

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

The following issues were raised by City Councilmembers at the March 28, 2006 City Council/Redevelopment Agency Informational Workshop. Staff has summarized the issues and prepared responses.

### **OVERALL PROJECT**

Question (P. Kernighan): What will bring people down to the waterfront?

Staff Response: Staff believes that people in general gravitate to accessible waterfronts. There are great examples all over the Bay Area. Some of the areas are programmed with activities; some are left as natural preserves; and others are developed with the minimum amount of facilities for the enjoyment of just being near the water. This project offers all of the above. There are programmed recreational activities and passive spaces in the public open space areas. The wetlands restoration area is a preserve for marine species and nature lovers. The commercial and recreational activity surrounding Clinton Basin will be a draw to the area. This will be the first time that people will be able to access this portion of the Estuary shoreline and, consistent with the goals and objectives of the Estuary Policy Plan, they can take advantage of the beautiful setting and fantastic views.

### **PUBLIC TRUST LANDS**

Senate Bill 1622 allows the State Lands Commission to amend the boundaries of the public trust lands on this site. Any acreage removed from the "public trust" must be replaced elsewhere on Port property.

Question (D. Brooks): How many acres of land are affected? Has a site been identified for the land exchange? What is the value of this land – about \$3 million?

Staff Response: Approximately nine acres are affected. It is the Port's obligation to provide a suitable site for the land exchange, not the City's or the developers. The value of the exchange land will be determined by a process overseen by the State Lands Commission and is not under the control of the City.

Question (D. Brooks): What is the relationship between the value of the community benefits and the value of the land?

Staff Response: As mentioned above, the value of the exchange land is unknown at this time. The value of some of the community benefits for the project has been estimated below. Benefits such as the management of the complex entitlement process, the creation of 10,125 construction jobs that pay prevailing wage with benefits, local business utilization, and the creation of 623 new jobs are not as easily quantifiable but represent no less of a benefit to the community.

**Responses to City Council Questions  
March 28, 2006 Informational Meeting**

***One-Time Cost Benefits***

Site Remediation	\$24,500,000
Affordable Housing Contribution	4,000,000
Job Training	1,650,000
Chinatown Pedestrian Safety Study	400,000
Park Construction	26,000,000
Historic Resource Mitigation	500,000
9 <sup>th</sup> Avenue Terminal Restoration	3,000,000
Acceleration of Required traffic improvements	500,000
<b>TOTAL VALUE OF BENEFITS</b>	<b>\$60,550,000</b>

***Ongoing Cost Benefits***

Net General Fund Contribution	\$3 million annually
Gross Tax Increment	\$1.09 billion

**SOIL REMEDIATION**

Question (D. Brooks, J. Quan): What is the process to determine the costs of remediation? What is the estimated cost? How come these costs are not specifically known at this time (like in Uptown)?

Staff Response: The exact cost of soil and water remediation for the proposed project has not been determined. A budget of \$24,500,000 has been prepared based upon an engineer's estimate of the anticipated remediation plan for the project. A more specific cost-estimate of the clean-up will not be known until the State Department of Toxic Substances Control (DTSC) has approved the remediation plan for the project and a cost cap insurance policy is obtained.

**AFFORDABLE HOUSING**

Question (D. Brooks): How large are Parcels F and G? Can they accommodate the construction of 20% affordable housing (620 units)?

Staff Response: Parcel F is approximately 1.75 acres and Parcel G is approximately 2.72 acres. The two parcels combined can accommodate 420 to 465 units, 15% of a maximum of 3,100 units for affordable housing as required by Redevelopment Law. An independent review of these figures has been completed and it is believed that this number of units can be constructed on the two parcels, consistent with the mix, size and types of units mandated by City policies.

Question (D. Brooks): Will the sale of Parcels F and G to the Redevelopment Agency be discounted by the developer?

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

Staff Response: Yes; the developer will sell “clean” land with infrastructure installed to the Redevelopment Agency at a reduced price as agreed to in the affordable housing agreement described in the staff report and attached to the Development Agreement.

