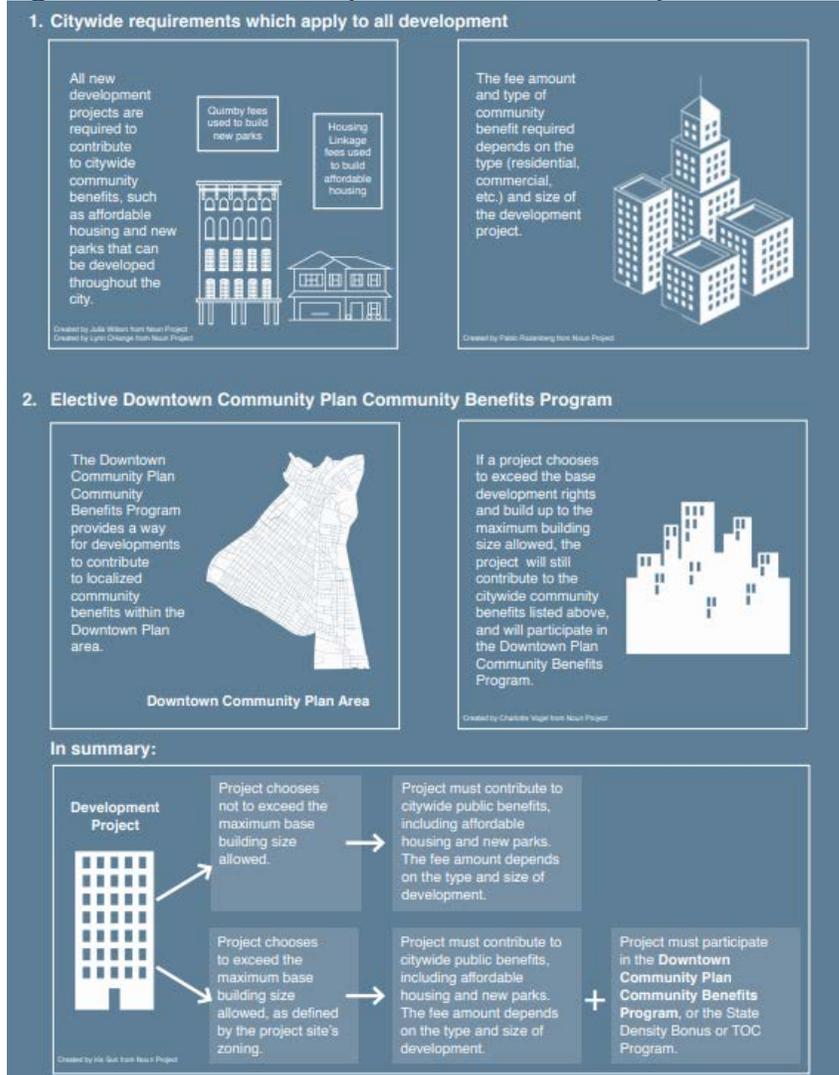
The Downtown Community Plan, the relevant policy document for the program, is now in the process of being updated. A draft of the Plan outlines a broader Community Benefits Framework, which strives to prioritize affordable housing and the provision of on-site community benefits through a transparent process.

New development within the Downtown Plan Area may participate in the Downtown Community Benefits Program, as permitted by the applicable zoning regulations. The zoning will outline a base maximum and bonus maximum development capacity, and in some cases a base and bonus maximum story height. Development projects can elect to exceed the base maximum building size by participating in the Community Benefits Program.

Figure 3. Level of Incentives and Community Benefits for Residential Development



Figure 4. Relationship between New Development and Public Community Benefits



Source: City of Los Angeles

Case Studies: Lessons Learned

This analysis focuses on the case studies of community benefit programs in Emeryville, San Francisco, Sunnyvale, San Diego, Culver City, and Los Angeles. Based off a comprehensive review of each case study, the following findings were seen as key lessons learned from zoning incentive and TDR programs that the City of Oakland should take into account for future policy and program development.

1. Streamline community benefit categories.

The City of Emeryville revised their program categories from 19 down to seven. Some of the more specific categories were grouped together to become a single, less-nuanced category, and some were eliminated altogether. This led to less confusion and better engagement with developers.

2. Anticipate that benefit categories will compete among themselves.

The City of San Diego recognized that there is a degree of competition between the various categories and over-incentivizing one could preclude the use of another. Weighting or amount of incentive for a program should thus closely correlate with its public benefit.

3. Design a flexible framework of benefits.

The City of Culver City advocates that to better react to changing priorities of the future, the Community Benefits program should not have too many rigid, detailed categories. By providing a broader initial framework, the need for future resolution amendments is diminished or eliminated. Their Planning staff ultimately believes that the most beneficial improvement would be to develop a long-range community benefits plan at a city-wide level.

4. Consider smaller-scale bonuses for smaller-scale projects.

With San Francisco's Home SF Program, small and midsized projects (ranging from 10 to 20 units) that have been approved for a bonus are often adding only a single story, even if they could add two. This one-story density bump seems to be the "sweet spot" between a visual perception that is not overly bulky and a more profitable development.

5. Offer a FAR payment bonus program category.

Several cities acknowledged that their simple fee payment category, rather than one tied to an explicit capital or programmatic need, was often the most commonly utilized option. In addition to being straightforward for the developer, this route gives the City discretion to decide how the funds would best be utilized based on current community conditions and needs.

6. Minimize restrictions to eligible TDR transaction sites.

The approach of allowing non-adjacent sending and receiving sites across zoning districts, taken by the City of San Francisco, has led to a more dynamic, appealing, and better-utilized marketplace.

7. Require unused or expired TDR to re-enter the market.

San Francisco's program has allowed third parties such as developers with entitled or proposed projects, brokers, investors, and financial institutions to own TDR. In this system,

rights are often not readily be implemented due to holder speculation that their value may increase with time.

8. Incorporate a public benefit payment to TDR transactions.

The City of Los Angeles collects a fee from developers for processing the transfer. This fee can be put towards historic preservation, but also towards a range of other community benefits, such as affordable housing, open space, public transportation, public/cultural facilities, job training and outreach programs, affordable child care, streetscape improvements, public arts programs, and homeless services programs.

3. ZONING INCENTIVES MARKET AND FINANCIAL ANALYSIS

This chapter provides a market assessment focused on office and rental residential uses in a mixed-use format, identifies the tested prototypes, and describes development feasibility analysis and methodology.

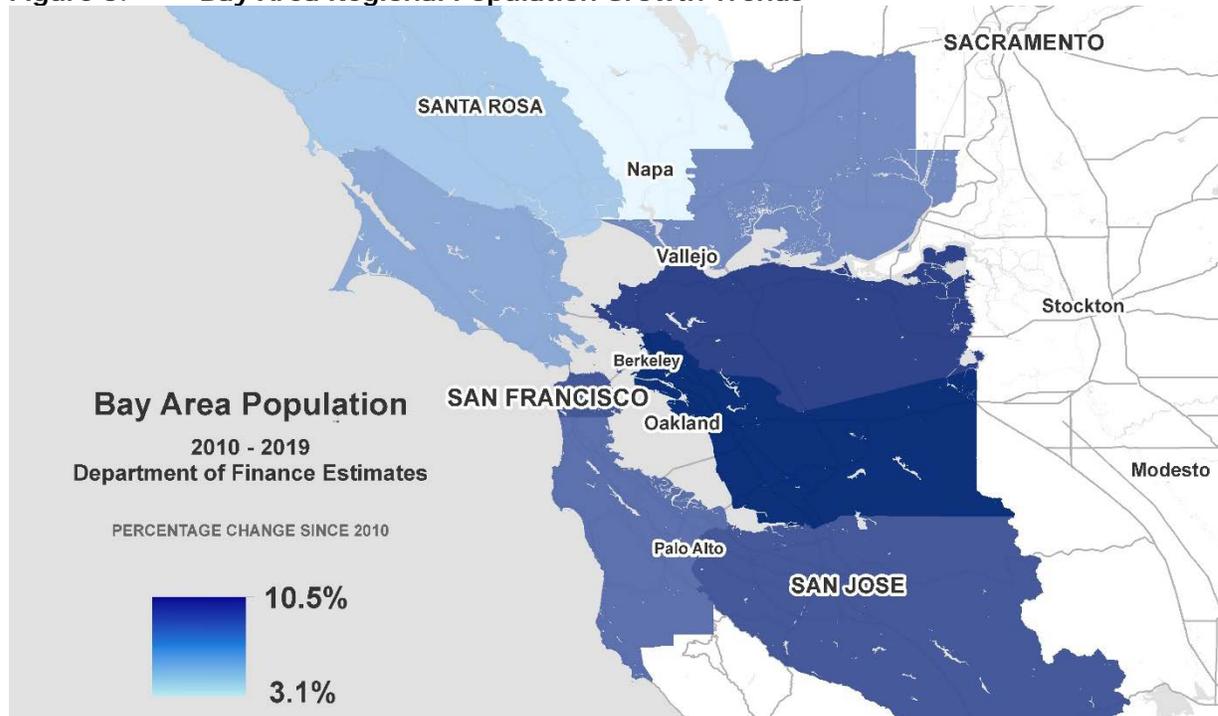
Market Assessment

The DOSP envisions providing incentives in Downtown that allow increased heights, densities, and floor area ratios. This section of the report documents real estate market analysis specific to the DOSP geography. The findings are then used to inform development feasibility regarding the economic viability of mixed-use development in Downtown. The analysis begins with a look at the broader Bay Area region, and then focuses more specifically on Downtown Oakland's office and residential markets.

Real Estate Market Overview

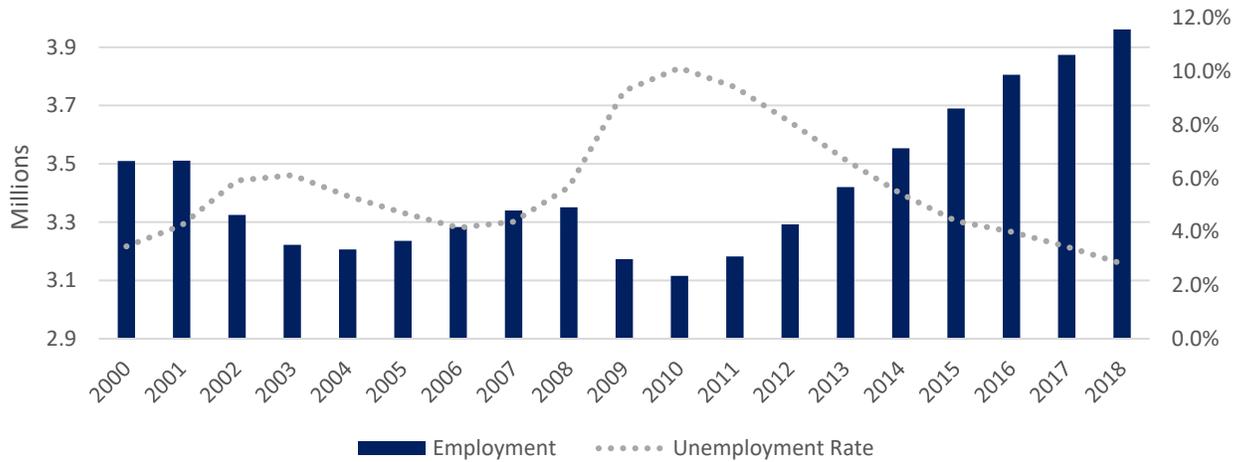
Each of the nine Bay Area counties have seen measurable population growth over the past decade. Alameda County has led the region's growth, with 10.5 percent change since 2010. The North Bay counties of Napa, Sonoma, and Marin have grown the least 3 to 4 percent (Figure 5). Like the population, employment growth in the region has also been robust. Figure 6 shows 9-county Bay Area regional employment numbers rising, with the unemployment rate dropping steadily since 2010 and 2018.

Figure 5. Bay Area Regional Population Growth Trends



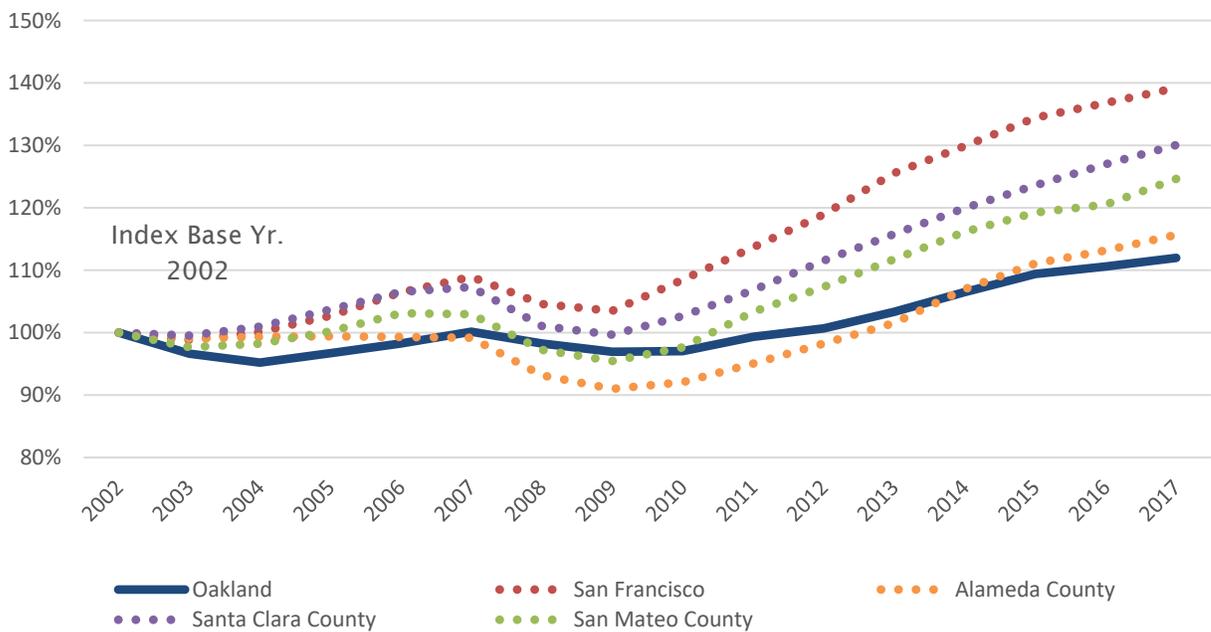
Source: Department of Finance, Economic & Planning Systems.

Figure 6. Bay Area Regional Employment Growth (9-County Geography)



Source: U.S. Census, Longitudinal Employer-Household Dynamics

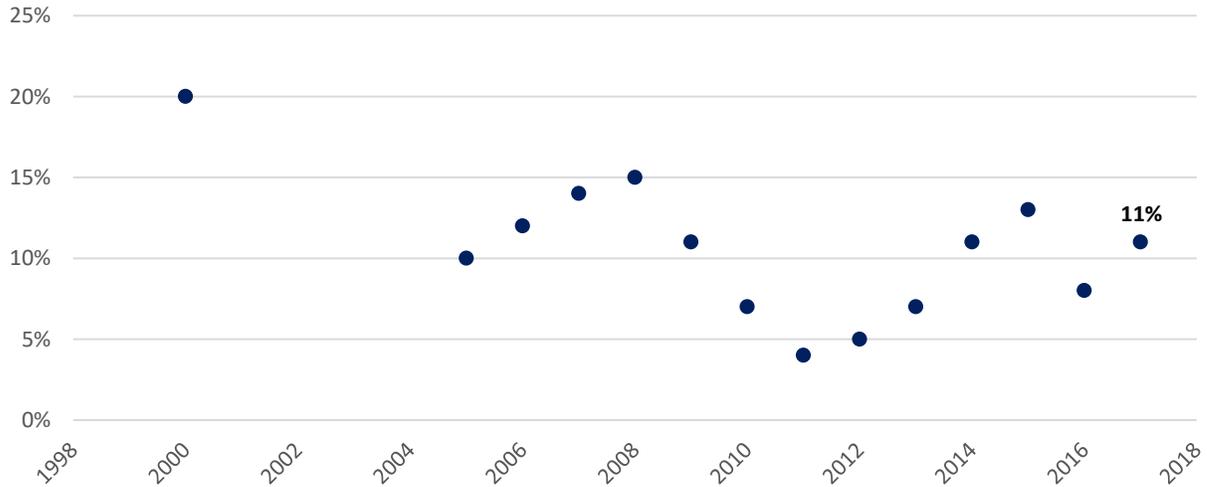
Figure 7. Bay Area Regional Employment Growth



Source: LEHD, Economic & Planning Systems

San Francisco has led the employment growth charge, with Oakland and Alameda County also experiencing growth, but at a less dramatic scale than San Francisco and Silicon Valley (Figure 8). Despite job growth, real income has declined. Income growth since 1970 was at its highest in 2000, where it had grown to 20 percent. Since that time, incomes have fluctuated, up 11 percent since 1970, but 9 percent lower than the region’s peak during the dot-com boom (Figure 9). The higher compensations seen over the last decade have helped to escalate housing prices. Overall, however, rapid employment growth in the Bay Area since 2011 has been driving strong demand for office and residential space.

Figure 8. Bay Area Regional Median Income Growth, Inflation-Adjusted Percent Change Since 1970



Source: Metropolitan Transportation Commission.

Downtown Oakland Office Market

The Downtown Oakland Office Inventory Summary reveals that, in contrast to the market’s revitalization over the last five years, the previous 12 months (Q4 2018-2019) have not seen any construction starts. 12-month occupancy levels look particularly low compared to what is typically seen in the broader market area, which can likely be attributed to a recently delivered building activity in Downtown that was not built to suit.

Table 11. Downtown Oakland Office Inventory Summary¹

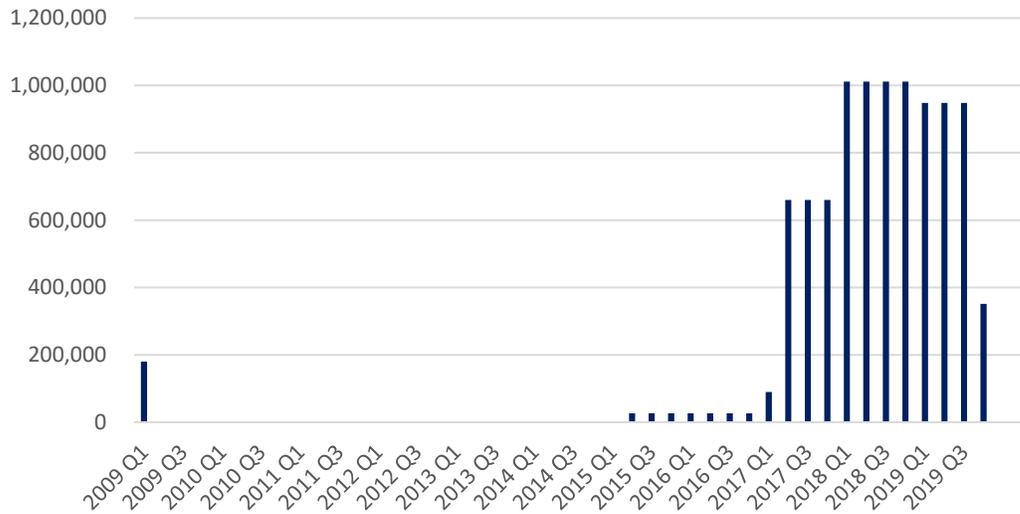
Existing Buildings	292
Under Construction Avg. Sq. Ft.	351K
12 Mo. Demolished Sq. Ft.	21.7K
12 Mo. Occupancy % at Delivery	41.9%
12 Mo. Construction Starts Sq. Ft.	0
12 Mo. Delivered Sq. Ft.	660K

¹ Reflects data from Q4 2019.

Source: CoStar.

The first post-financial crisis office construction took off in Q2 of 2015, with 27,000 square feet of space. After that initial entry into the market, construction boomed during 2017 and 2018, with the peak occurring in Q2 of 2017. While there was 351,000 square feet under construction in Q4 of 2019, this number is a 65 percent drop from the previous quarter. While construction is still currently taking place, it is not on the rise (**Figure 9**).

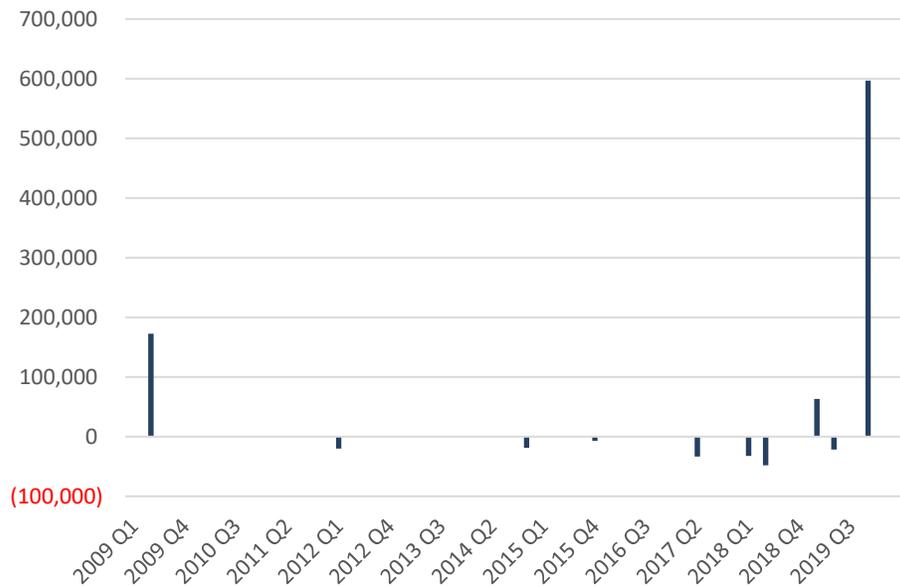
Figure 9. Downtown Oakland Office Space Under Construction (Square Feet)



Source: CoStar.

After a number of years of neutral or negative net office space deliveries, Downtown has seen positive net deliveries over 2019 (**Figure 10**). This can be primarily attributed to Shorenstein's 600,000-square foot 601 City Center development.

Figure 10. Downtown Oakland Office Space Net Deliveries (Square Feet)

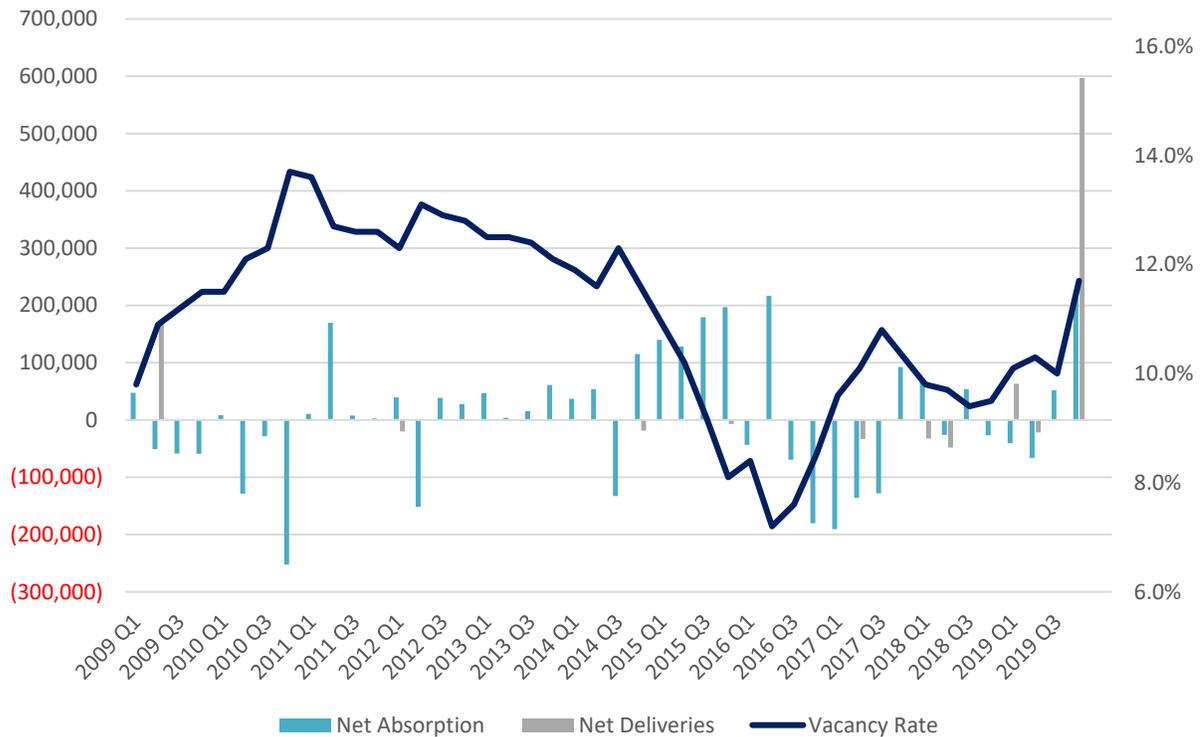


Source: CoStar.

While deliveries have been on the rise, absorption has not kept pace with the influx, and vacancy levels reflect this as well. After steadily dropping starting in 2010, vacancy levels first began to rise in Q2 of 2016. Q3 2016 to Q3 2017 saw negative net absorption⁷.

Current QTD vacancy is at 12 percent (**Figure 11**). As a result, additional absorption or new anchor tenants are likely needed to stimulate office development. Office rents have grown to nearly \$54 per square foot, more than doubling since 2010 (**Figure 12**). While lease rates have been on an upward trajectory, a \$0.25 per square foot drop from Q1 to Q3 of 2019 suggest vacancy may be weighing on lease rate growth.

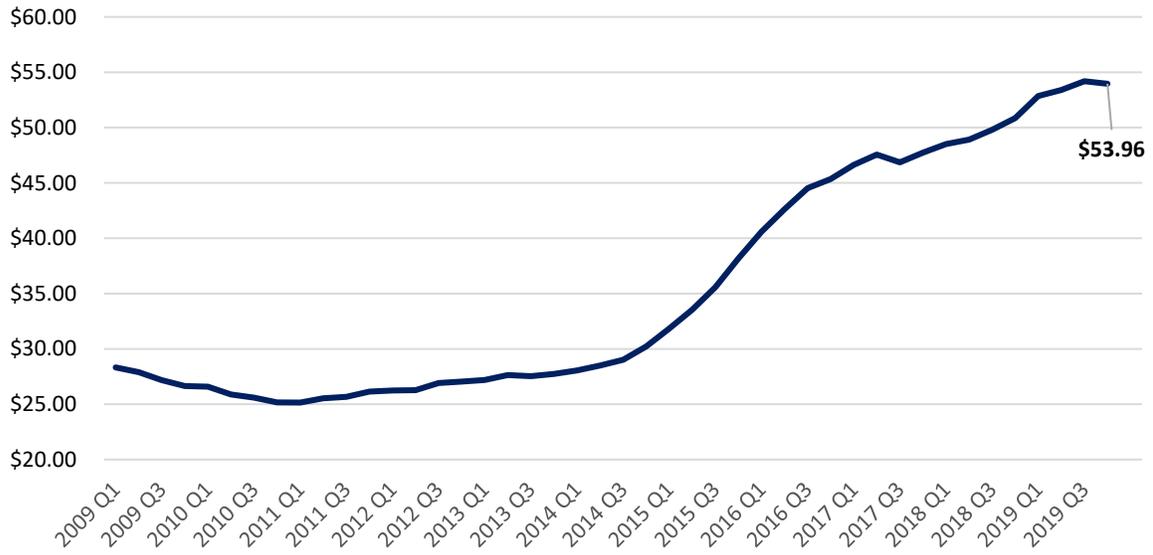
Figure 11. Downtown Oakland Office Space Net Absorption, Net Deliveries, and Vacancies (Square Feet)



Source: CoStar.

⁷ Net absorption is defined as the measure of total square feet occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period of time. Negative net absorption indicates more move-outs than move-ins.

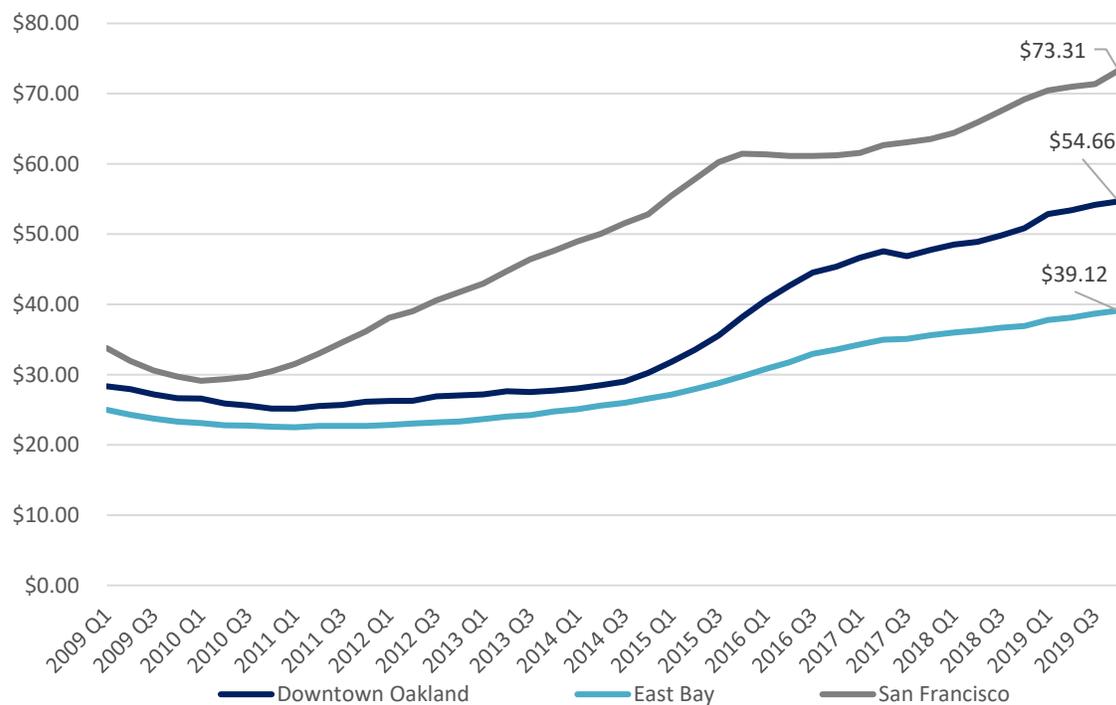
Figure 12. Downtown Oakland Office Space Market Rent per Sq. Ft. (Annual, Full Service)



Source: CoStar.

The region has experienced strong demand growth reflective of economic recovery and job creation, as evidenced by increasing rents since 2010. While rents in Oakland have historically exceeded the East Bay average as a whole reflective of its central position and accessibility advantages, the City's Downtown has also historically underperformed relative to office space in San Francisco. However, Downtown Oakland's 25 percent rent discount relative to San Francisco has allowed it to capture some of the tenants moving to the East Bay in search of lower cost work space (**Figure 13**). To the extent that employment growth continues and San Francisco work space is increasingly scarce, Oakland is well positioned to continue capturing new institutional tenants. For example, in recent years, Blue Shield and the University of California Office of the President have signed new leases for significant office space in Downtown Oakland.

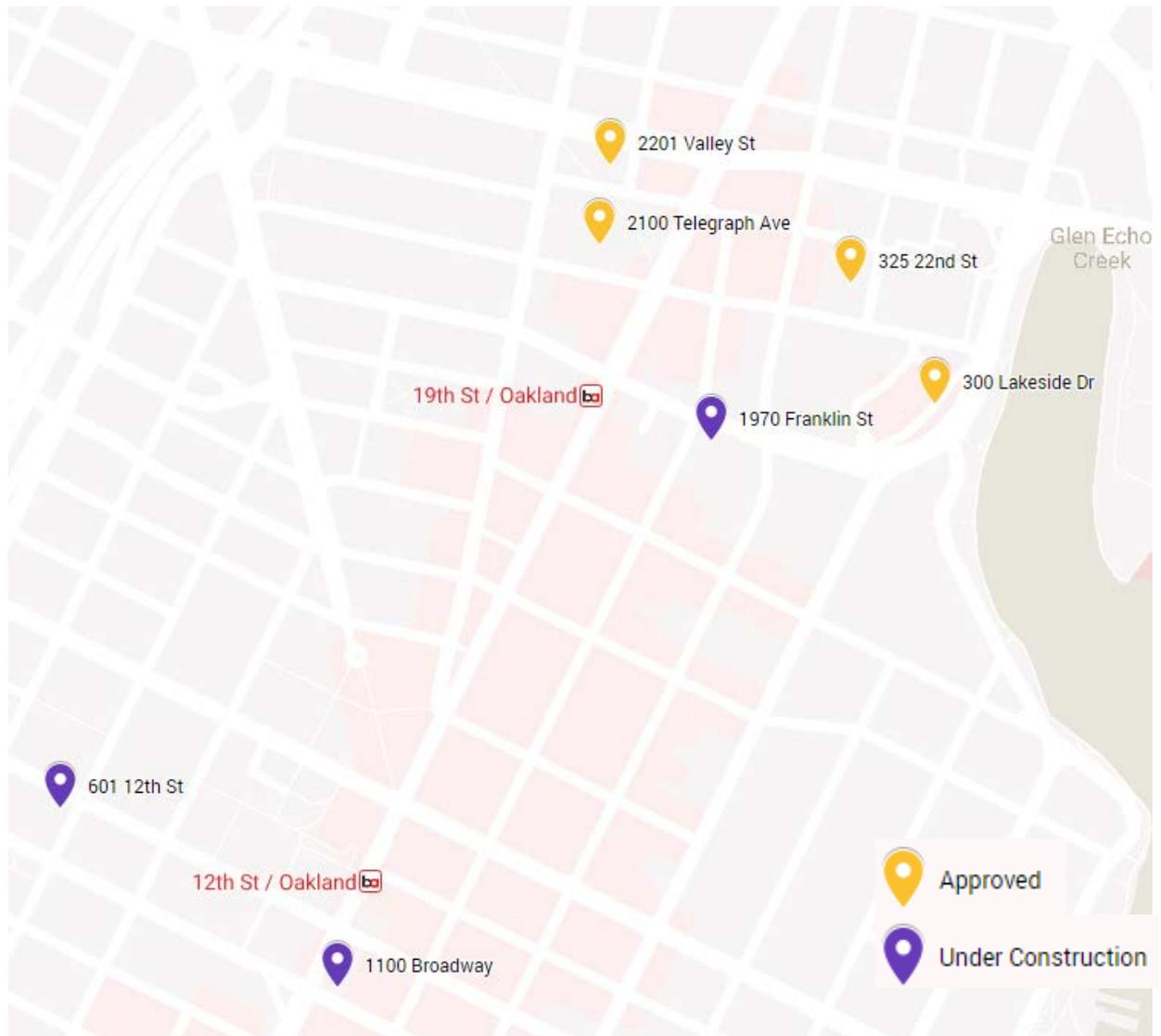
Figure 13. Rent Comparison by Geography



Source: CoStar.

Looking to the pipeline (**Figure 14**), there are a number of large office projects in the Downtown area that have been approved, and are already underway with construction. This development has taken place in Type 1 construction (towers) and in rehab projects. **Table 12** details these recently delivered, under construction, and approved projects.

Figure 14. Downtown Oakland Large Office Development Pipeline



Source: Economic & Planning Systems.

Table 12. Office Projects in Downtown Oakland

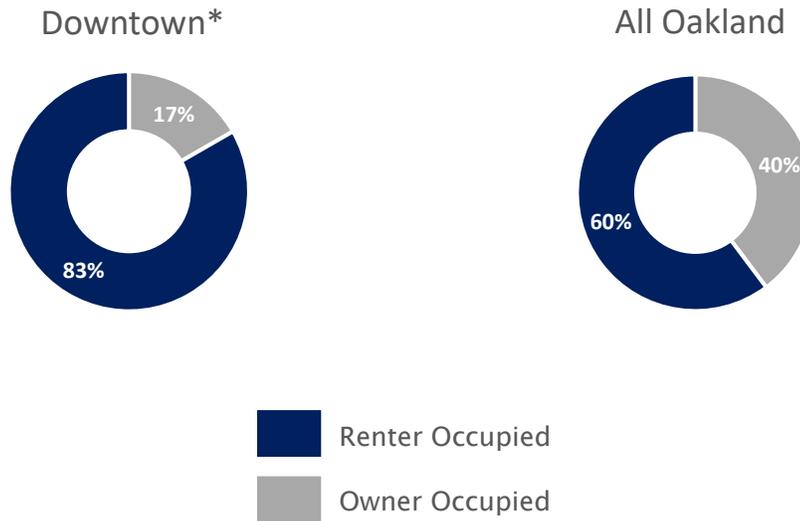
Case Studies in the Downtown Area	
	<p><i>Recently Delivered</i></p> <p><u>City Center</u> Developer: Shorenstein Address: 601 12th Street Sq. Ft.: 600,000 Stories: 24 Details: Broke ground in 2008, delivered in 2019; Blue Shield is the anchor tenant, taking 255,000 SF; approximately 300,000 SF of Class A space available for tenant improvements.</p>
	<p><i>Under Construction</i></p> <p><u>The Key</u> Developer: Ellis Partners Address: 1100 Broadway Sq. Ft.: 334,000 Stories: 18 Details: UCOP is the anchor tenant, will occupy 10 floors; anticipated opening Q1 2020.</p>
	<p><i>Approved</i></p> <p><u>Eastline</u> Developer: Lane Partners and Suda Address: 2100 Telegraph Sq. Ft.: 1,570,000 Stories: 27 Details: Will set aside 18,000 sq. ft. for arts.</p>

Case Studies in the Downtown Area	
	<p><i>Approved</i></p> <p><u>2201 Valley</u> Developer: TMG Partners Address: 2201 Valley Sq. Ft.: 760,000 Stories: 27 Details: Will set aside space for the arts.</p>
	<p><i>Approved</i></p> <p><u>Two Kaiser Center</u> Developer: CIM Group Address: 325 22nd Street Sq. Ft.: 1,100,000 Stories: TBD Details: CIM has approvals for either a 250- or 450-foot tower on a parking lot adjacent to existing Kaiser Center holdings.</p>

Downtown Oakland Rental Residential Market

Downtown has a much higher ratio of renters than Oakland as a whole, characterized by its higher density housing inventory. This population concentration has allowed high-rise residential rental projects to be attractive real estate investments.

Figure 15. Tenure in Downtown Oakland compared to Citywide



The Inventory Summary reveals that the residential market has seen high development activity over the past year, with construction resulting in several new units coming online recently or to come in the short term (**Table 13**). Over the last decade, the Downtown market has been very active, delivering 1,845 units. There are currently 2,600 units under construction, with another 10,097 units in the citywide development pipeline (**Figure 16**).