Question (N. Nadel): How much affordable housing is being provided in the project?

Staff Response: The project will accommodate 15% of the total number of units constructed in the Central City East Redevelopment Area, consistent with State Redevelopment Law.

Question (N. Nadel): Does Oakland Harbor Partners currently own the property?

Staff Response: No; the Port of Oakland owns the property. OHP has an option to purchase the property contingent upon project approvals.

Question (N. Nadel): If the land is currently in public ownership (Port), why is it being sold to a private developer (OHP) who will then sell it back to a public agency (Redevelopment Agency)? Why doesn't the City buy the land directly from the Port thereby avoiding any developer profit?

Staff Response: The developer's profit on invested capital would be in the lowest quartile of the range of returns on equity for similar projects (see Attachment D, Memo from The PFM Group regarding the financial analysis of the proposed project). As a general standard, any City project which must comply with City contracting and bidding requirements costs about 15-20 percent more than without such requirements. On this basis alone it would be better to have the developer buy and prepare the site. There are additional reasons, however, which can add to the cost, and which argue for purchasing the sites from the developer after remediation. These are:

1. Remediation plan – The City would have to prepare a separate remediation plan and obtain approval from the Regional Water Quality Control Board. There will be a cost for preparation of this plan including legal fees, site assessment, and plan preparation. For the Forest City/Uptown site, which is twice the size of the land necessary for affordable housing at Oak to Ninth, the attorney costs were \$100,000, site assessment costs were \$200,000, and about \$250,000 for the plan and evaluation of site assessment results. Therefore, it would be reasonable to expect that remediation plan preparation costs for about 4 acres at Oak to Ninth would run at least \$250,000.
2. Remedial site work would be needed. If the City were to bid out and have this work conducted separately from the main development project, it would lose the economy of scale attributable to being part of a larger project. Costs per acre of remediation would be higher than if the project were part of a larger undertaking.
3. Cap Insurance. The City would have to purchase separate cost cap insurance in the event of a cost overrun.
4. Issues of Liability. Purchasing property which is dirty and remediating it would require the City to accept significant liability for the property. It would be better to stay out of the chain of title and close escrow on property after it was remediated by the developer.

## Responses to City Council Questions March 28, 2006 Informational Meeting

5. Efficiency of Preparing Land for Development. The City is not set up for land development and cannot purchase and prepare land for development as efficiently as a private developer. The City does not have the incentive to prepare land for development as cost effectively or as fast as a private developer for who project delays result in additional costs.
  
6. Expertise. The City will need to pay for an engineer and project manager to coordinate the construction of all utilities serving the property and frontage improvements with the construction of improvements on surrounding property. This will add to the cost.
  
7. Discount of Land as Part of Overall Development Deal. If the City purchased the property directly it would not be able to take advantage of the approximately \$1 million savings on parcel "F" (resulting from the developer selling land at its cost, not including profit) and the City would not be able to take advantage of the \$1 million discount below market value that is being offered on Parcel "G."

Question (J. Brunner, J. Quan): How much will the proposed affordable housing portion of the project cost the City/Redevelopment Agency and how will it work? (e.g., land cost, unit count, tax increment)

Staff Response: The following provisions for affordable housing have been negotiated by staff and the project developer with input from the Oak to Ninth Affordable Housing Coalition. All parties are in agreement with the amount of housing, unit type, and affordability levels. The developer's and Agency's responsibilities will be incorporated into the project Development Agreement, Exhibit L.

This agreement is based on the option to the proposed site plan that would remove housing from Parcel N. The 300 units for Parcel N would be transferred to the remaining portion of the project site which is in the Central City East Redevelopment Area. Therefore, 15% of the 300 units (45 units) would need to be affordable and would be added to the current 420 affordable housing unit total (based on 2,800 units in the CCE Redevelopment Area) resulting in an affordable housing obligation of 465 units.