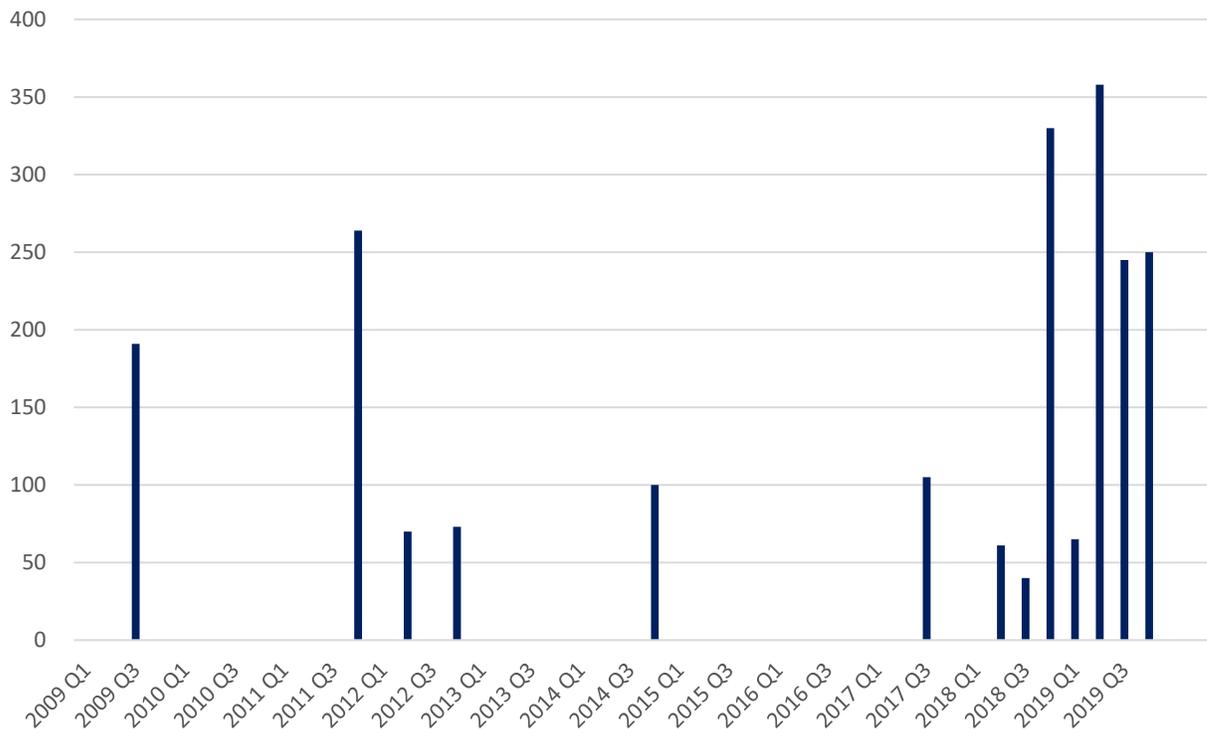
Table 13. Downtown Oakland Multifamily Inventory Summary¹

Existing Buildings	184
Average Units Per Building	45
12 Mo. Demolished Units	-
12 Mo. Occupancy % at Delivery	20.1%
12 Mo. Construction Starts Units	515
12 Mo. Delivered Units	1,137
12 Mo. Average Delivered Units	171

¹ Reflects data from Q4 2019.

Source: CoStar.

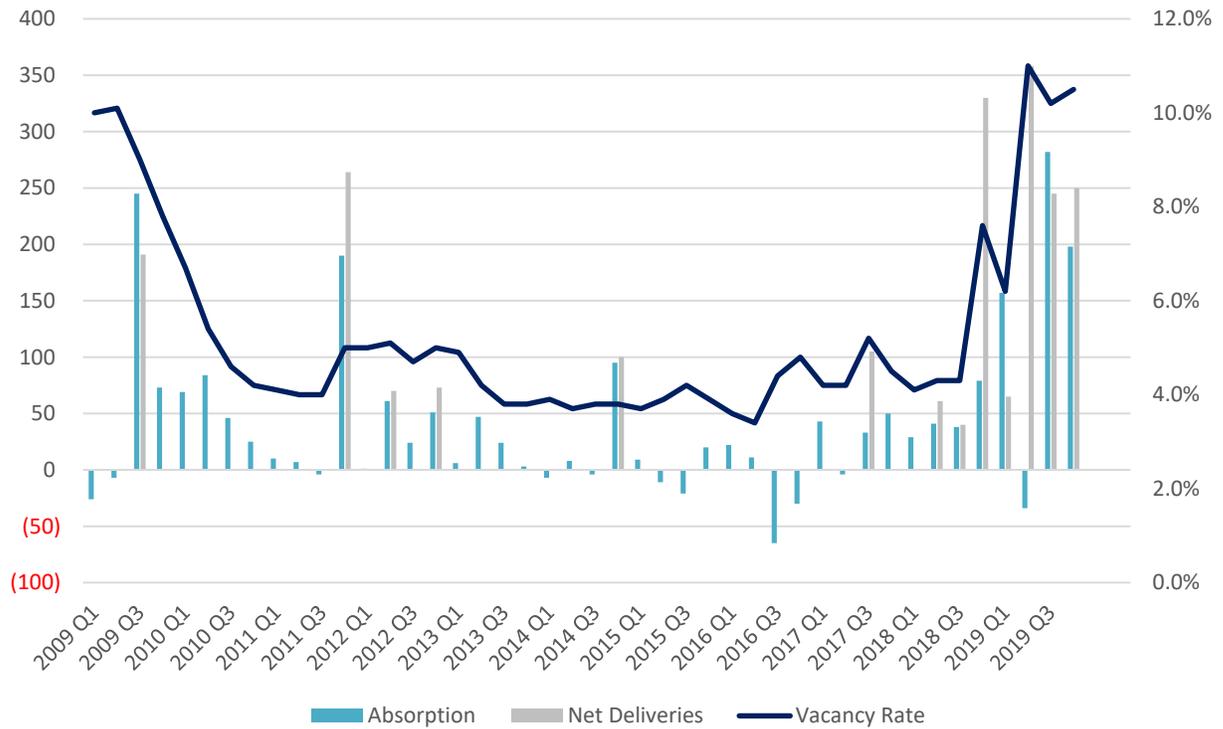
Figure 16. Net Deliveries (Units)



Source: CoStar.

Vacancy rates have been tracking closely with deliveries, and have doubled since the start of the decade (**Figure 17**). Due to pressure from increasing vacancies, developers have recently started to offer concessions to prospective renters, offering weeks to months of free rent to entice move-ins. This suggests that the market is softening.

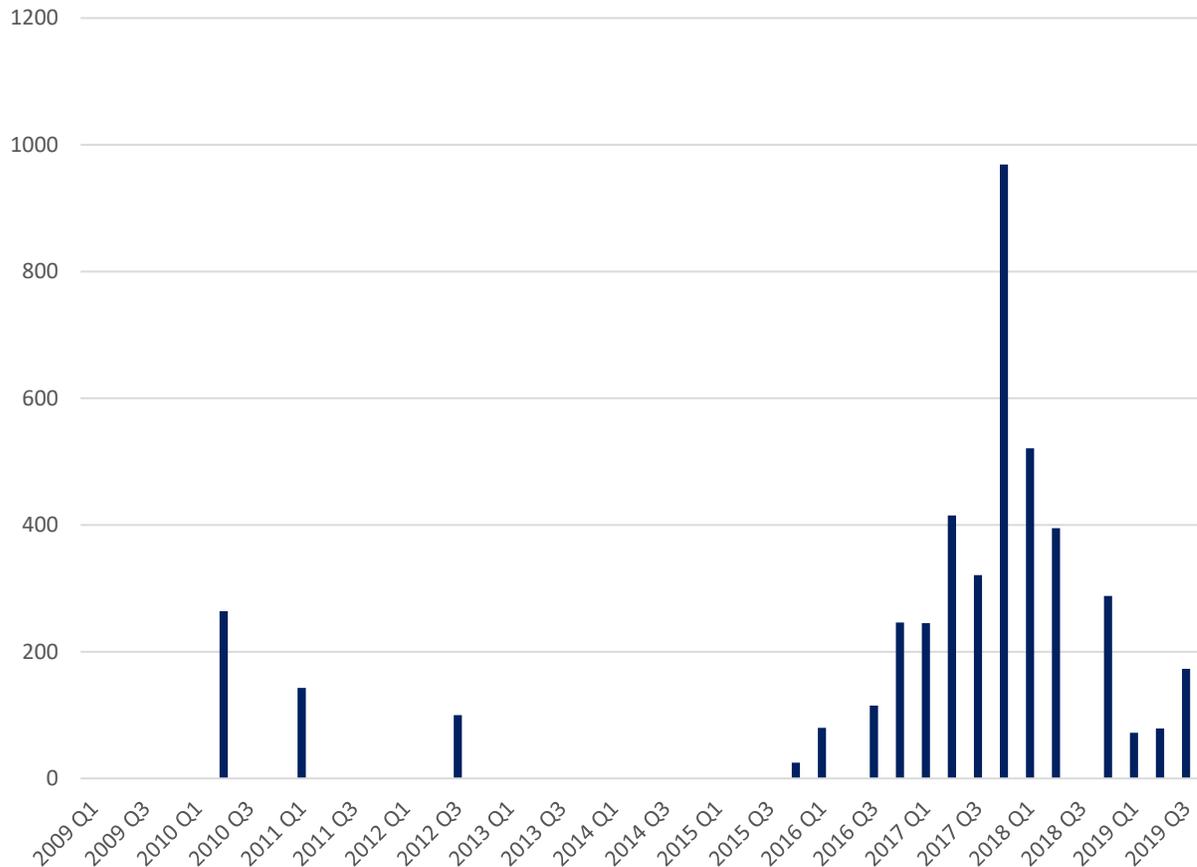
Figure 17. Downtown Oakland Residential Net Absorption, Net Deliveries, and Vacancies (Square Feet)



Source: CoStar.

While there has been a high number of construction starts in the last year, this sum is dramatically lower than the year prior. The tapering of activity, seen in **Figure 18**, indicates that construction will continue to wane, before increasing again when the next development cycle takes off.

Figure 18. Construction Starts (Units)

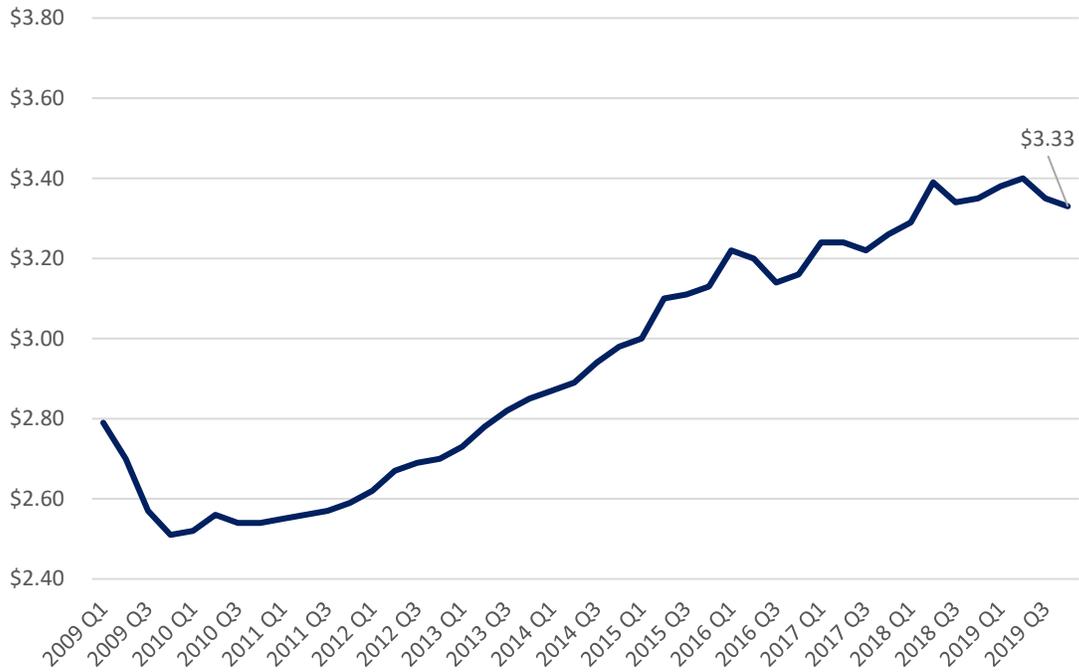


Source: CoStar.

Per square foot rents have increased 32 percent since Q1 2010, but with recent deliveries and the accompanied increase in vacancy, rents have stabilized and even dropped over the last quarter (**Figure 20**). This slowdown in rental rates has created a development challenge for new projects, as costs are not showing this same cooling. Furthermore, the widening supply of units, and increased offering of concessions is resulting in even lower rental housing development profits.

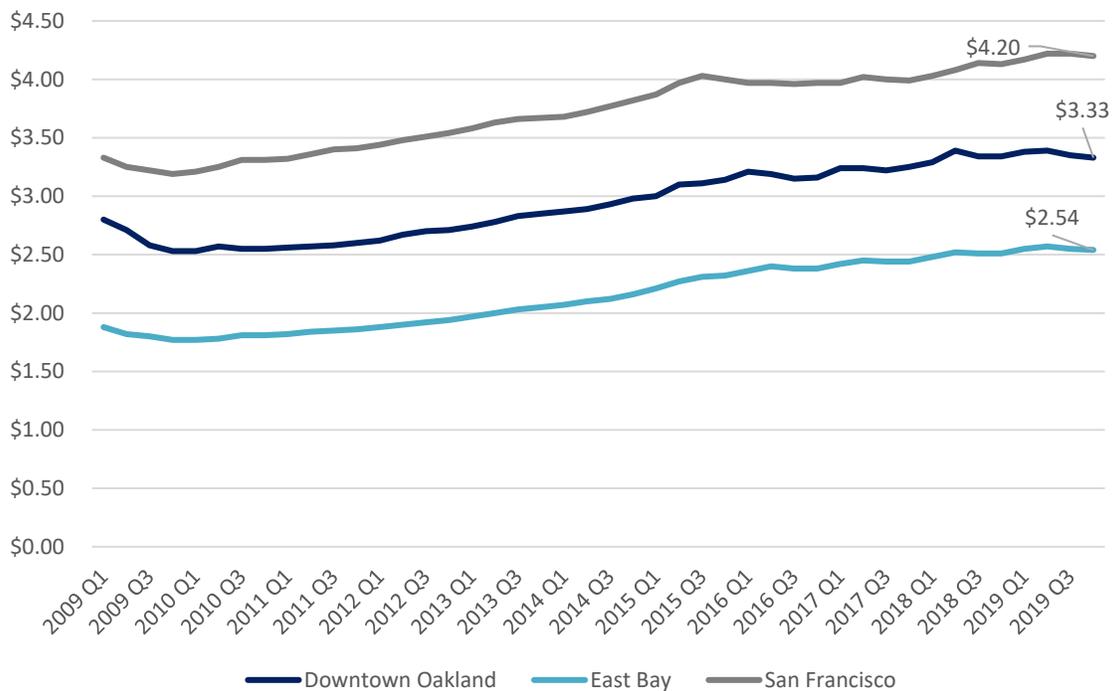
Like the office market, the Downtown residential market is a more affordable alternative to San Francisco (26 percent less expensive), but still holds a 31 percent premium over the East Bay as a whole (**Figure 21**). With continued vitality in the job market, Downtown Oakland is a desirable location to renters commuting throughout the East Bay, as well as in to San Francisco.

Figure 19. Downtown Oakland Residential Market Rent per Square Foot



Source: CoStar.

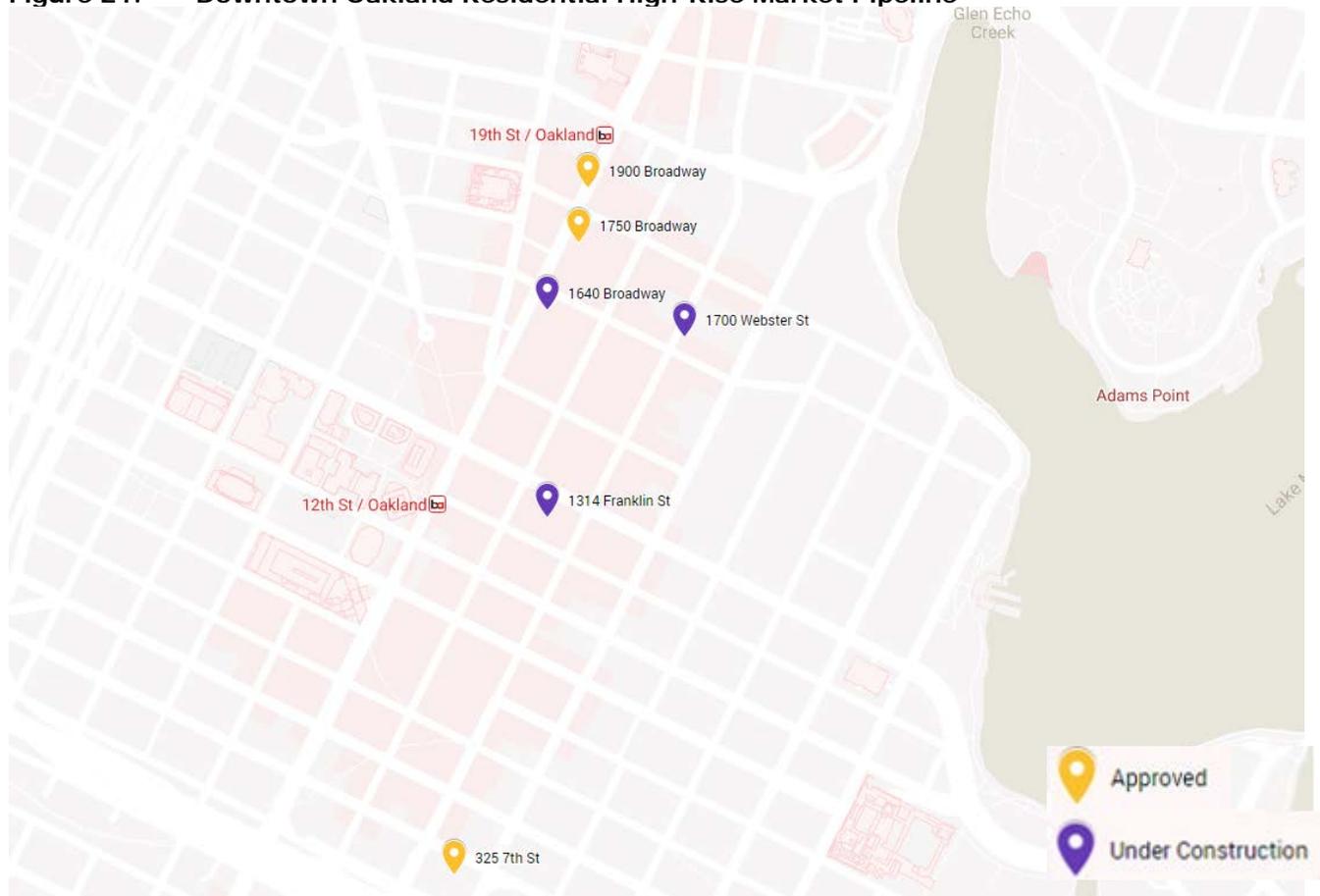
Figure 20. Downtown Oakland Residential Market Rent per Square Foot by Geography



Source: CoStar.

The residential high-rise pipeline, mapped in **Figure 21**, shows three projects in the downtown area under construction, and three others have obtained approvals to move forward. **Table 14** details these recently delivered, under construction, and approved projects.

Figure 21. Downtown Oakland Residential High-Rise Market Pipeline



Source: Economic & Planning Systems.

Table 14. Residential Projects in Downtown Oakland

Case Studies in the Downtown Area	
	<p><i>Recently Delivered</i></p> <p>Developer: Lennar Multifamily Communities Address: 1640 Broadway Units: 254 Stories: 33 Delivered: Q3 2019</p>
	<p><i>Under Construction</i></p> <p>Developer: Carmel Partners Address: 1314 Franklin Units: 633 Stories: 40 Anticipated Delivery: Q3 2020</p>
	<p><i>Under Construction</i></p> <p>Developer: Gerding Edlen Address: 1700 Webster Units: 206 Stories: 20 Anticipated Delivery: Q4 2019</p>
	<p><i>Under Construction</i></p> <p>Developer: NASH Communities, Holland Partners Address: 1721 Webster Units: 250 Stories: 25 Anticipated Delivery: Q1 2020</p>

Case Studies in the Downtown Area	
	<p><i>Approved</i></p> <p>Developer: Lincoln Property Co. Address: 1900 Broadway Units: 452 Stories: 36</p>
	<p><i>Approved</i></p> <p>Developer: Balco Properties Address: 325 7th Street Units: 380 Stories: 24</p>
	<p><i>Approved</i></p> <p>Developer: Rubicon Point Partners Address: 1750 Broadway Units: 307 Stories: 37</p>

Real Estate Development Prototypes

The EPS analysis considers eight development prototypes summarized in **Table 15**. These prototypes provide a high-level characterization of typical mixed-use projects expected to be developed in the DOSP. For each prototype, the analysis evaluates the current “base zoning” and an “upzoning” scenario.⁸ The prototypes were drawn from different neighborhoods within the City’s Downtown and include office, residential, and ground floor retail uses. They were developed by EPS in close coordination with the City staff. Each prototype is briefly described below.

- Prototype 1: Base zoning office high-rise upzoned to a higher density office high-rise
- Prototype 2: Base zoning residential high-rise upzoned to higher density residential
- Prototype 3: Base zoning residential mid-rise upzoned to residential high-rise
- Prototype 4: Base zoning residential low-rise upzoned to residential high-rise
- Prototype 5: Base zoning residential mid-rise upzoned to higher density residential mid-rise
- Prototype 6: Base zoning low-rise office upzoned to residential high-rise
- Prototype 7: Base zoning low-rise office upzoned to residential high-rise
- Prototype 8: Base zoning low-rise office upzoned to residential high-rise

Figure 22 presents a map of the prototype locations with detailed prototype descriptions and key assumptions shown in **Appendix A**.

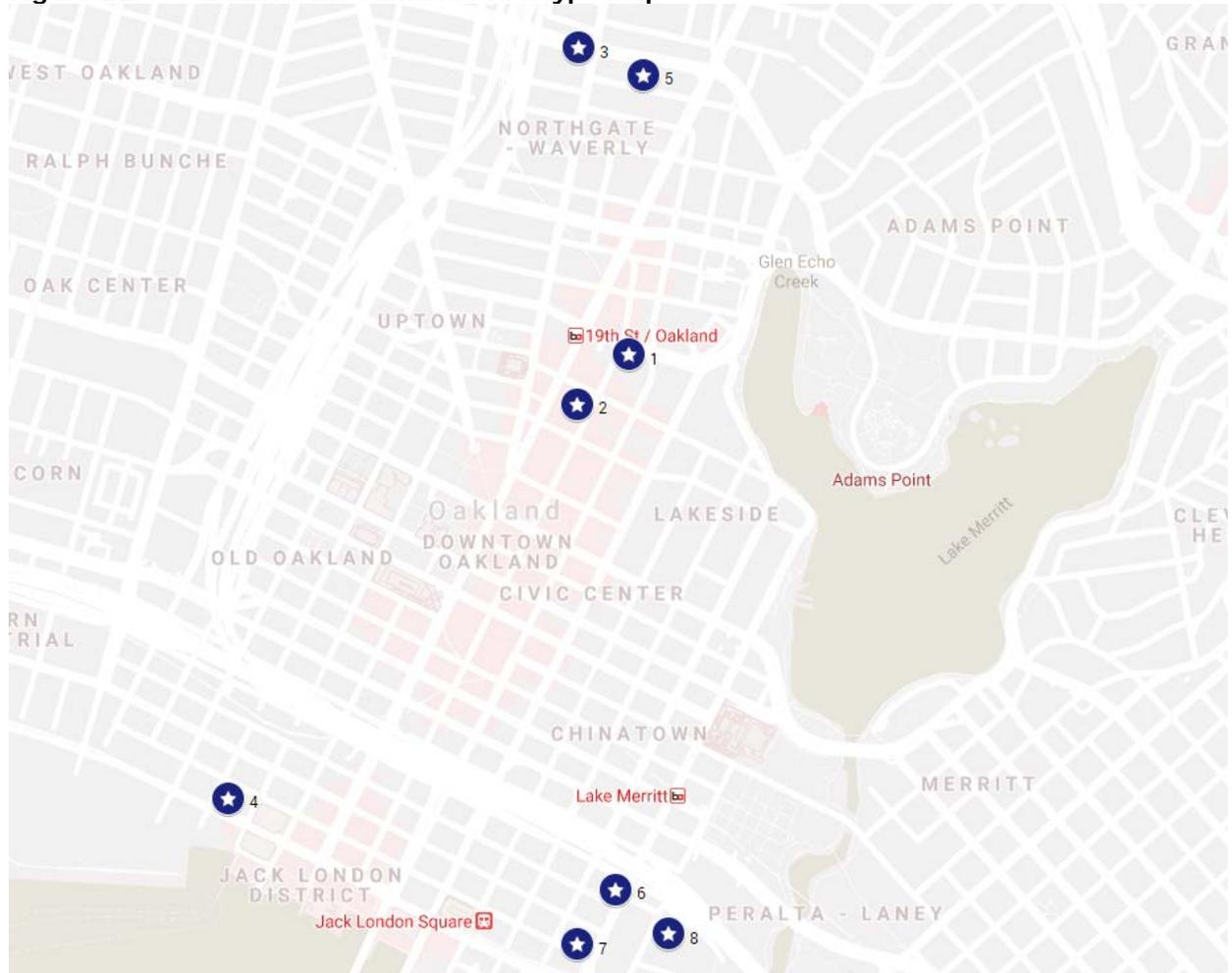
⁸ “Base zoning” and “upzoning” scenarios are based on existing zoning requirements and proposed intensity allowances.

Table 15. Development Prototypes

Prototype	1	2	3	4	5	6	7	8
Zone	CBD	CBD	RU-4	C-45/S-4	CC-2	M-20/S-4	M-20/S-4	M-20/S-4
Site Assumptions								
Neighborhood	Uptown	Uptown	KONO	London	KONO	Jack London	Jack London	Victory Court
Lot Area (sq. ft.)	54,700	44,718	78,071	59,968	17,348	54,997	33,750	70,100
Acres	1.26	1.03	1.79	1.38	0.40	1.26	0.77	1.61
Primary Use	Office	Residential	Residential	Residential	Residential	"Office" to Res.	"Office" to Res.	"Office" to Res.
Gross Building Sq.Ft.								
Base Zoning	1,094,000	894,360	267,760	77,968	41,551	274,985	168,750	350,500
Upzoning	<u>1,641,000</u>	<u>1,341,540</u>	<u>732,736</u>	<u>563,164</u>	<u>89,740</u>	<u>627,578</u>	<u>316,818</u>	<u>826,747</u>
Net Space Addition	547,000	447,180	464,976	485,196	48,189	352,593	148,068	476,247
As % of Existing	50%	50%	174%	622%	116%	128%	88%	136%
Assumed Construction Type								
Base Zoning	Type I	Type I	Type III	Type V	Type III	Type III	Type III	Type III
Upzoning	Type I	Type I	Type I	Type I	Type III	Type I	Type I	Type I

Sources: City of Oakland and Economic & Planning Systems, Inc.

Figure 22. Downtown Oakland Prototype Map



Pro Forma Financial Feasibility Analysis

The analysis evaluates real estate development value created through the DOSP upzoning to inform subsequent “value capture” potential by the City. The analysis reflects current economic conditions, including existing City impact fees that already require new development to contribute funding for affordable housing, transportation, and capital improvements.

Results for each development prototype under both scenarios are shown in **Table 16** and **Table 17**. As shown, none of the tested prototypes are feasible under the current set of market conditions and zoning criteria. The financial feasibility findings are consistent with market analysis findings that real estate development activity is slowing. However, EPS also created a hypothetical market scenario to test development economics of projects that become feasible in the future (i.e., “market upside”), reflective of the cyclical nature of real estate development. Specifically, EPS created a “market upside” test by assuming a 25 percent increase in rents. The 25 percent increase in rents should be considered a proxy for what will likely be a more complex shift of various development revenue and cost factors.

Table 16. Summary of Feasibility Results – Base Zoning Scenario

Prototype	1	2	3	4	5	6	7	8
BASE ZONING								
Total Revenue	\$844,906,101	\$311,075,493	\$154,464,859	\$45,814,012	\$23,966,719	\$193,571,753	\$118,824,157	\$246,738,141
Total Cost	<u>\$919,498,963</u>	<u>\$361,959,162</u>	<u>\$169,653,765</u>	<u>\$47,871,290</u>	<u>\$27,677,491</u>	<u>\$209,615,714</u>	<u>\$128,631,731</u>	<u>\$266,759,719</u>
Residual Land Value	(\$74,592,862)	(\$50,883,669)	(\$15,188,906)	(\$2,057,277)	(\$3,710,772)	(\$16,043,961)	(\$9,807,575)	(\$20,021,578)
Residual Land Value per Acre	(\$51,085,337)	(\$42,627,000)	(\$7,288,000)	(\$1,285,000)	(\$8,014,000)	(\$10,928,459)	(\$10,886,146)	(\$16,772,672)
UPZONED SCENARIO								
Total Revenue	\$1,340,219,984	\$425,840,277	\$431,347,486	\$338,791,447	\$51,657,517	\$377,620,964	\$190,572,902	\$497,462,451
Total Cost	<u>\$1,423,238,982</u>	<u>\$501,959,765</u>	<u>\$520,295,782</u>	<u>\$399,929,371</u>	<u>\$57,237,524</u>	<u>\$445,024,075</u>	<u>\$227,309,528</u>	<u>\$586,124,972</u>
Residual Land Value	(\$83,018,997)	(\$76,119,488)	(\$88,948,296)	(\$61,137,924)	(\$5,580,007)	(\$67,403,111)	(\$36,736,626)	(\$88,662,521)
Residual Land Value per Acre	(\$56,856,023)	(\$63,767,000)	(\$42,681,000)	(\$38,192,000)	(\$12,050,000)	(\$45,912,000)	(\$40,777,000)	(\$47,382,000)
VALUE CREATION	(\$5,770,686)	(\$21,140,000)	(\$35,393,000)	(\$36,907,000)	(\$4,036,000)	(\$34,983,541)	(\$29,890,854)	(\$30,609,328)
% of Base Zoning Value	NA	NA	NA	NA	NA	NA	NA	NA

Table 17. Detailed Summary of Feasibility Results– Market Upside Scenario

Prototype	1	2	3	4	5	6	7	8
BASE ZONING								
Total Revenue	\$1,045,442,931	\$382,971,975	\$188,279,716	\$54,298,537	\$29,292,754	\$238,212,674	\$146,240,627	\$303,643,507
Total Cost	<u>\$919,498,963</u>	<u>\$361,959,162</u>	<u>\$169,653,765</u>	<u>\$47,871,290</u>	<u>\$27,677,491</u>	<u>\$209,615,714</u>	<u>\$128,631,731</u>	<u>\$266,759,719</u>
Residual Land Value	\$125,943,968	\$21,012,813	\$18,625,951	\$6,427,247	\$1,615,263	\$28,596,960	\$17,608,895	\$36,883,788
Residual Land Value per Acre	\$86,253,429	\$17,603,000	\$8,938,000	\$4,015,000	\$3,487,000	\$19,479,024	\$19,545,404	\$30,898,647
UPZONED SCENARIO								
Total Revenue	\$1,659,274,915	\$527,731,581	\$534,126,708	\$419,553,231	\$63,929,857	\$468,147,419	\$236,025,647	\$616,827,668
Total Cost	<u>\$1,423,238,982</u>	<u>\$501,959,765</u>	<u>\$520,295,782</u>	<u>\$399,929,371</u>	<u>\$57,237,524</u>	<u>\$445,024,075</u>	<u>\$227,309,528</u>	<u>\$586,124,972</u>
Residual Land Value	\$236,035,933	\$25,771,816	\$13,830,926	\$19,623,860	\$6,692,333	\$23,123,344	\$8,716,119	\$30,702,696
Residual Land Value per Acre	\$161,650,525	\$21,590,000	\$6,637,000	\$12,259,000	\$14,451,000	\$15,750,000	\$9,675,000	\$16,408,000
VALUE CREATION								
% of Base Zoning Value	\$75,397,096 87%	\$3,987,000 23%	(\$2,301,000) -26%	\$8,244,000 205%	\$10,964,000 314%	(\$3,729,024) -19%	(\$9,870,404) -50%	(\$14,490,647) -47%

The hypothetical market shift illustrates potential future real estate economics for the eight tested prototypes after the market recovers and development becomes feasible on a large-scale. **Table 18** presents the feasibility of various prototypes under the market upside conditions. It shows that development may become feasible for certain prototypes if real estate economics improve. Specifically, EPS finds that the upzoning adds value to four of the eight tested prototypes with the extent of the value creation varying by prototype. Upzoning prototypes 1, 2, 4, and 5 strengthen development economics and may support a community benefits contribution. However, for other upzoning scenarios, shifting to more costly construction type and/or change of land use results in diminished value despite density increase. The community benefit program design should be sensitive to these viability considerations.

Table 18. Summary of Value Creation—Market Upside Scenario (Prototypes 1, 2, 4, and 5)

Prototype	1	2	4	5
BASE ZONING				
Residual Land Value per Acre	\$86,253,429	\$17,603,000	\$4,015,000	\$3,487,000
Residual Land Value per Building Sq.Ft.	\$99	\$35	\$71	\$33
UPZONED SCENARIO				
Residual Land Value per Acre	\$161,650,525	\$21,590,000	\$12,259,000	\$14,451,000
Residual Land Value per Building Sq.Ft.	\$124	\$31	\$30	\$64
VALUE CREATION				
Per Acre	\$75,397,096	\$3,987,000	\$8,244,000	\$10,964,000
Per Building Sq.Ft. of Added Space	\$173	\$9	\$23	\$91

Detailed development feasibility analysis inclusive of methodology, revenue and operating assumptions, along with static pro formas for the base zoning scenario and upzoned scenario is included in **Appendix B**. This financial analysis is based on current EPS market research, including ongoing data analysis and recent project work in Oakland, as well as technical input from developers active in the City, and City staff.

Feasibility Implications for Community Benefit Program

Based on the results of the tested development pro formas and factoring in current market conditions, construction costs, city fees, etc., feasibility findings suggest that funding for community benefits will be limited in the short-term. However, as the development cycle strengthens, it is reasonable to expect that at some point in the future, a zoning incentive program that produces community benefits will become feasible. As such, the City's desired benefits should be explored for inclusion in a program that can be adopted now and implemented down the road.

The Public Draft Plan of the DOSP categorized 14 types of potential benefits, which included the following:

1. Affordable Arts & Production, Distribution and Repair (PDR) Space
2. Affordable Neighborhood Retail / Commercial (including nonprofit space)
3. Public Open Spaces
4. Investment in Malonga Casquelourd Center for the Arts, Oakland Asian Cultural Center, Lincoln Recreation Center and Main Branch of the Oakland Public Library
5. Historic Preservation
6. Childcare
7. Job Training Programs
8. Arts Activities
9. Subsidized transit passes
10. Culturally-appropriate streetscape infrastructure
11. Public restrooms
12. Storage lockers for unhoused residents
13. Stipends for low-income residents to participate in Specific Plan Implementation Committee
14. Affordable housing

As a way to approach conceptual thinking about prioritization of these categories, preliminary costs were developed for the above, with the exception of items 5, 8, and 13. Those three benefits were determined to either be unquantifiable at this time or will be incorporated in other City programs. For the detailed breakdown of capital and operating costs, see **Appendix C**.

4. PUBLIC FINANCING OPTIONS OVERVIEW

This chapter provides a high-level overview of the public financing options that may be appropriate for community benefit funding in the DOSP, in addition to community benefits achieved through incentive zoning. The chapter considers Infrastructure Financing Districts (IFDs) and Development Impact Fees, with details concerning establishment, cost burden, and broader economic considerations of each.

Infrastructure Financing Districts

Infrastructure Financing Districts (IFDs) and Enhanced Infrastructure Financing Districts (EIFDs) are forms of Tax Increment Financing (TIF) that currently are available to local public entities in California. Local agencies may establish an IFD or EIFD for a given project or geographic area in order to capture incremental increases in property tax revenue from future development. In the absence of the IFD or EIFD, this revenue would accrue to the city's General Fund (or other property-taxing entity revenue fund). EIFD funds can be used for project-related infrastructure, including roads and utilities, as well as parks and housing. Unlike prior TIF/Redevelopment law in California, IFDs and EIFDs do not provide access to property tax revenue beyond the local jurisdiction's share (AB-8 tax allocation, see "Local Property Tax" text box below).

Largely because IFDs can be difficult to enact, Senate Bill 628 created a similar but more flexible tool, the EIFD. The EIFD bill expands the scope of eligible projects considerably, and lowers the voter/landowner threshold to pass a bond from two-thirds to 55 percent. In addition, EIFDs can be formed and gain access to unlevered (debt free) revenue without a vote. Furthermore, with the passage of AB 116 in October of 2019, EIFDs no longer have to receive voter approval prior to issuing bonds. Instead, the EIFDs governing body must develop a resolution with details of the bond issuance, and three public meetings on the financing plan have to be held.

While any tax increment, no matter how small, could benefit a marginally financially feasible project, it is important that in most cases the local property tax available is very limited (California cities typically get between \$0.05 and \$0.30 of a property tax dollar). Moreover, the use of local property tax to support infrastructure financing has fiscal implications for California cities. Dedicating tax revenue to infrastructure limits funding for new public services costs associated with development.

Considerations

Establishment

The establishment of an IFD or EIFD requires approval by every local taxing entity that will contribute its property tax increment. The IFD also requires two-thirds voter approval (within the specific geographic area) to form the IFD. EIFDs no longer require a vote when debt issuance is sought, but they must adopt an Infrastructure Financing Plan (IFP) and create a Public Financing Authority to provide legislative oversight to the EIFD district.

Cost Burden

The incidence of burden of an infrastructure financing district is local taxing jurisdiction that foregoes property tax revenue for services and dedicates these funds to infrastructure or other eligible investments.

Economic Considerations

IFDs and EIFDs, a form of TIF, redirect property taxes otherwise accruing to the city General Fund. The value created by the project is captured and invested in a manner that helps realize the project. However, only specific types of public investments of community-wide significance may be financed through an IFDs and EIFDs. IFDs and EIFDs cannot be used to finance operations and maintenance expenses. Unlike former Redevelopment TIF, IFDs only can utilize local government's share of property tax (along with other agencies who agree to forego their share of tax increment).

Preliminary order-of-magnitude EIFD funding capacity estimate shown in **Table 19** assumes the following:

- The City of Oakland will fully commit their respective tax increment to funding within the Downtown Oakland Specific Plan (no special district revenue is assumed).
- New tax increment generated by redevelopment in the Specific Plan is available to the Project.
- EIFD will be accepted by investors and meet bond market underwriting criteria, similar to other municipal bonds.
- The City's Property Tax in Lieu of VLF revenue are not bonded against. Currently, SB628 does not specify how this revenue is to be used and due to its uncertainty, it is unlikely that

Local Property Tax

The county auditor is responsible for allocating property tax revenue to local governments pursuant to state law. The allocation system (referred to as AB 8) defines the share of property tax that accrues to local government and services districts.

The county auditor allocates the revenue to local governments by Tax Rate Area (a single county may have thousands). Each local government's share is based on its share of countywide property taxes during the mid-1970s.

The most significant factor in explaining the differences among local governments' shares of property tax is the difference in service responsibility. Local governments that provide a full range of governmental services typically receive a greater share of property tax.

Source: Legislative Analyst's Office; Elledge 2006

this revenue can be bonded against unless either additional legislation is adopted or the City uses its General Fund as collateral for Property Tax in Lieu of VLF debt.

- The timing of EIFD financing will depend on development schedule and creation of assessed value with the timing of bonds varying based on other infrastructure financing mechanisms and community benefit delivery and allocation needs.

Table 19. Preliminary Order-of-Magnitude EIFD Capacity Estimate

Item	Total
Tax Increment (assumes resi and office value growth)	53,754,600,000
Annual Revenue	
City Property Tax (1)	\$139,800,000
EIFD Bonding Capacity (2)	\$1,123,400,000

(1) Based on the City's average share of 26% of the annual 1% property tax.

(2) Assumes enhanced infrastructure financing bonds based on a 30-year bond term (within the 45-year district) and 6.5% interest rate with a 1.3 coverage ratio and 20% issuance cost. Excludes additional pay as you go component.

Source: Economic & Planning Systems, Inc.

The EIFD bonding capacity is tied to Oakland's share of the annual property tax roll. If other sources are identified, that could significantly change capacity levels. Therefore, the estimate provides a preliminary order of magnitude and should be used for discussion purposes only.

Case Studies

The following describes two Infrastructure Financing District case studies from northern California. The case studies demonstrate the impetus, process, and outcome of IFD/EIFD formation, and provide points of reference for Oakland.

Sacramento Railyards Finance Plan and Stadium Area EIFD

Recognized as one of the nation's largest urban infill sites, the Sacramento Railyards Specific Plan is located in the City of Sacramento on 244 acres of land immediately north of downtown Sacramento. Development of the plan area provides for high-density mixed-use development anchored by a medical campus and potential Major League Soccer stadium. Decades of use as a railroad hub have left the site with substantial environmental remediation



Photo credit: City of Sacramento

requirements, in addition to significant infrastructure requirements to accommodate desired new development. Given market-constraints, funding backbone infrastructure and public facilities is a significant challenge for the project.