The Project would include a total of 465 affordable housing units to be located on Parcels F and G. These units are expected to be built in the following four phases:

Phase	Parcel	Units	Construction Type
I	F	150	Type V;
II	G (portion)	132	Type I (over retail);
III	G (portion)	77	Type I (over retail); and
IV	G (portion)	106	Type III (over retail).

a. Purchase of Lots

Developer will provide Lots F and G for sale to the Agency for the purpose of constructing affordable housing. The lots will be in remediated condition with all necessary utilities stubbed

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

out at the lot line and access roads completed along the lot frontage to back of curb prior to construction (“Finished Lot”). The Agency shall close escrow on Lots F and G no later than the date that is 90 days after such lots are completed as Finished Lots (completion currently estimated at fourth quarter of 2009 to first quarter of 2010; therefore, closing is estimated to occur in first quarter of 2010 to second quarter of 2010).

b.        **Determination of Discounted Purchase Price**

Value of the lots will be determined by an appraisal in consideration of the number of market rate residential units allowed to be built at the time the purchase transaction takes place (notwithstanding the affordability restriction contained in the Development Agreement/zoning), minus \$1 million for each lot; subject to a minimum purchase price described below. The initial purchase price for Parcel G will be based upon that portion of the land allocated to the residential component, which shall be determined by dividing the sum of the square footage of all residential units and residential parking by the total building and parking square footage for the entire Parcel G development.

c.        **Minimum Purchase Price**

The purchase price for Parcels F and G would be subject to a possible adjustment based on the developer’s actual cost of providing the Finished Lot since the project has very slim margins of profit it cannot sustain losses which might occur if a parcel is sold significantly below the developers cost. Accordingly, a minimum purchase price is established that allows the purchase price to be adjusted upwards if the developer’s cost of the finished, ready-to-build lot is more than the appraised value. The discounted purchase price may be adjusted up to the higher of the developers cost (not including profit) or the fair market value at the time of completion or remediation, utilities, and access. However, in no event would the purchase price of the lot be adjusted higher than the fair market value.

d.        **Early Purchase**

The Agency would have the right to purchase Lots F and G prior to their completion as Finished Lots (with the Developer remaining obligated to remediate the property and install the applicable improvements) in return for a discount on the Purchase Price equal to a percentage discount rate multiplied by the number of years each lot is purchased prior to being completed as a Finished Lot. This discount would apply regardless of any adjustments made under the minimum purchase price provisions described above. The discount would be determined by taking a discount rate per year and multiplying it by the number of years the Agency purchases the lot before it is ready to build on. The discount rate for the lots will be a blend of Developer’s preferred return and Developer’s cost of financing reflecting the proportions of each in Phase I. For example, if the cost of financing is 8% and the preferred return on equity is 10% and the proportions of financing and equity are 75% financing and 25% equity, then the blended rate would be 8.5%. If the lots are then purchased two years early the discount would be 17%.

e.        **Additional Contribution**

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

The Developer will make an additional contribution toward affordable housing equal to \$2,000,000, with \$1,000,000 payable at the time of building permit issuance on Parcel F and \$1,000,000 payable at the time of building permit issuance on Parcel G.

f.      **Commercial Shell and Parking Purchase Provision**

Upon completion of the commercial shell and parking for Parcel G, the Developer will purchase the commercial shell and parking at the cost of construction to the Agency or affordable housing developer, including financing and equity costs and developer overhead.

g.      **Development Rights Transfer**

The developer may propose to purchase the right to build market rate units from the pool of affordable units allocated to Parcel G, along with the land value then associated with the units to be sold. Such a purchase would not affect any other contribution toward affordable housing to which the developer would still be bound. The developer may transfer the development rights to any other area within the development and use the rights for development of market rate units.

h.      **Construction of Affordable Housing**

The Agency will warrant that it will cause to be constructed affordable housing units when it is economically feasible for the Agency to do so, subject to bonding constraints, Oak to Ninth project build out schedule, anticipated State funding to cover part of the needed subsidy as such program exists in 2006, and anticipated growth in tax increment from the Central City East Redevelopment Area and other areas contributing to the city-wide housing tax increment pool. It is anticipated that the Agency will fund the construction of units based on the following schedule:

(1) Parcel F (Phase I): No later than July 1, 2013 and when 1000 market rate units have been completed and are on the tax roll.