To address the backbone infrastructure and public facilities challenges, the City adopted a series of interrelated financing mechanisms, including the City's first EIFD, formed to provide funding for infrastructure needed to support the MLS Stadium. Complementary mechanisms include the Railyards Impact Fee Program, formation of a Community Facilities District, and restructuring of an existing Owner Participation Agreement (OPA) with the project applicant. Even with these financing mechanisms in place, development of the MLS Stadium was challenged by significant up-front infrastructure costs that affected the financial feasibility of the project, including the stadium and ancillary residential, hospitality, and retail development. To mitigate these challenges, the City formed the Stadium Area EIFD to fund backbone infrastructure needed to accommodate development of the Stadium and surrounding area.

EIFD formation within the Railyards Specific Plan was complicated by the project's location in a former Redevelopment Area for which tax increment revenues are committed to funding remaining enforceable obligations (including the restructured OPA discussed above). Further complications were presented by a prior restructuring of existing Redevelopment Agency (RDA) debt, whereby refunded tax allocation bond debt obligations were cross-collateralized across 11-different redevelopment areas within the City.

To surmount public financing complications, the Stadium Area EIFD formation required a detailed analysis of property tax revenue in the post-redevelopment environment. This technical work identified the availability of residual property tax revenues, considering debt and other obligations across all 11 different redevelopment areas. With consideration to the anticipated scale of development within the Stadium Area EIFD and infrastructure necessary to support that development, the EIFD Infrastructure Finance Plan included nearly \$30 million in authorized transportation, potable and non-potable water, sanitary sewer, and storm drainage system improvements. Approval of the Stadium Area EIFD ultimately assisted the City to secure an MLS expansion team, and the stadium is scheduled to be completed by the start of the 2022 MLS season.

West Sacramento Bridge District IFD

The Bridge District is a planned urban community in West Sacramento. It is located along the banks of the Sacramento River between the Tower Bridge and Pioneer Bridge. The Specific Plan for the area, approved in 1993, anticipated approximately 12.5 million square feet of residential, retail, and offices uses in an urban environment.



Photo credit: City of West Sacramento.

Since 2007, the City of West Sacramento and property owners in the Bridge District have engaged in a planning, engineering, and design effort to refine the Specific Plan and create an Implementation Plan. A key component of the Implementation Plan is a financing strategy that effectively uses public financing to leverage private investment and encourage the urban high-density development planned.

The Infrastructure Financing Plan for the Bridge District envisioned the use of a mix of 13 different infrastructure funding options, including the Bridge District Property Tax Increment Bonds and Pay-As-You-Go (P-A-Y-G) revenue. Bridge District property tax increment was envisioned to be generated through the City's Redevelopment Agency (RDA). When RDAs were dissolved in 2011, the portion of the Bridge District Infrastructure Financing Plan that required property tax increment revenues to fund specific public infrastructure became unavailable to the City.

Bridge District property tax increment was to provide 28-percent of the funding for public infrastructure serving the project area. Another 10-percent of property tax increment from outside the Bridge District was proposed to be used for Bridge District public facilities. The City, along with Bridge District property owners and developers, began an investigation of the potential use of an Infrastructure Financing District (IFD) to replace the original property tax increment program outlined in the Infrastructure Financing Plan. Certain constraints with the IFD code, such as the inability to form an IFD over land once included within the boundaries of an RDA, initially prevented the City from pursuing the formation of an IFD over the Bridge District. Amendments to the IFD law, including the ability to include former RDA territories in an IFD, have since made it possible for the City to pursue the formation of an IFD over the Bridge District.

The City Council adopted a Resolution of Intention (ROI) to initiate the formation of IFD in April of 2014. The ROI called for and set a public hearing before the Council in June, in which the City Council directed the preparation of an Infrastructure Financing District Plan (IFD Plan).

The Plan designated that the City would commit up to 100 percent of the 50.4-percent property tax increment they receive within the boundaries of the IFD for public facilities and infrastructure

of communitywide significance. The City retained discretion regarding the annual allocation of property tax increment to the district, except where such revenues were pledged to secure outstanding debt obligations of the district.

When the Plan for the IFD was developed in 2014, the total property tax increment revenue for a 30-year period was approximately \$386.3 million. The total property tax increment for a 45-year period was approximately \$871.6 million. Since that time, tax increment revenues have exceeded projections.

Development Impact Fees

A development impact fee is an ordinance-based, one-time charge on new development designed to cover a “proportional-share” of the total capital cost of necessary public infrastructure and facilities. The creation and collection of impact fees are allowed under AB-1600 as codified in California Government Code Section 66000, known as the Mitigation Fee Act. This law allows a levy of one-time fees to be charged on new development to cover the cost of constructing the infrastructure needed to serve the demands created by the new development. To the extent that required improvements are needed to address both “existing deficiencies” as well as the projected impacts from growth, only the portion of costs attributable to new development can be included in the fee. Consequently, impact fees commonly are only one of many sources used to finance a city’s needed infrastructure improvements. Fees can be charged on a jurisdiction-wide basis or for a particular sub-area of the jurisdiction (such as a specific plan area).

Establishment

Development impact fees can be imposed through adoption of a local enabling ordinance supported by a technical analysis showing the “nexus” between the fee and the infrastructure demands generated by new development. Fees may be charged for a particular improvement (e.g., transportation improvement) or include multiple infrastructure improvement categories in a comprehensive program. Impact fee programs must be reviewed annually and updated periodically to assure adequate funding and proper allocation of fee revenues to the infrastructure for which the fees are collected.

Cost Burden

The burden incidence of development impact fees is upon the project developers and builders who pay the fees. Fees are a cost of development and are “internalized” into project costs in the same manner as all other development- and construction-related costs. There is no direct effect of fees on development pricing, because the markets set pricing independent of costs. However, when costs are too high for the market to bear, development may be deterred until such time as prices justify costs. All costs will influence land value, so it is often the case that landowners bear a portion of the cost of fees through lower land values (prices paid by developers or builders). So long as total development costs fall within a reasonable level, potential negative effects on development feasibility effects are manageable.

Economic Considerations

There are a number of DOSP-specific economic considerations of development impact fees including:

- The effects of fees on the financial feasibility of new development and potential to deter otherwise desirable development (due to excessive costs); and
- The competitiveness effects of higher development costs (compared to neighboring jurisdictions) leading to dislocation of desired development.

A benefit of impact fees is that they provide a comprehensive and programmatic framework for identifying and allocating infrastructure costs to new development based on a demonstrated nexus between the new development and infrastructure need. In addition, there is no discretion on the part of developers subject to the fees nor is voter approval required.

The key limitation of development impact fees (in addition to the nexus requirement) is the timing of funding. Infrastructure often is needed “up-front” while fees are paid over time as development occurs. This means that other funding or financing methods are needed to close the timing gap. Fees also are irregular, as they depend on development activity that varies with economic conditions. During the 2008-09 recession, when development around the State and in the Bay Area slowed dramatically and prices fell precipitously in many locations, fee program revenues fell proportionately. Fees also require ongoing management including annual review, fund accounting, and updating to assure the efficacy and transparency of the fee program.

Related to the economic considerations discussed above, it is important to recognize that there are methods for moderating or deferring fees. Though individual development impact fee ordinances must be consistently applied and coordinated, they may contain features that can reduce potential negative economic effects and to avoid unnecessarily inhibiting otherwise desirable development. Also, there can be features of development impact fees that address economic concerns generally or on a case-by-case basis.

- **Fee Deferrals:** While the statute allows a levy of fees at issuance of building permit, many development impact fee ordinances allow a deferral until the “certificate of occupancy” is issued.
- **Fee Waivers:** Fee waivers provide the local government the ability to waive the fee for a particular project when it is determined that without such reduced costs a project that has substantial public benefit may otherwise not occur. Lacking such community benefits, waivers may be regarded as a “gift of public funds.” Examples of such partial or total waivers include projects with the potential to generate substantial municipal revenue or community amenities, affordable housing projects, and employment-generating uses. Fee waivers reduce funding in a fee program proportional to the aggregate number of waivers or exemptions granted. Such revenue reductions must be “made up” by the city from other funding sources, or risk falling short on funding for infrastructure in the fee program.
- **Credits and Reimbursements:** Credits and reimbursements are mechanisms that allow developers subject to an impact fee to build infrastructure in lieu of paying the fee. Credits provide proportional fee forgiveness for the value of that construction against the fee obligation. Reimbursements occur in the case where construction value exceeds the particular developer’s fee obligation.

- Short-Term Fee Financing (interest bearing installment payments): Ordinances can provide for a developer to pay fee obligations over a period of time subject to an interest bearing and secured note.

5. INCENTIVE ZONING PROGRAM RECOMMENDATIONS

The initial recommendations below outline key characteristics of a zoning incentive program for the Downtown Oakland Specific Plan (DOSP) area. They reflect the input of Planning Commissioners, Community Advisory Group (CAG) members, City staff, and the community at large, as well as EPS case study research concerning a range of existing community benefits programs. The desired key characteristics for the DOSP zoning incentive program include:

- **Formulaic Program.** DOSP community benefit contribution requirements should be systematically determined, not negotiated. The program will need to establish a dollar value, metric, or formula for determining the community benefit contribution for each project that opts to participate in the program. The calculation method will be clear and transparent, which will facilitate implementation, provide the development community with certainty about program costs, and make reporting and auditing of the program straightforward.
- **Diversity of Benefits.** The program will seek to generate a wide variety of community benefits, and provide flexibility for projects that may be better positioned to accommodate one type of benefit desired by the community than another. Because there are differing community needs in different areas of downtown, the list of qualifying benefits will be tailored to the community it is within. Overall, there should be a limit to the total number of qualifying benefits in the program to discourage a dilution of monies that will not be enough to accomplish a sufficient amount of any individual benefit category.
- **Incentives Layering.** The program will seek to encourage layering of local development incentives with non-local benefits programs. The City and stakeholders wish to encourage the use of Transferable Development Rights (TDRs) to promote historic preservation in Downtown Oakland while also encouraging the use of non-local development incentives such as the State Density Bonus and federal and state tax credits for historic buildings and affordable units.

The incentives to be offered by the City will be formalized in the new zoning that will implement the specific plan. These zoning incentive program recommendations assume that density, height and/or floor area ratio (FAR) bonuses, similar to those formulated for financial testing, will be the primary incentive offered through the local program. These development intensity bonuses could also include allowing more density per square foot in order to allow more units within the same building envelope and/or increased height along with increased density. Allowing for more units within the same building construction type could further incentivize developers to take advantage of the bonus program.

New open space requirements, design standards, and other code provisions separate from the zoning incentive program will also be developed and adopted as part of new zoning for the DOSP area to provide community benefits through regulatory requirements, separate from those provided by developers voluntarily through the incentive program.

Initial Recommendations

Establish a Bonus Payment Program. The simplest and most transparent method for projects to participate in a DOSP zoning incentive program is through a payment option. The City could establish standardized monetary charges for development incentives in the DOSP area. For example, the City could publish an updated per-square-foot payment requirement for density bonuses annually. The bonus payment amount should be linked to the value of the density bonus or other incentive. One option for setting the charge is for the bonus payment level to be established as a percentage of construction cost (e.g., per square foot building permit valuation), similar to the basis currently used for the City's "percent for art" program. In addition to providing easy implementation, certainty for applicants, and straightforward tracking, the payment approach allows for the pooling of resources across multiple projects, providing a funding mechanism that can scale up to fund more significant community benefit projects. This approach would enable the City to be flexible about specific community benefits priorities and funding.

Provide an In-Lieu Option. As an alternative to the bonus payment approach, applicants might be allowed to fulfil their "payment" for the development bonus through the direct provision of on-site or off-site community benefits. The bonus payment requirements would establish the value of community benefits that must be provided on- or off-site to earn the development incentive(s) sought. The applicant would need to obtain approval of their on- or off-site community benefit proposal from the City.

Offer Cumulative Bonuses. Allow developers to take advantage of both the State Density Bonus and the local DOSP bonus, potentially requiring developers to utilize the DOSP bonus first and then allowing developers to layer the State Density Bonus on top of the DOSP bonus.

Allow Layering of Incentives with Transferable Development Rights (TDRs). The DOSP zoning incentive program might allow for the use of the State Density Bonus for affordable housing on top of the TDR allowed maximum density. This would allow developers to utilize the State Density Bonus in addition to the local TDR density bonus. Creating an option that encourages use of TDR may promote increased use of TDRs downtown, though the TDR program parameters may also need to be revised to encourage use.

Establish a DOSP Implementation Committee. Considering the diversity of community benefits sought, and evolving priorities within the community, an implementation committee for the DOSP could help to direct community benefit funds to important projects that fall within the designated buckets of benefits outlined in the ordinance. The committee, which was described in the Draft Plan, would include stakeholders representing different neighborhoods and priority community issues. The group would be tasked with making recommendations on how the City moves forward with implementation of the DOSP, and to what extent the City should establish and/or fund programs or projects that generate community benefits for Downtown Oakland and the City of Oakland as a whole.

APPENDIX A
Detailed Prototypes



Table A-1
Summary of Development Prototypes

Prototype	1	2	3	4	5	6	7	8
	1951-57 Webster; 1970 Franklin	1731 Franklin	533 27th St.; 2633 Telegraph	101 Clay St.	404 26th St.	112 4th St.; 105 5th St.; 412 Madison St.;	128 2nd St.; 132 2nd St.; 138 2nd St.; 119 3rd St.;	49 4th St.
Zone	CBD	CBD	RU-4	C-45/S-4	CC-2	M-20/S-4	M-20/S-4	M-20/S-4
Site Assumptions								
Neighborhood	Uptown	Uptown	KONO	Jack London	KONO	Jack London	Jack London	Victory Court
Lot Area (sq. ft., rounded)	54,700	44,718	78,071	59,968	17,348	54,997	33,750	70,100
Acres	1.26	1.03	1.79	1.38	0.40	1.26	0.77	1.61
Primary Use	Office	Residential	Residential	Residential	Residential	"Office" to Res.	"Office" to Res.	"Office" to Res.
BASE ZONING								
Building Assumptions (1)								
Building Height	no limit	no limit	90'	45'	45'	65'	65'	65'
Floor Area Ratio (FAR)	20.0					5.0	5.0	5.0
Residential Density		90	225	1,000	450			
Total Gross Floor Area (w/o parking) (sq. ft.)	1,094,000	516,867	267,760	77,968	41,551	274,985	168,750	350,500
Office	1,069,500	0	0	0	0	258,485	158,750	329,500
Retail	24,500	20,000	23,000	18,000	3,000	16,500	10,000	21,000
Residential	0	496,867	244,760	59,968	38,551	0	0	0
Residential Units	0	497	245	60	39	0	0	0
Primary Use Efficiency Ratio	90%	78%	78%	78%	78%	90%	90%	90%
Retail Efficiency Ratio	90%	90%	90%	90%	90%	90%	90%	90%
Total Net Floor Area (w/o parking) (sq. ft.)	984,600	405,556	211,613	62,975	32,770	247,487	151,875	315,450
Office	962,550	0	0	0	0	232,637	142,875	296,550
Retail	22,050	18,000	20,700	16,200	2,700	14,850	9,000	18,900
Residential	0	387,556	190,913	46,775	30,070	0	0	0
Community Space	0	0	0	0	0	0	0	0
Parking Spaces (2)	1,094	268	283	90	39	275	169	351
UPZONING								
Building Assumptions (1)								
Building Height	no limit	no limit	175'	175'	85'	275'	175'	450'
Floor Area Ratio (FAR)	30.0							
Residential Density		65.0	110	110	200	90	110	87
Total Gross Floor Area (w/o parking) (sq. ft.)	1,641,000	707,969	732,736	563,164	89,740	627,578	316,818	826,747
Office	1,616,500	0	0	0	0	0	0	0
Retail	24,500	20,000	23,000	18,000	3,000	16,500	10,000	21,000
Residential	0	687,969	709,736	545,164	86,740	611,078	306,818	805,747
Residential Units	0	688	710	545	87	611	307	806
Primary Use Efficiency Ratio	90%	78%	78%	78%	78%	78%	78%	78%
Retail Efficiency Ratio	90%	90%	90%	90%	90%	90%	90%	90%
Total Net Floor Area (w/o parking) (sq. ft.)	1,476,900	554,616	574,294	441,428	70,357	491,491	248,318	647,383
Office	1,454,850	0	0	0	0	0	0	0
Retail	22,050	18,000	20,700	16,200	2,700	14,850	9,000	18,900
Residential	0	536,616	553,594	425,228	67,657	476,641	239,318	628,483
Community Space	0	0	0	0	0	0	0	0
Parking Spaces (3)	1,641	364	378	291	46	322	163	424

(1) Estimated by the Oakland Planning Department.

(2) For prototypes 1, 2, 6, 7, and 8, parking is based on the following ratios provided by the City: 0.5 spaces per residential unit, 1 space per 1000 sq.ft. of retail, and 1 space per 1000 sq. ft. of office. For prototypes 3 and 4, parking requirements are higher and are based on the planning code as follows: 1 space for each 600 sq.ft. of retail residential and 1 space per unit. For prototype 5, the retail portion is exempt with only the 1 space per residential unit applied. The higher parking requirements for prototypes 3-5 are based on the minimum ratios per the City's Planning code.

(3) Based on the following parking ratios assumed by the City: 0.5 spaces per residential unit, 1 space per 1000 sq.ft. of retail, and 1 space per 1000 sq. ft. of office. Note: DOSP does not specify parking ratio and these ratios are generally reflective of the expectation for what the market may provide.

Sources: City of Oakland and Economic & Planning Systems, Inc.



APPENDIX B:
DETAILED DEVELOPMENT FEASIBILITY
METHODOLOGY AND ANALYSIS

Feasibility Analysis Methodology

Residual Land Value Results

The EPS analysis relies on eight mixed-use development prototypes identified by City of Oakland planning staff. EPS prepared a “static” (i.e., stabilized year) pro forma financial feasibility model for each prototype. The models solve for residual land value, a common measure of real estate development feasibility. Determination of land value for mixed-use development is complicated by a wide range of factors, including market speculation, anticipated land use policy changes, development cost structure (e.g., phasing of affordable housing fees), regional economic and employment dynamics, capital markets, and other variables.

This analysis is focused on prototypical projects and prevalent market and cost conditions, but there are a range of unique project-specific factors that may make some development projects more (or less) feasible. Factors that may benefit certain projects include strong localized market potential, tenant prospects (e.g., build to suit rather than spec space for office), anticipation of future improvements in market conditions, access to low-cost financing, innovative construction methods (e.g., blended construction types or modular construction), low cost land, or lower return threshold (e.g., long-term investment strategy), among others.

Revenues

Lease rates used in this analysis are based on independent market research of recent leasing at new buildings in downtown Oakland and interviews with developers active in the market. These value assumptions reflect current top-of-market rent levels for office and residential uses. The rent assumptions are specific to prototype locations within the City as well as potential view premiums likely to be supported by taller buildings. Office rents are full-service, whereas retail rents are triple-net. **Table B-1** presents baseline, current market rent assumptions, as well as market upside of a 25 percent rent increase. The market upside rents illustrate market conditions in which development is feasible.

This analysis assumes net parking monthly revenue (after parking taxes and expenses) of \$125 per space for residential and \$185 per space for office uses under the base zoning scenario. Given increased density in the upzoning scenario, higher parking revenues of \$140 per space for residential and \$200 for office reflects an increasingly scarce parking supply. These parking revenue estimates are based on parking rates determined through market research and developer interviews, and are typical of the range observed in downtown Oakland.

This analysis assumes cap rates of 5.75 percent for office and 4.5 percent for residential uses across all prototypes once they have been developed and reached stabilized occupancy. These estimates are based on market research and developer interviews, and are consistent with the broader market average observed for typical institutional investors. Office is increasingly perceived as a strong, mature, and well-established real estate market with return requirements reflective of downtown Oakland's central location within the Bay Area region. Housing is perceived as the lower risk asset relative to commercial uses given the regional housing shortage and strong demand.

Financial return requirements are market-based, with investors facing a range of potential choices reflective of a wide range of risk factors and expected returns. With 10-year treasury yields (largely perceived as the safest and minimal risk investment that mirrors inflation) offering returns of about 2.5 percent a year, other investments with higher risk, such as real estate, require a higher return in the capital market. While returns on investment vary based on a range of factors such as investor-specific risk tolerance and cost of capital, real estate market conditions, building uses, financial stability and strength of tenants, and other factors, each investor has different return requirements based on its business structure, access to capital, risk tolerance, and other business-specific factors.

Operating Expenses and Vacancy

Commercial operating expenses depend on the lease rate structure for each asset type. Office operating costs reflect 27.5 percent of full-service rents and residential operating costs reflect 30 percent of gross rents. These expenses typically cover property management, administration, maintenance, utilities, insurance, building amenities, and property taxes. Additionally, leasing commissions are assumed at 2.5 percent of gross annual revenue for office uses to account for typical fees paid to leasing brokers. Operating expenses for retail are assumed to be recoverable from the tenant, consistent with a triple-net lease structure. Parking is based on net revenues referenced above. This analysis reflects a vacancy rate of 5 percent for office and 4 percent for residential uses. These are optimistic assumptions, with vacancy rate for office uses historically ranging between 5 and 10 percent. Additionally, an annual capital reserve cost is assumed at \$0.50 per square foot for all uses. **Table B-2** summarizes pro forma financial operating assumptions.

Table B-2 Key Operating and Development Cost Assumptions

Prototype	1	2	3	4	5	6	7	8
Neighborhood	Uptown	Uptown	KONO	Jack London	KONO	Jack London	Jack London	Victory Court
Primary Use	Office	Residential	Residential	Residential	Residential	"Office" to Res.	"Office" to Res.	"Office" to Res.
Site Acreage	1.3	1.0	1.8	1.4	0.4	1.3	0.8	1.6
Average Net Unit Size	na	na	800	800	800	800	800	800
BASE ZONING								
Building Height - Max	no limit	no limit	90'	45'	45'	65'	65'	65'
Building Height - Estimated Actual	25	15	5	2	3	7	7	7
Efficiency Ratio	90%	78%	78%	78%	78%	90%	90%	90%
Operating Costs								
Operating Expenses	27.5%	27.5%	30.0%	30.0%	30.0%	27.5%	27.5%	27.5%
Vacancy Rate	5.0%	5.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
Capital Reserves	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Development Costs								
<i>Assumed Construction Type</i>	<i>Type I</i>	<i>Type I</i>	<i>Type III</i>	<i>Type V</i>	<i>Type III</i>	<i>Type III</i>	<i>Type III</i>	<i>Type III</i>
Building Cost (per gross sq.ft.)	\$370	\$400	\$320	\$290	\$350	\$320	\$320	\$320
Parking (per space)	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Demo/Site Improvement (per land sq. ft.)	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Tenant Improvements								
Office (1)	\$75	\$75	na	na	na	\$75	\$75	\$75
Retail (1)	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Architecture and Engineering	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Other Expenses (Legal, Inspections)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General and Administrative	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Property Tax During Construction	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Financing	6.0%	6.0%	5.0%	4.0%	5.0%	5.0%	5.0%	5.0%
Contingency	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Required Return on Investment	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
UPZONED SCENARIO								
Building Height - Max	no limit	no limit	175'	175'	85'	275'	175'	450'
Building Height - Estimated Actual	38	20	12	12	7	15	12	15
Efficiency Ratio	90%	78%	78%	78%	78%	78%	78%	78%
Operating Costs								
Operating Expenses	27.5%	27.5%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Vacancy Rate	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Capital Reserves	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Development Costs								
<i>Assumed Construction Type</i>	<i>Type I</i>	<i>Type I</i>	<i>Type I</i>	<i>Type I</i>	<i>Type III</i>	<i>Type I</i>	<i>Type I</i>	<i>Type I</i>
Building Cost (per gross sq.ft.)	\$380	\$400	\$400	\$400	\$350	\$400	\$405	\$400
Parking (per space)	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Demo/Site Improvement (per land sq. ft.)	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Tenant Improvements								
Office (1)	\$75	\$75	na	na	na	na	na	na
Retail (1)	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Architecture and Engineering	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Other Expenses	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
General and Administrative	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Property Tax During Construction	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Financing	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Contingency	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Required Return on Investment	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%

(1) Reflects the landlord portion of the improvements; tenants typically contribute additional funds towards higher levels of overall improvements.

Development Costs

Development costs consist of direct construction costs, indirect costs (including fees), project contingency, and investment return, with key cost assumptions summarized in **Table B-2**. Total costs (excluding land value) range between about \$614 (residential Type V construction) and \$867 (office Type I construction) per square foot depending on the prototype. The direct cost for new construction has rapidly increased over the past several years in the Bay Area due to strong growth in the economy, large-scale development activity, and resulting demand for construction services and materials. This analysis assumes direct construction costs range between \$290 and \$370 per square foot in the base zoning and between \$350 and \$405 per square foot in the upzoned scenario. These cost estimates reflect market research and developer interviews and incorporate differences in size, height, density, and construction type between the prototypes. Parking costs are estimated at \$60,000 per space across all prototypes, assuming parking is provided in a podium.

Indirect costs include tenant improvements (\$75 per square foot for office and \$100 per square foot for retail), architecture and engineering (6 percent of direct costs), other professional expenses (3 percent of direct costs), general and administrative (3 percent of direct costs), property tax during construction (range between 2 and 3 percent of direct costs), financing (range of 4 to 7 percent of direct costs), and development fees. Development fees include the Jobs Housing Impact (on residential uses) and Jobs Housing Linkage Fee (on commercial uses), Transportation, School Impact Fee, and other fees (e.g., building construction, planning permits, special district development impact fees, and other related charges). Cost estimates are based on the City of Oakland fee schedule effective July 1, 2020 with other fees based on developer interviews. Indirect costs also include a 7 percent contingency and a 14 percent return on investment across all prototypes.

Table B-3
Prototype 1
1951-57 Webster; 1970 Franklin

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.3 acres	54,700 sq.ft.
Gross Building Area (excl. parking)		1,094,000 sq.ft.
Net Area	90% efficiency ratio	984,600 sq.ft.
Office		962,550 sq.ft.
Retail		22,050 sq.ft.
Community Space		0 sq.ft.
Parking Spaces		1,094 spaces
Spaces Excluding Retail		1,070 spaces
REVENUE		
Office (Full-Service)	\$76.00 per net sq. ft. per year	\$73,153,800
Retail (NNN)	\$32.00 per net sq. ft. per year	<u>\$705,600</u>
Gross Annual Revenue		\$73,859,400
(less) Operating Expenses	27.5% of office full-service revenue	(\$20,117,295)
(less) Vacancy Rate	5.0% of gross annual revenue	(\$3,692,970)
(less) Capital Reserves	\$0.50 per net sq.ft.	(\$492,300)
(less) Commissions	2.5% of gross annual revenue	<u>(\$1,846,485)</u>
Net Operating Income		\$47,710,350
Net Parking Revenue	\$185 per space per month	\$2,374,290
Total NOI		\$50,084,640
Capitalized Value	5.8% cap rate	\$871,037,217
(less) Cost of Sale/Marketing	3.0%	<u>(\$26,131,117)</u>
Net Project Value		\$844,906,101
DEVELOPMENT COST		
Direct Costs		
Building Construction Cost	\$370 per gross sq. ft.	\$404,780,000
Parking Construction Cost	\$60,000 per space	\$65,640,000
Demo/Site Improvement Cost	\$10 per land sq.ft.	<u>\$547,000</u>
Total Direct Costs		\$470,967,000
Indirect Costs		
Tenant Improvements (office)	\$75 per sq.ft.	\$72,191,250
Tenant Improvements (retail)	\$100 per sq.ft.	\$2,205,000
Architecture and Engineering	6.0% of direct costs	\$28,258,000
Other Expenses	3.0% of direct costs	\$14,129,000
General and Administrative	3.0% of direct costs	\$14,129,000
Property Tax During Construction	2.0% of direct costs	\$9,419,300
Financing	6.0% of direct costs	<u>\$28,258,000</u>
Subtotal Indirect Costs excluding Fees		\$168,589,550
Fees		
Capital Improvements (1)	\$2.00 avg. per gross sq. ft.	\$2,188,000
Jobs Housing Impact Fee (1)	\$5.77 avg. per gross sq. ft.	\$6,313,798
Transportation - Office (1)	\$2.00 avg. per gross sq. ft.	\$2,139,000
Transportation - Retail (1)	\$0.75 avg. per gross sq. ft.	\$18,375
School Impact Fee	\$0.56 avg. per gross sq. ft.	\$612,640
Other Fees (2)	<u>\$25.00</u> avg. per gross sq. ft.	<u>\$27,350,000</u>
Subtotal Fees	\$35.30 avg. per gross sq. ft.	\$38,621,813
Total Indirect Costs		\$207,211,363
Subtotal, Direct and Indirect Costs		\$678,178,363
Contingency	7.0% of direct and indirect costs	\$80,440,200
Required Return on Investment	14.0% of direct and indirect costs	\$160,880,400
Total Costs		\$919,498,963
Residual Land Value (Net Project Value - Total Costs)		
		(\$74,592,862)
(less) Return on Residual Land Value	14%	\$10,443,001
Net Residual Land Value		(\$64,149,861)
Residual Land Value per Acre		(\$51,085,337)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Source: Economic & Planning Systems, Inc.

Economic & Planning Systems, Inc. 4/23/2020

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**Table B-4
Prototype 2
1731 Franklin**

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.03 acres	44,718
Total Units	497 units	
Total Building Area	1,000 per unit	516,867
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	387,556
Net Retail Area		18,000
Podium Parking Spaces		268
Spaces Excluding Retail		497
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.25 /nsf per month	\$19,765,356
(less) Operating Expenses (Residential)	27.5%	(\$5,435,473)
(less) Vacancy	5.0%	(\$988,268)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$193,778)</u>
Residential NOI		\$13,147,837
Gross Retail Revenue	\$32.00 /nsf per year	\$576,000
(less) Vacancy	5.0%	(\$28,800)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$9,000)</u>
Retail NOI		\$538,200
Net Parking Revenue	\$125 /space per month	\$745,300
Total NOI		\$14,431,337
Effective Capitalized Value (1)	4.5% cap rate	\$320,696,384
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$9,620,892)</u>
Net Value		\$311,075,493
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$206,746,667
Parking Construction Cost	\$60,000 per space	\$16,106,000
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$447,180</u>
Total Direct Costs		\$223,299,847
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,800,000
Architecture and Engineering	6.0% of direct costs	\$13,397,991
Other Expenses	3.0% of direct costs	\$6,698,995
General and Administrative	3.0% of direct costs	\$6,698,995
Property Tax During Construction	2.0% of direct costs	\$4,465,997
Financing	6.0% of direct costs	<u>\$13,397,991</u>
Subtotal Indirect Costs excluding Fees		\$46,459,969
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$10,931,067
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$133,184
Capital Improvement (1)	\$1,250 per unit	\$621,083
Transportation - Residential (1)	\$750 per unit	\$372,650
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$17,308
School Impact Fee	\$3.48 per gross sq. ft.	\$1,798,696
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$15,506,000</u>
Subtotal Fees		\$29,379,987
Total Indirect Costs		\$75,839,957
Subtotal, Direct and Indirect Costs		\$299,139,803
Contingency	7.0% of direct and indirect costs	\$20,939,786
Required Return on Investment	14.0% of direct and indirect costs	<u>\$41,879,572</u>
Total Costs		\$361,959,162
Residual Land Value (Net Project Value - Total Costs)		(\$50,884,000)
(less) Return on Residual Land Value	14.0%	\$7,123,760
Net Residual Land Value		(\$43,760,240)
Residual Land Value per Acre		(\$42,627,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Table B-5
Prototype 3
533 27th St.; 2633 Telegraph

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.79 acres	78,071
Total Units	245 units	
Total Building Area	1,000 per unit	267,760
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	190,913
Net Retail Area		20,700
Podium Parking Spaces		283
Spaces Excluding Retail		245
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.15 /nsf per month	\$9,507,457
(less) Operating Expenses (Residential)	30.0%	(\$2,852,237)
(less) Vacancy	4.0%	(\$380,298)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$95,456)</u>
Residential NOI		\$6,179,466
Gross Retail Revenue	\$32.00 /nsf per year	\$662,400
(less) Vacancy	5.0%	(\$33,120)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$10,350)</u>
Retail NOI		\$618,930
Net Parking Revenue	\$125 /space per month	\$367,500
Total NOI		\$7,165,896
Effective Capitalized Value (1)	4.5% cap rate	\$159,242,122
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$4,777,264)</u>
Net Value		\$154,464,859
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$320 per gross sq. ft.	\$85,683,200
Parking Construction Cost	\$60,000 per space	\$17,000,000
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$780,710</u>
Total Direct Costs		\$103,463,910
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$2,070,000
Architecture and Engineering	6.0% of direct costs	\$6,207,835
Other Expenses	3.0% of direct costs	\$3,103,917
General and Administrative	3.0% of direct costs	\$3,103,917
Property Tax During Construction	2.0% of direct costs	\$2,069,278
Financing	5.0% of direct costs	<u>\$5,173,196</u>
Subtotal Indirect Costs excluding Fees		\$21,728,143
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$5,390,000
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$153,161
Capital Improvement (1)	\$1,250 per unit	\$306,250
Transportation - Residential (1)	\$750 per unit	\$183,750
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$19,904
School Impact Fee	\$3.48 per gross sq. ft.	\$931,805
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$8,032,800</u>
Subtotal Fees		\$15,017,670
Total Indirect Costs		\$36,745,813
Subtotal, Direct and Indirect Costs		\$140,209,723
Contingency	7.0% of direct and indirect costs	\$9,814,681
Required Return on Investment	14.0% of direct and indirect costs	<u>\$19,629,361</u>
Total Costs		\$169,653,765
Residual Land Value (Net Project Value - Total Costs)		(\$15,189,000)
(less) Return on Residual Land Value	14.0%	\$2,126,460
Net Residual Land Value		(\$13,062,540)
Residual Land Value per Acre		(\$7,288,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-6
Prototype 4
101 Clay St.**

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.38 acres	59,968
Total Units	60 units	
Total Building Area	1,000 per unit	77,968
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	46,775
Net Retail Area		16,200
Podium Parking Spaces		90
Spaces Excluding Retail		60
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.25 /nsf per month	\$2,385,527
(less) Operating Expenses (Residential)	30.0%	(\$715,658)
(less) Vacancy	4.0%	(\$95,421)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$23,388)</u>
Residential NOI		\$1,551,060
Gross Retail Revenue	\$32.00 /nsf per year	\$518,400
(less) Vacancy	5.0%	(\$25,920)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$8,100)</u>
Retail NOI		\$484,380
Net Parking Revenue	\$125 /space per month	\$89,952
Total NOI		\$2,125,392
Effective Capitalized Value (1)	4.5% cap rate	\$47,230,941
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$1,416,928)</u>
Net Value		\$45,814,012
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$290 per gross sq. ft.	\$22,610,720
Parking Construction Cost	\$60,000 per space	\$5,398,080
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$599,680</u>
Total Direct Costs		\$28,608,480
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,620,000
Architecture and Engineering	6.0% of direct costs	\$1,716,509
Other Expenses	3.0% of direct costs	\$858,254
General and Administrative	3.0% of direct costs	\$858,254
Property Tax During Construction	2.0% of direct costs	\$572,170
Financing	4.0% of direct costs	<u>\$1,144,339</u>
Subtotal Indirect Costs excluding Fees		\$6,769,526
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$1,319,296
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$119,865
Capital Improvement (1)	\$1,250 per unit	\$74,960
Transportation - Residential (1)	\$750 per unit	\$44,976
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$15,577
School Impact Fee	\$3.48 per gross sq. ft.	\$271,329
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$2,339,040</u>
Subtotal Fees		\$4,185,043
Total Indirect Costs		\$10,954,569
Subtotal, Direct and Indirect Costs		\$39,563,049
Contingency	7.0% of direct and indirect costs	\$2,769,413
Required Return on Investment	14.0% of direct and indirect costs	<u>\$5,538,827</u>
Total Costs		\$47,871,290
Residual Land Value (Net Project Value - Total Costs)		(\$2,057,000)
(less) Return on Residual Land Value	14.0%	\$287,980
Net Residual Land Value		(\$1,769,020)
Residual Land Value per Acre		(\$1,285,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-7
Prototype 5
404 26th St.**

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	0.40 acres	17,348
Total Units	39 units	
Total Building Area	1,000 per unit	41,551
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	30,070
Net Retail Area		2,700
Podium Parking Spaces		39
Spaces Excluding Retail		39
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.15 /nsf per month	\$1,497,479
(less) Operating Expenses (Residential)	30.0%	(\$449,244)
(less) Vacancy	4.0%	(\$59,899)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$15,035)</u>
Residential NOI		\$973,301
Gross Retail Revenue	\$32.00 /nsf per year	\$86,400
(less) Vacancy	5.0%	(\$4,320)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$1,350)</u>
Retail NOI		\$80,730
Net Parking Revenue	\$125 /space per month	\$57,827
Total NOI		\$1,111,858
Effective Capitalized Value (1)	4.5% cap rate	\$24,707,958
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$741,239)</u>
Net Value		\$23,966,719
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$350 per gross sq. ft.	\$14,542,889
Parking Construction Cost	\$60,000 per space	\$2,313,067
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$173,480</u>
Total Direct Costs		\$17,029,436
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$270,000
Architecture and Engineering	6.0% of direct costs	\$1,021,766
Other Expenses	3.0% of direct costs	\$510,883
General and Administrative	3.0% of direct costs	\$510,883
Property Tax During Construction	2.0% of direct costs	\$340,589
Financing	5.0% of direct costs	<u>\$851,472</u>
Subtotal Indirect Costs excluding Fees		\$3,505,593
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$848,124
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$19,978
Capital Improvement (1)	\$1,250 per unit	\$48,189
Transportation - Residential (1)	\$750 per unit	\$28,913
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$2,596
School Impact Fee	\$3.48 per gross sq. ft.	\$144,598
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$1,246,533</u>
Subtotal Fees		\$2,338,932
Total Indirect Costs		\$5,844,524
Subtotal, Direct and Indirect Costs		\$22,873,960
Contingency	7.0% of direct and indirect costs	\$1,601,177
Required Return on Investment	14.0% of direct and indirect costs	<u>\$3,202,354</u>
Total Costs		\$27,677,491
Residual Land Value (Net Project Value - Total Costs)		(\$3,711,000)
(less) Return on Residual Land Value	14.0%	<u>\$519,540</u>
Net Residual Land Value		(\$3,191,460)
Residual Land Value per Acre		(\$8,014,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Table B-8
Prototype 6
112 4th St.; 105 5th St.; 412 Madison St.;

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.3 acres	54,997 sq.ft.
Gross Building Area (excl. parking)		274,985 sq.ft.
Net Area	90% efficiency ratio	247,487 sq.ft.
Office		232,637 sq.ft.
Retail		14,850 sq.ft.
Community Space		0 sq.ft.
Parking Spaces		275 spaces
Spaces Excluding Retail		258 spaces
REVENUE		
Office (Full-Service)	\$70.00 per net sq. ft. per year	\$16,284,555
Retail (NNN)	\$32.00 per net sq. ft. per year	<u>\$475,200</u>
Gross Annual Revenue		\$16,759,755
(less) Operating Expenses	27.5% of office full-service revenue	(\$4,478,253)
(less) Vacancy Rate	5.0% of gross annual revenue	(\$837,988)
(less) Capital Reserves	\$0.50 per net sq.ft.	(\$123,743)
(less) Commissions	2.5% of gross annual revenue	<u>(\$418,994)</u>
Net Operating Income		\$10,900,778
Net Parking Revenue	\$185 per space per month	\$573,837
Total NOI		\$11,474,614
Capitalized Value	5.8% cap rate	\$199,558,508
(less) Cost of Sale/Marketing	3.0%	<u>(\$5,986,755)</u>
Net Project Value		\$193,571,753
DEVELOPMENT COST		
Direct Costs		
Building Construction Cost	\$320 per gross sq. ft.	\$87,995,200
Parking Construction Cost	\$60,000 per space	\$16,499,100
Demo/Site Improvement Cost	\$10 per land sq.ft.	<u>\$550,000</u>
Total Direct Costs		\$105,044,300
Indirect Costs		
Tenant Improvements (office)	\$75 per sq.ft.	\$17,447,738
Tenant Improvements (retail)	\$100 per sq.ft.	\$1,485,000
Architecture and Engineering	6.0% of direct costs	\$6,302,700
Other Expenses	3.0% of direct costs	\$3,151,300
General and Administrative	3.0% of direct costs	\$3,151,300
Property Tax During Construction	2.0% of direct costs	\$2,100,900
Financing	5.0% of direct costs	<u>\$5,252,200</u>
Subtotal Indirect Costs excluding Fees		\$38,891,138
Fees		
Capital Improvements (1)	\$2.00 avg. per gross sq. ft.	\$549,970
Jobs Housing Impact Fee (1)	\$5.77 avg. per gross sq. ft.	\$1,587,020
Transportation - Office (1)	\$2.00 avg. per gross sq. ft.	\$516,970
Transportation - Retail (1)	\$0.75 avg. per gross sq. ft.	\$12,375
School Impact Fee	\$0.56 avg. per gross sq. ft.	\$153,992
Other Fees (2)	<u>\$30.00</u> avg. per gross sq. ft.	<u>\$8,249,550</u>
Subtotal Fees	\$40.26 avg. per gross sq. ft.	\$11,069,876
Total Indirect Costs		\$49,961,014
Subtotal, Direct and Indirect Costs		\$155,005,314
Contingency	7.0% of direct and indirect costs	\$18,203,500
Required Return on Investment	14.0% of direct and indirect costs	\$36,406,900
Total Costs		\$209,615,714
Residual Land Value (Net Project Value - Total Costs)		(\$16,043,961)
(less) Return on Residual Land Value	14%	\$2,246,155
Net Residual Land Value		(\$13,797,807)
Residual Land Value per Acre		(\$10,928,459)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Source: Economic & Planning Systems, Inc.