(2) Parcel G (Phase II): No later than July 1, 2016 and when 1800 market rate units have been completed and are on the tax roll.

(3) Parcel G (Phase III): No later than July 1, 2017 and when 2100 market rate units have been completed and are on the tax roll.

(4) Parcel G (Phase IV): No later than July 1, 2018 and when 2300 market rate units have been completed and are on the tax roll.

The Agency may elect to construct sooner provided sufficient funding is available. Further, the Agency shall covenant to limit the use of the Oak to Ninth project set aside funds to the acquisition and development of Lots F and G until the completion thereof.

i.      **Affordability Level**

Units will be affordable to households at between 30% and 60% of Adjusted Median Income

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

### j. Unit Types

Up to 25 percent of all units may be configured for seniors. At least 30 percent of all non-senior units will be three bedroom units and at least 20 percent of all non-senior units will be two bedroom units.

### k. Environmental Remediation of Estuary Park

To the extent that the City Council may decide to provide funds for environmental remediation of Estuary Park, the developer has agreed to provide additional subsidy for affordable housing equal to the amount of any remediation the Council funds. This will cause the park to be built earlier than would otherwise be feasible. Additionally, this will cause two of the four phases of affordable housing to be funded one year earlier than would otherwise be feasible and would result in citywide affordable housing funds being available for use elsewhere in the City. The developer proposes to pay interest on any funding provided by the City for environmental remediation equal to the rate the Redevelopment Agency would otherwise get, until such time as the first phase of Oak to Ninth affordable housing is built, at which time the developer would provide funding equal to the environmental remediation contribution plus interest to the Agency for use in funding affordable housing within the Oak to Ninth Mixed Use Development Project.

## **LAND USES**

Question (J. Brunner): How do the General Plan and Zoning relate to each other?

Staff Response: The *Estuary Policy Plan*, adopted in 1999, always intended this area for mixed use development with an emphasis on parks and public open space. The project is proposing to meet that intent but is requesting that residential land uses be allowed as one of the mixture of uses. Thus, the EPP is proposed to be amended to allow residential uses along with commercial uses and parks and open spaces in approximately the same locations as proposed in the EPP. The EPP land use map indicates where the mixed use development will occur.

Because there is no zoning district that can accommodate this type of development, staff is proposing a special zoning district just for this project. The land uses specified in the zoning district can accommodate the proposed development and the designations are consistent with those shown on the EPP land use map. The zoning district divides the land designated for mixed use development in the EPP into permanent parks and open space areas and areas for residential and commercial development.

Question (J. Quan): It is likely that La Escuelita or Lincoln Elementary schools will not be able to accommodate the number of students estimated to move into this project. Would prefer to see a school on the site where housing is proposed behind Estuary Park. Is it possible to find a site for a public school within the project?

Staff Response: The project area is located within the service areas of La Escuelita and Franklin Elementary Schools. At this time both of these schools have available capacity to accept more students. A school located on site would require several acres to accommodate state mandated

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

classroom facilities and playground space. This acreage would either reduce the amount of public open space or the development area.

Question (P. Kernighan): Why doesn't the project include more than 200,000 s.f. of commercial development?

Staff Response: The project sponsor has proposed an amount of commercial development that can be supported by the population in the new neighborhood as well as visitors to the project area from other neighborhoods in Oakland.

### **PARKS AND OPEN SPACE**

Question (J. Quan): What are the parks mentioned in Measure DD?

Staff Response: Measure DD mentions three parks in the location of the project site (Estuary Park, Meadows Park, and a park by the Ninth Avenue Terminal identified as Crescent Park). Four parks are being provided by the project sponsor in generally the same locations. These are Estuary Park, Channel Park, South Park, and Shoreline Park.