Economic & Planning Systems, Inc. 4/23/2020

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Table B-9
Prototype 7
128 2nd St.; 132 2nd St.; 138 2nd St.; 119 3rd St.; 100-10 2nd St;

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	0.8 acres	33,750 sq.ft.
Gross Building Area (excl. parking)		168,750 sq.ft.
Net Area	90% efficiency ratio	151,875 sq.ft.
Office		142,875 sq.ft.
Retail		9,000 sq.ft.
Community Space		0 sq.ft.
Parking Spaces		169 spaces
Spaces Excluding Retail		159 spaces
REVENUE		
Office (Full-Service)	\$70.00 per net sq. ft. per year	\$10,001,250
Retail (NNN)	\$32.00 per net sq. ft. per year	<u>\$288,000</u>
Gross Annual Revenue		\$10,289,250
(less) Operating Expenses	27.5% of office full-service revenue	(\$2,750,344)
(less) Vacancy Rate	5.0% of gross annual revenue	(\$514,463)
(less) Capital Reserves	\$0.50 per net sq.ft.	(\$75,938)
(less) Commissions	2.5% of gross annual revenue	<u>(\$257,231)</u>
Net Operating Income		\$6,691,275
Net Parking Revenue	\$185 per space per month	\$352,425
Total NOI		\$7,043,700
Capitalized Value	5.8% cap rate	\$122,499,130
(less) Cost of Sale/Marketing	3.0%	<u>(\$3,674,974)</u>
Net Project Value		\$118,824,157
DEVELOPMENT COST		
Direct Costs		
Building Construction Cost	\$320 per gross sq. ft.	\$54,000,000
Parking Construction Cost	\$60,000 per space	\$10,125,000
Demo/Site Improvement Cost	\$10 per land sq.ft.	<u>\$337,500</u>
Total Direct Costs		\$64,462,500
Indirect Costs		
Tenant Improvements (office)	\$75 per sq.ft.	\$10,715,625
Tenant Improvements (retail)	\$100 per sq.ft.	\$900,000
Architecture and Engineering	6.0% of direct costs	\$3,867,800
Other Expenses	3.0% of direct costs	\$1,933,900
General and Administrative	3.0% of direct costs	\$1,933,900
Property Tax During Construction	2.0% of direct costs	\$1,289,300
Financing	5.0% of direct costs	<u>\$3,223,100</u>
Subtotal Indirect Costs excluding Fees		\$23,863,625
Fees		
Capital Improvements (1)	\$2.00 avg. per gross sq. ft.	\$337,500
Jobs Housing Impact Fee (1)	\$5.77 avg. per gross sq. ft.	\$973,906
Transportation - Office (1)	\$2.00 avg. per gross sq. ft.	\$317,500
Transportation - Retail (1)	\$0.75 avg. per gross sq. ft.	\$7,500
School Impact Fee	\$0.56 avg. per gross sq. ft.	\$94,500
Other Fees (2)	<u>\$30.00</u> avg. per gross sq. ft.	<u>\$5,062,500</u>
Subtotal Fees	\$40.26 avg. per gross sq. ft.	\$6,793,406
Total Indirect Costs		\$30,657,031
Subtotal, Direct and Indirect Costs		\$95,119,531
Contingency	7.0% of direct and indirect costs	\$11,170,700
Required Return on Investment	14.0% of direct and indirect costs	\$22,341,500
Total Costs		\$128,631,731
Residual Land Value (Net Project Value - Total Costs)		(\$9,807,575)
(less) Return on Residual Land Value	14%	\$1,373,060
Net Residual Land Value		(\$8,434,514)
Residual Land Value per Acre		(\$10,886,146)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-10
Prototype 8
49 4th St.**

Base Zoning

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.0 acres	44,718 sq.ft.
Gross Building Area (excl. parking)		350,500 sq.ft.
Net Area	90% efficiency ratio	315,450 sq.ft.
Office		296,550 sq.ft.
Retail		18,900 sq.ft.
Community Space		0 sq.ft.
Parking Spaces		351 spaces
Spaces Excluding Retail		330 spaces
REVENUE		
Office (Full-Service)	\$70.00 per net sq. ft. per year	\$20,758,500
Retail (NNN)	\$32.00 per net sq. ft. per year	<u>\$604,800</u>
Gross Annual Revenue		\$21,363,300
(less) Operating Expenses	27.5% of office full-service revenue	(\$5,708,588)
(less) Vacancy Rate	5.0% of gross annual revenue	(\$1,068,165)
(less) Capital Reserves	\$0.50 per net sq.ft.	(\$157,725)
(less) Commissions	2.5% of gross annual revenue	<u>(\$534,083)</u>
Net Operating Income		\$13,894,740
Net Parking Revenue (excludes retail)	\$185 per space per month	\$731,490
Total NOI		\$14,626,230
Capitalized Value	5.8% cap rate	\$254,369,217
(less) Cost of Sale/Marketing	3.0%	<u>(\$7,631,077)</u>
Net Project Value		\$246,738,141
DEVELOPMENT COST		
Direct Costs		
Building Construction Cost	\$320 per gross sq. ft.	\$112,160,000
Parking Construction Cost	\$60,000 per space	\$21,030,000
Demo/Site Improvement Cost	\$10 per land sq.ft.	<u>\$447,200</u>
Total Direct Costs		\$133,637,200
Indirect Costs		
Tenant Improvements (office)	\$75 per sq.ft.	\$22,241,250
Tenant Improvements (retail)	\$100 per sq.ft.	\$1,890,000
Architecture and Engineering	6.0% of direct costs	\$8,018,200
Other Expenses	3.0% of direct costs	\$4,009,100
General and Administrative	3.0% of direct costs	\$4,009,100
Property Tax During Construction	2.0% of direct costs	\$2,672,700
Financing	5.0% of direct costs	<u>\$6,681,900</u>
Subtotal Indirect Costs excluding Fees		\$49,522,250
Fees		
Jobs Housing Impact Fee (1)	\$5.77 per gross sq. ft.	\$2,022,839
Capital Improvements (1)	\$2.00 per gross sq. ft.	\$701,000
Transportation - Office (1)	\$2.00 per gross sq. ft.	\$659,000
Transportation - Retail (1)	\$0.75 per gross sq. ft.	\$15,750
School Impact Fee	\$0.56 per gross sq. ft.	\$196,280
Other Fees (2)	<u>\$30.00 per gross sq. ft.</u>	<u>\$10,515,000</u>
Subtotal Fees	\$40.26 per gross sq. ft.	\$14,109,869
Total Indirect Costs		\$63,632,119
Subtotal, Direct and Indirect Costs		\$197,269,319
Contingency	7.0% of direct and indirect costs	\$23,163,500
Required Return on Investment	14.0% of direct and indirect costs	\$46,326,900
Total Costs		\$266,759,719
Residual Land Value (Net Project Value - Total Costs)		(\$20,021,578)
(less) Return on Residual Land Value	14%	\$2,803,021
Net Residual Land Value		(\$17,218,557)
Residual Land Value per Acre		(\$16,772,672)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Source: Economic & Planning Systems, Inc.

Economic & Planning Systems, Inc. 4/23/2020

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Table B-11
Prototype 1
1951-57 Webster; 1970 Franklin

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.3 acres	54,700 sq.ft.
Gross Building Area (excl. parking)		1,641,000 sq.ft.
Net Area	90% efficiency ratio	1,476,900 sq.ft.
Office		1,454,850 sq.ft.
Retail		22,050 sq.ft.
Community Space		0 sq.ft.
Parking Spaces		1,641 spaces
Spaces Excluding Retail		1,617 spaces
REVENUE		
Office (Full-Service)	\$80.00 per net sq. ft. per year	\$116,388,000
Retail (NNN)	\$32.00 per net sq. ft. per year	<u>\$705,600</u>
Gross Annual Revenue		\$117,093,600
(less) Operating Expenses	27.5% of office full-service revenue	(\$32,006,700)
(less) Vacancy Rate	5.0% of gross annual revenue	(\$5,854,680)
(less) Capital Reserves	\$0.50 per net sq.ft.	(\$738,450)
(less) Commissions	2.5% of gross annual revenue	<u>(\$2,927,340)</u>
Net Operating Income		\$75,566,430
Net Parking Revenue	\$200 per space per month	\$3,879,600
Total NOI		\$79,446,030
Capitalized Value	5.75% cap rate	\$1,381,670,087
(less) Cost of Sale/Marketing	3.0%	<u>(\$41,450,103)</u>
Net Project Value		\$1,340,219,984
DEVELOPMENT COST		
Direct Costs		
Building Construction Cost	\$380 per gross sq. ft.	\$623,580,000
Parking Construction Cost	\$60,000 per space	\$98,460,000
Demo/Site Improvement Cost	\$10.0 per land sq.ft.	<u>\$547,000</u>
Total Direct Costs		\$722,587,000
Indirect Costs		
Tenant Improvements (office)	\$75 per sq.ft.	\$109,113,750
Tenant Improvements (retail)	\$100 per sq.ft.	\$2,205,000
Architecture and Engineering	6.0% of direct costs	\$43,355,200
Other Expenses	3.0% of direct costs	\$21,677,600
General and Administrative	3.0% of direct costs	\$21,677,600
Property Tax During Construction	3.0% of direct costs	\$21,677,600
Financing	7.0% of direct costs	<u>\$50,581,100</u>
Subtotal Indirect Costs excluding Fees		\$270,287,850
Fees		
Jobs Housing Impact Fee (1)	\$2.00 avg. per gross sq. ft.	\$3,282,000
Jobs Housing Linkage Fee (1)	\$5.77 avg. per gross sq. ft.	\$9,470,697
Transportation - Office (1)	\$2.00 avg. per gross sq. ft.	\$3,233,000
Transportation - Retail (1)	\$0.75 avg. per gross sq. ft.	\$18,375
School Impact Fee	\$0.56 avg. per gross sq. ft.	\$918,960
Other Fees (2)	<u>\$25.00</u> avg. per gross sq. ft.	<u>\$41,025,000</u>
Subtotal Fees	\$35.31 avg. per gross sq. ft.	\$57,948,032
Total Indirect Costs		\$328,235,882
Subtotal, Direct and Indirect Costs		\$1,050,822,882
Contingency	7.0% of direct and indirect costs	\$124,138,700
Required Return on Investment	14.0% of direct and indirect costs	\$248,277,400
Total Costs		\$1,423,238,982
Residual Land Value (Net Project Value - Total Costs)		(\$83,018,997)
(less) Return on Residual Land Value	14%	\$11,622,660
Net Residual Land Value		(\$71,396,338)
Residual Land Value per Acre		(\$56,856,023)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Source: Economic & Planning Systems, Inc.

Table B-12
Prototype 2
1731 Franklin

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.03 acres	44,718
Total Units	688 units	
Total Building Area	1,000 per unit	707,969
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	536,616
Net Retail Area		18,000
Podium Parking Spaces		364
Spaces Excluding Retail		344
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.35 /nsf per month	\$28,011,355
(less) Operating Expenses (Residential)	27.5%	(\$7,703,123)
(less) Vacancy	5.0%	(\$1,400,568)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$268,308)</u>
Residential NOI		\$18,639,357
Gross Retail Revenue	\$32.00 /nsf per year	\$576,000
(less) Vacancy	5.0%	(\$28,800)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$9,000)</u>
Retail NOI		\$538,200
Net Parking Revenue	\$140 /space per month	\$577,920
Total NOI		\$19,755,477
Effective Capitalized Value (1)	4.5% cap rate	\$439,010,595
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$13,170,318)</u>
Net Value		\$425,840,277
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$283,187,692
Parking Construction Cost	\$60,000 per space	\$21,839,077
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$447,180</u>
Total Direct Costs		\$305,473,949
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,800,000
Architecture and Engineering	6.0% of direct costs	\$18,328,437
Other Expenses	3.0% of direct costs	\$9,164,218
General and Administrative	3.0% of direct costs	\$9,164,218
Property Tax During Construction	3.0% of direct costs	\$9,164,218
Financing	7.0% of direct costs	<u>\$21,383,176</u>
Subtotal Indirect Costs excluding Fees		\$69,004,269
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$15,135,323
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$133,184
Capital Improvement (1)	\$1,250 per unit	\$859,962
Transportation - Residential (1)	\$750 per unit	\$515,977
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$17,308
School Impact Fee	\$3.48 per gross sq. ft.	\$2,463,733
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$21,239,077</u>
Subtotal Fees		\$40,364,563
Total Indirect Costs		\$109,368,832
Subtotal, Direct and Indirect Costs		\$414,842,781
Contingency	7.0% of direct and indirect costs	\$29,038,995
Required Return on Investment	14.0% of direct and indirect costs	<u>\$58,077,989</u>
Total Costs		\$501,959,765
Residual Land Value (Net Project Value - Total Costs)		(\$76,119,000)
(less) Return on Residual Land Value	14.0%	\$10,656,660
Net Residual Land Value		(\$65,462,340)
Residual Land Value per Acre		(\$63,767,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Table B-13
Prototype 3
533 27th St.; 2633 Telegraph

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.79 acres	78,071
Total Units	710 units	
Total Building Area	1,000 per unit	732,736
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	553,594
Net Retail Area		20,700
Podium Parking Spaces		378
Spaces Excluding Retail		355
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.35 /nsf per month	\$28,897,626
(less) Operating Expenses (Residential)	30.0%	(\$8,669,288)
(less) Vacancy	4.0%	(\$1,155,905)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$276,797)</u>
Residential NOI		\$18,795,636
Gross Retail Revenue	\$32.00 /nsf per year	\$662,400
(less) Vacancy	5.0%	(\$33,120)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$10,350)</u>
Retail NOI		\$618,930
Net Parking Revenue	\$140 /space per month	\$596,400
Total NOI		\$20,010,966
Effective Capitalized Value (1)	4.5% cap rate	\$444,688,130
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$13,340,644)</u>
Net Value		\$431,347,486
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$293,094,545
Parking Construction Cost	\$60,000 per space	\$22,672,091
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$780,710</u>
Total Direct Costs		\$316,547,346
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$2,070,000
Architecture and Engineering	6.0% of direct costs	\$18,992,841
Other Expenses	3.0% of direct costs	\$9,496,420
General and Administrative	3.0% of direct costs	\$9,496,420
Property Tax During Construction	3.0% of direct costs	\$9,496,420
Financing	7.0% of direct costs	<u>\$22,158,314</u>
Subtotal Indirect Costs excluding Fees		\$71,710,416
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$15,614,200
Jobs Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$153,161
Capital Improvement (1)	\$1,250 per unit	\$887,170
Transportation - Residential (1)	\$750 per unit	\$532,302
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$19,904
School Impact Fee	\$3.48 per gross sq. ft.	\$2,549,923
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$21,982,091</u>
Subtotal Fees		\$41,738,751
Total Indirect Costs		\$113,449,168
Subtotal, Direct and Indirect Costs		\$429,996,514
Contingency	7.0% of direct and indirect costs	\$30,099,756
Required Return on Investment	14.0% of direct and indirect costs	<u>\$60,199,512</u>
Total Costs		\$520,295,782
Residual Land Value (Net Project Value - Total Costs)		(\$88,948,000)
(less) Return on Residual Land Value	14.0%	\$12,452,720
Net Residual Land Value		(\$76,495,280)
Residual Land Value per Acre		(\$42,681,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-14
Prototype 4
101 Clay St.**

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.38 acres	59,968
Total Units	545 units	
Total Building Area	1,000 per unit	563,164
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	425,228
Net Retail Area		16,200
Podium Parking Spaces		291
Spaces Excluding Retail		273
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.45 /nsf per month	\$22,707,156
(less) Operating Expenses (Residential)	30.0%	(\$6,812,147)
(less) Vacancy	4.0%	(\$908,286)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$212,614)</u>
Residential NOI		\$14,774,109
Gross Retail Revenue	\$32.00 /nsf per year	\$518,400
(less) Vacancy	5.0%	(\$25,920)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$8,100)</u>
Retail NOI		\$484,380
Net Parking Revenue (excludes retail)	\$140 /space per month	\$458,640
Total NOI		\$15,717,129
Effective Capitalized Value (1)	4.5% cap rate	\$349,269,533
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$10,478,086)</u>
Net Value		\$338,791,447
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$225,265,455
Parking Construction Cost	\$60,000 per space	\$17,434,909
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$599,680</u>
Total Direct Costs		\$243,300,044
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,620,000
Architecture and Engineering	6.0% of direct costs	\$14,598,003
Other Expenses	3.0% of direct costs	\$7,299,001
General and Administrative	3.0% of direct costs	\$7,299,001
Property Tax During Construction	3.0% of direct costs	\$7,299,001
Financing	7.0% of direct costs	<u>\$17,031,003</u>
Subtotal Indirect Costs excluding Fees		\$55,146,010
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$11,993,600
Jobs/Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$119,865
Capital Improvement (1)	\$1,250 per unit	\$681,455
Transportation - Residential (1)	\$750 per unit	\$408,873
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$15,577
School Impact Fee	\$3.48 per gross sq. ft.	\$1,959,809
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$16,894,909</u>
Subtotal Fees		\$32,074,088
Total Indirect Costs		\$87,220,098
Subtotal, Direct and Indirect Costs		\$330,520,141
Contingency	7.0% of direct and indirect costs	\$23,136,410
Required Return on Investment	14.0% of direct and indirect costs	<u>\$46,272,820</u>
Total Costs		\$399,929,371
Residual Land Value (Net Project Value - Total Costs)		(\$61,138,000)
(less) Return on Residual Land Value	14.0%	\$8,559,320
Net Residual Land Value		(\$52,578,680)
Residual Land Value per Acre		(\$38,192,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-15
Prototype 5
404 26th St.**

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	0.40 acres	17,348
Total Units	87 units	
Total Building Area	1,000 per unit	89,740
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	67,657
Net Retail Area		2,700
Podium Parking Spaces		46
Spaces Excluding Retail		43
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.25 /nsf per month	\$3,450,517
(less) Operating Expenses (Residential)	30.0%	(\$1,035,155)
(less) Vacancy	4.0%	(\$138,021)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$33,829)</u>
Residential NOI		\$2,243,513
Gross Retail Revenue	\$32.00 /nsf per year	\$86,400
(less) Vacancy	5.0%	(\$4,320)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$1,350)</u>
Retail NOI		\$80,730
Net Parking Revenue	\$140 /space per month	\$72,240
Total NOI		\$2,396,483
Effective Capitalized Value (1)	4.5% cap rate	\$53,255,172
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$1,597,655)</u>
Net Value		\$51,657,517
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$350 per gross sq. ft.	\$31,409,000
Parking Construction Cost	\$60,000 per space	\$2,782,200
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$173,480</u>
Total Direct Costs		\$34,364,680
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$270,000
Architecture and Engineering	6.0% of direct costs	\$2,061,881
Other Expenses	3.0% of direct costs	\$1,030,940
General and Administrative	3.0% of direct costs	\$1,030,940
Property Tax During Construction	3.0% of direct costs	\$1,030,940
Financing	7.0% of direct costs	<u>\$2,405,528</u>
Subtotal Indirect Costs excluding Fees		\$7,830,230
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$1,908,280
Jobs/Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$19,978
Capital Improvement (1)	\$1,250 per unit	\$108,425
Transportation - Residential (1)	\$750 per unit	\$65,055
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$2,596
School Impact Fee	\$3.48 per gross sq. ft.	\$312,295
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$2,692,200</u>
Subtotal Fees		\$5,108,829
Total Indirect Costs		\$12,939,059
Subtotal, Direct and Indirect Costs		\$47,303,739
Contingency	7.0% of direct and indirect costs	\$3,311,262
Required Return on Investment	14.0% of direct and indirect costs	<u>\$6,622,523</u>
Total Costs		\$57,237,524
Residual Land Value (Net Project Value - Total Costs)		(\$5,580,000)
(less) Return on Residual Land Value	14.0%	<u>\$781,200</u>
Net Residual Land Value		(\$4,798,800)
Residual Land Value per Acre		(\$12,050,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Table B-16
Prototype 6
112 4th St.; 105 5th St.; 412 Madison St.;

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.26 acres	54,997
Total Units	611 units	
Total Building Area	1,000 per unit	627,578
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	476,641
Net Retail Area		14,850
Podium Parking Spaces		322
Spaces Excluding Retail		306
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.45 /nsf per month	\$25,452,612
(less) Operating Expenses (Residential)	30.0%	(\$7,635,783)
(less) Vacancy	4.0%	(\$1,018,104)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$238,320)</u>
Residential NOI		\$16,560,403
Gross Retail Revenue	\$32.00 /nsf per year	\$475,200
(less) Vacancy	5.0%	(\$23,760)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$7,425)</u>
Retail NOI		\$444,015
Net Parking Revenue	\$140 /space per month	\$514,080
Total NOI		\$17,518,498
Effective Capitalized Value (1)	4.5% cap rate	\$389,299,963
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$11,678,999)</u>
Net Value		\$377,620,964
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$251,031,111
Parking Construction Cost	\$60,000 per space	\$19,322,333
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$549,970</u>
Total Direct Costs		\$270,903,414
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,485,000
Architecture and Engineering	6.0% of direct costs	\$16,254,205
Other Expenses	3.0% of direct costs	\$8,127,102
General and Administrative	3.0% of direct costs	\$8,127,102
Property Tax During Construction	3.0% of direct costs	\$8,127,102
Financing	7.0% of direct costs	<u>\$18,963,239</u>
Subtotal Indirect Costs excluding Fees		\$61,083,751
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$13,443,711
Jobs/Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$109,877
Capital Improvement (1)	\$1,250 per unit	\$763,847
Transportation - Residential (1)	\$750 per unit	\$458,308
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$14,279
School Impact Fee	\$3.48 per gross sq. ft.	\$2,183,971
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$18,827,333</u>
Subtotal Fees		\$35,801,326
Total Indirect Costs		\$96,885,077
Subtotal, Direct and Indirect Costs		\$367,788,492
Contingency	7.0% of direct and indirect costs	\$25,745,194
Required Return on Investment	14.0% of direct and indirect costs	<u>\$51,490,389</u>
Total Costs		\$445,024,075
Residual Land Value (Net Project Value - Total Costs)		(\$67,403,000)
(less) Return on Residual Land Value	14.0%	<u>\$9,436,420</u>
Net Residual Land Value		(\$57,966,580)
Residual Land Value per Acre		(\$45,912,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

Table B-17
Prototype 7
128 2nd St.; 132 2nd St.; 138 2nd St.; 119 3rd St.; 100-10 2nd St.;

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	0.77 acres	33,750
Total Units	307 units	
Total Building Area	1,000 per unit	316,818
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	239,318
Net Retail Area		9,000
Podium Parking Spaces		163
Spaces Excluding Retail		153
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.45 /nsf per month	\$12,779,591
(less) Operating Expenses (Residential)	30.0%	(\$3,833,877)
(less) Vacancy	4.0%	(\$511,184)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$119,659)</u>
Residential NOI		\$8,314,871
Gross Retail Revenue	\$32.00 /nsf per year	\$288,000
(less) Vacancy	5.0%	(\$14,400)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$4,500)</u>
Retail NOI		\$269,100
Net Parking Revenue (excludes retail)	\$140 /space per month	\$257,040
Total NOI		\$8,841,011
Effective Capitalized Value (1)	4.5% cap rate	\$196,466,909
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$5,894,007)</u>
Net Value		\$190,572,902
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$405 per gross sq. ft.	\$128,311,364
Parking Construction Cost	\$60,000 per space	\$9,804,545
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$337,500</u>
Total Direct Costs		\$138,453,409
Indirect Costs		
Tenant Improvements	\$100 per net sq.ft.	\$900,000
Architecture and Engineering	6.0% of direct costs	\$8,307,205
Other Expenses	3.0% of direct costs	\$4,153,602
General and Administrative	3.0% of direct costs	\$4,153,602
Property Tax During Construction	3.0% of direct costs	\$4,153,602
Financing	7.0% of direct costs	<u>\$9,691,739</u>
Subtotal Indirect Costs excluding Fees		\$31,359,750
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$6,750,000
Jobs/Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$66,592
Capital Improvement (1)	\$1,250 per unit	\$383,523
Transportation - Residential (1)	\$750 per unit	\$230,114
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$8,654
School Impact Fee	\$3.48 per gross sq. ft.	\$1,102,527
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$9,504,545</u>
Subtotal Fees		\$18,045,955
Total Indirect Costs		\$49,405,705
Subtotal, Direct and Indirect Costs		\$187,859,114
Contingency	7.0% of direct and indirect costs	\$13,150,138
Required Return on Investment	14.0% of direct and indirect costs	<u>\$26,300,276</u>
Total Costs		\$227,309,528
Residual Land Value (Net Project Value - Total Costs)		(\$36,737,000)
(less) Return on Residual Land Value	14.0%	\$5,143,180
Net Residual Land Value		(\$31,593,820)
Residual Land Value per Acre		(\$40,777,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.

**Table B-18
Prototype 8
49 4th St.**

Upzoning Scenario

Item	Assumption	Total
DEVELOPMENT PROGRAM		
Lot Size	1.61 acres	70,100
Total Units	806 units	
Total Building Area	1,000 per unit	826,747
Percent On-Site BMR	0%	
Net Residential Unit Area	78%	628,483
Net Retail Area		18,900
Podium Parking Spaces		424
Spaces Excluding Retail		403
REVENUE ASSUMPTIONS		
Gross Rental Revenue	\$4.45 /nsf per month	\$33,560,979
(less) Operating Expenses (Residential)	30.0%	(\$10,068,294)
(less) Vacancy	4.0%	(\$1,342,439)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$314,241)</u>
Residential NOI		\$21,836,005
Gross Retail Revenue	\$32.00 /nsf per year	\$604,800
(less) Vacancy	5.0%	(\$30,240)
(less) Capital Reserves	\$0.50 /nsf	<u>(\$9,450)</u>
Retail NOI		\$565,110
Net Parking Revenue (excludes retail)	\$140 /space per month	\$677,040
Total NOI		\$23,078,155
Effective Capitalized Value (1)	4.5% cap rate	\$512,847,888
(less) Cost of Sale/Marketing	3.0% of capitalized value	<u>(\$15,385,437)</u>
Net Value		\$497,462,451
DEVELOPMENT COSTS		
Direct Costs		
Building Construction Cost	\$400 per gross sq. ft.	\$330,698,851
Parking Construction Cost	\$60,000 per space	\$25,432,414
Demo/Site Improvement Cost	\$10.0 per land sq. ft.	<u>\$701,000</u>
Total Direct Costs		\$356,832,264
Indirect Costs		
Tenant Improvements	\$100 per retail sq.ft.	\$1,890,000
Architecture and Engineering	6.0% of direct costs	\$21,409,936
Other Expenses	3.0% of direct costs	\$10,704,968
General and Administrative	3.0% of direct costs	\$10,704,968
Property Tax During Construction	3.0% of direct costs	\$10,704,968
Financing	7.0% of direct costs	<u>\$24,978,259</u>
Subtotal Indirect Costs excluding Fees		\$80,393,098
Fees		
Affordable Housing Fee (1)	\$22,000 per unit	\$17,726,437
Jobs/Housing Impact Fee (1)	\$5.77 per retail sq.ft.	\$139,843
Capital Improvement (1)	\$1,250 per unit	\$1,007,184
Transportation - Residential (1)	\$750 per unit	\$604,310
Transportation - Retail (1)	\$0.75 per retail sq.ft.	\$18,173
School Impact Fee	\$3.48 per gross sq. ft.	\$2,877,080
Other Fees (2)	\$30.00 per gross sq. ft.	<u>\$24,802,414</u>
Subtotal Fees		\$47,175,441
Total Indirect Costs		\$127,568,539
Subtotal, Direct and Indirect Costs		\$484,400,803
Contingency	7.0% of direct and indirect costs	\$33,908,056
Required Return on Investment	14.0% of direct and indirect costs	<u>\$67,816,112</u>
Total Costs		\$586,124,972
Residual Land Value (Net Project Value - Total Costs)		(\$88,663,000)
(less) Return on Residual Land Value	14.0%	\$12,412,820
Net Residual Land Value		(\$76,250,180)
Residual Land Value per Acre		(\$47,382,000)

(1) Assumes the City of Oakland's fee schedule tier after 7/1/2020.

(2) Reflect building construction, planning permits, special district development impact fees, and other related charges.



APPENDIX C:
COMMUNITY BENEFIT PROGRAM
CAPITAL/OPERATING COSTS BREAKDOWN

Table C-1
Summary of Preliminary Community Benefit Costs
DOSP Community Benefit Cost Comparisons - Preliminary Analysis

Item	Community Benefit Category ¹	Description	Added Capital Cost	Capitalized Operating Cost ²	Total Cost ³	Equivalency Metric ⁴	Additional Detail
1	Affordable Arts & Production, Distribution and Repair (PDR) Space	10,000 SF at 50% Rent	\$0	\$2,727,000	\$2,727,000	100%	Table C-3
2	Affordable Neighborhood Retail / Commercial (including non-profit space)	10,000 SF at 50% Rent	\$0	\$2,727,000	\$2,727,000	100%	Table C-3
3a	Public Open Spaces	.25-acre City park	\$4,250,000	\$455,000	\$4,705,000	173%	Tables C-2 and C-3
3b	Public Open Spaces (Privately-Owned Option) ⁵	5,000 SF ground floor space for civic use	\$0	\$2,727,000	\$2,727,000	100%	Table C-3
4	Investment in Malonga Casquelourd Center For the Arts, Oakland Asian Cultural Center, Lincoln Recreation Center and Main Branch of the Oakland Public Library	Capital Improvements Planned by City	\$0	N/A	\$1,000,000 - \$237,000,000	N/A	Table C-5
6	Childcare	8,000 SF Facility	\$3,122,000	\$2,182,000	\$5,304,000	194%	Tables C-2 and C-3
7	Job Training Programs ⁶	8,000 SF Training Center	\$0	\$14,364,000	\$14,364,000	527%	Table C-3
9	Subsidized transit passes	Discounted transit passes	\$0	\$2,769,000	\$2,769,000	102%	Table C-3
11	Public restrooms	2 Restrooms with staffing	\$120,000	\$3,636,000	\$3,756,000	138%	Tables C-2 and C-3
12	Storage lockers for unhoused residents	70 Lockers with staffing	\$280,000	\$2,545,000	\$2,825,000	104%	Tables C-2 and C-3
14a	Affordable Housing - Option 1	10 Units at 50% of AMI	\$0	\$6,240,000	\$6,240,000	229%	Table C-4
14b	Affordable Housing - Option 2	10 Units at 110% of AMI	\$0	\$2,600,000	\$2,600,000	95%	Table C-4

¹ Community benefits categories 1-14 are from DOSP Public Draft Plan (p. 219-20). Not shown here are categories that cannot be quantified at this time or will be incorporated in other City programs.

² Ongoing operating costs are converted into a one-time cost using the capitalization rate approach.

³ Total Cost includes the sum of added capital costs and capitalized operating costs (rounded).

⁴ For the purposes of comparison, costs are considered relative to community benefit item #1.

⁵ Privately-owned public open spaces ("POPOS") could provide open space benefits on site.

⁶ Sourced from the West Oakland Job Resource Center case study; the cost reflects provision of the facility rather than jobs.

Table C-2
Preliminary Upfront Capital Cost Estimates
DOSP Community Benefit Cost Comparisons - Preliminary Analysis

Item	Community Benefit Category	Characteristics	Cost Factors	Cost Assumptions	Total Capital Cost
3a	Public Open Spaces	Land acquisition and operation of downtown open space	One-time cost associated with parkland site and ongoing annual site operations costs	1) Land acquisition and improvement at \$17MM per acre 2) .25-acre park	\$4,250,000
6	Childcare	Rental rate discounts for childcare providers and provision of outdoor space on site	One-time cost associated with outdoor space and foregone rental revenue that negatively affects project operating income	1) Land acquisition and improvement for outdoor space \$17MM per acre 2) 8,000 SF outdoor play space	\$3,122,000
11	Public restrooms	24-hour accessible Porta-potty facility	One-time cost associated with facility and infrastructure (assumed to be located within the public ROW) and ongoing annual operation and maintenance costs	1) One-time capital cost of \$60,000 per restroom 2) Two restrooms costed	\$120,000
12	Storage lockers for unhoused residents	Typical size of 9 cubic feet	One-time cost associated with facility and infrastructure (assumed to be located within the public ROW) and ongoing annual operation and maintenance costs	1) One-time capital cost of \$4,000 per locker 2) 70 lockers costed	\$280,000

Table C-3
Preliminary Ongoing Operating Cost Estimates
DOSP Community Benefit Cost Comparisons - Preliminary Analysis

Item	Community Benefit Category	Characteristics	Cost Factors	Cost Assumptions	Annual Operating Cost	Capitalized Operating Cost ¹
1	Affordable Arts & Production, Distribution and Repair (PDR) Space	Rental rate discounts for qualified commercial tenants	Foregone rental revenue negatively affects project operating income on an ongoing basis	1) PDR tenant rent is 50% of the market rate for ground-floor use (\$15 PSF NNN annually) 2) 10,000 SF space 3) Tenant pays operating expenses (tax, insurance, maintenance) 4) Ongoing opportunity cost capitalized at 5.5%	\$150,000	\$2,727,000
2	Affordable Neighborhood Retail / Commercial (including non-profit space)	Rental rate discounts for qualified retail and non-profit tenants	Foregone rental revenue negatively affects project operating income on an ongoing basis	1) Retail tenant rent is 50% of the market rate for ground-floor use (\$15 PSF NNN annually) 2) 10,000 SF space 3) Tenant pays operating expenses (tax, insurance, maintenance) 4) Ongoing opportunity cost capitalized at 5.5%	\$150,000	\$2,727,000
3a	Public Open Spaces	Land acquisition and operation of downtown open space	One-time cost associated with parkland site and ongoing annual site operations costs	1) .25-acre park 2) Ongoing annual maintenance cost of \$100,000 per acre 3) Ongoing costs capitalized at 5.5%	\$25,000	\$455,000
3b	Public Open Spaces (Privately-Owned Option)	Ground floor space made available at no cost for public use	Foregone rental revenue negatively affects project operating income on an ongoing basis	1) Civic space is provided within the ground floor at no cost 2) 5,000 SF space 3) City pays operating expenses (tax, insurance, maintenance) 4) Ongoing opportunity cost capitalized at 5.5%	\$150,000	\$2,727,000
6	Childcare	Rental rate discounts for childcare providers and provision of outdoor space on site	One-time cost associated with outdoor space and foregone rental revenue that negatively affects project operating income	1) Childcare tenant rent is 50% of the market rate for ground-floor use (\$15 PSF NNN annually) 2) 8,000 SF space indoors 3) 8,000 SF outdoor play space 4) SF Tenant pays operating expenses (tax, insurance, maintenance) 5) Ongoing opportunity cost is capitalized at 5.5%	\$120,000	\$2,182,000
7	Job Training Programs	Center to connect residents to training, pre-apprentice programs, and jobs.	One-time cost associated with facility and ongoing annual operation costs (city staff to work on guaranteeing jobs, facility maintenance and security)	1) Jobs training program receives rent-free ground-floor use (subsidy of \$30 PSF NNN annually) 2) 8,000 SF space 3) Tenant pays operating expenses (tax, insurance, maintenance) 4) Ongoing operations cost of \$550,000 per year 5) Ongoing cost capitalized at 5.5%	\$790,000	\$14,364,000
9	Subsidized transit passes	Discounted public transit costs for project residents	Ongoing cost negatively affects project operating income	1) Unlimited monthly AC Transit pass is 50% paid by residential landlord (\$42.30) for one resident 2) 300 passes costed 2) Ongoing opportunity cost is capitalized at 5.5%	\$152,280	\$2,769,000
11	Public restrooms	24-hour accessible facility	One-time cost associated with facility and infrastructure (assumed to be located on the public ROW) and ongoing annual operation and maintenance costs	1) Annual operating cost of \$100,000 2) Two restrooms costed 3) Ongoing operating cost is capitalized at 5.5%	\$100,000	\$3,636,000
12	Storage lockers for unhoused residents	Typical size of 9 cubic feet	One-time cost associated with facility and infrastructure (assumed to be located on the public ROW) and ongoing annual operation and maintenance costs	1) Annual operating cost of \$2,000 (assumes security, repair, and maintenance) 2) 70 lockers costed 3) Ongoing opportunity cost is capitalized at 5.5%	\$2,000	\$2,545,000

¹ Ongoing operating costs are converted into a one-time cost using the capitalization rate approach.

Table C-4
Preliminary Affordable Housing Cost Estimates
DOSP Community Benefit Cost Comparisons - Preliminary Analysis

Item	Community Benefit Category	Characteristics	Cost Factors	Cost Assumptions	Annual Operating Cost	Capitalized Operating Cost ¹
14a	Affordable Housing - Option 1	Rental rate discount for onsite inclusionary housing for households at 50% of AMI	Foregone rental revenue negatively affects project operating income	1) Difference between MR and BMR unit annual rent (about \$2,350 per unit per month) 2) Assumes 10 affordable units 3) Ongoing opportunity cost is capitalized at 4.5%	\$281,000	\$6,240,000
14b	Affordable Housing - Option 2	Rental rate discount for onsite inclusionary housing for households at 110% of AMI	Foregone rental revenue negatively affects project operating income	1) Difference between MR and BMR unit annual rent (about \$1,000 per unit per month) 2) Assumes 10 affordable units 3) Ongoing opportunity cost is capitalized at 4.5%	\$117,000	\$2,600,000

¹ Ongoing operating costs are converted into a one-time cost using the capitalization rate approach.

Table C-5

**Oakland FY 19-21 Proposed Capital Improvement Program Costs for Selected Items
DOSP Community Benefit Cost Comparisons - Preliminary Analysis**

Improvement	Cost Estimate
Malonga Casquelourd Center for the Arts	\$15,000,000
Lincoln Recreation Center Expansion/Renovation	\$1,500,000
Main Library	\$238,700,000

Source: Oakland FY 19-21 Proposed Capital Improvement Program and 5-year Plan.