Question (H. Chang): Is there enough money from Measure DD funds to both purchase the land and develop the parks? Or just purchase the land?

Staff Response: Measure DD funds are to be used towards the purchase of land for parks and open space. It was recognized that the funds generated by Measure DD were not likely to be sufficient to cover the total cost of purchasing the land and developing the parks. For example, the 7-acre Union Park cost \$10 million to develop, with \$4 million contributed by Measure DD funds. It was always the intent to supplement Measure DD funds with other money. Given current cost estimates being completed for similar projects, is not likely that the remaining \$18 million of Measure DD funds allocated for this area are sufficient to provide 20 new acres of public parks and open space.

Question (P. Kernighan): Can Measure DD money be used to buy more open space and parks in the project?

Staff Response: See response above. Measure DD money could be used to purchase more land for open space and parks in the project. For example, if the housing were to be removed behind Estuary Park, Measure DD funds could be used to purchase the land to expand Estuary Park to the Embarcadero.

### **NINTH AVENUE TERMINAL**

Several Councilmembers commented on the proposed demolition of the Ninth Avenue Terminal and asked several questions regarding the project sponsor's plans for the facility, the reuse possibilities, and the economic feasibility analysis.

Question (N. Nadel): The 9<sup>th</sup> Avenue Terminal feasibility analysis assumes larger spaces for artists and then determines that the project would be infeasible because the spaces are too large.

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

Why not analyze smaller spaces (i.e., 2,100 s.f.)? The analysis should be objective and include an option of reusing the Terminal as a Regional Arts and Education Center with smaller spaces for artists. Can the analysis be expanded to include such an option?

Staff Response: The 9<sup>th</sup> Avenue Terminal feasibility analysis assumed larger spaces based upon analysis of a description of a regional arts center provided in a study prepared by students at the University of California, Berkeley. Economic and Planning Systems was asked to look at a scenario assuming that the artist studios are smaller (e.g., 700 square feet each). This would increase the number of studios from 36 at 2,100 square feet each to 108 studios at 700 square feet each. If it is reasonable to assume smaller spaces could attain higher rents, it would likely be more difficult to achieve higher than average occupancy rates (e.g., 90 percent occupancy rate). However, using an aggressive scenario in which lease rates remain below the market rate (e.g., \$0.55 per square foot) and a 90 percent occupancy rate could be achieved; this scenario still results in a shortfall of \$16.1 million and would require a substantial subsidy from the City.

Question (J. Quan): What is the rationale for the 15,000 s.f. to be preserved? What are the proposed uses for the remaining portion of the building?

Staff Response: The renovated 15,000 square feet of the 9<sup>th</sup> Avenue Terminal proposed by the project sponsor was determined by analyzing the cost of renovation and the amount of leasable space the market could support which was confirmed in the “Ninth Avenue Terminal Economic Feasibility Report,” dated February 21, 2006, prepared by Economic and Planning Systems and peer reviewed by the PFM Group. The project sponsors are proposing a maritime museum, recreational retail uses related to the nearby parks and waterfront, limited retail, and food service. Retaining a larger portion of the building results in a total funding shortfall, even with the use of rehabilitation tax credits and new markets tax credits, and would require a significant annual public subsidy, as described in more detail in the report entitled “Ninth Avenue Pier Renovation Impact of Rehabilitation Tax Credits and New Markets Tax Credits on Project Feasibility” by Novogradac 7 Company, dated May 17, 2006.

The analysis of the reuse of the 9<sup>th</sup> Avenue Terminal indicated that it will take somewhere between \$30 to \$50 million in subsidy to rehabilitate the building, and that does not account for the potential losses of operating the facility. Most of the other examples of reuse projects mentioned also required large subsidies. For example, the Ford Plant in Richmond required a subsidy of \$14.2 million from the Redevelopment Agency and approximately \$20 million from other Federal sources (City of Richmond website). Chelsea Piers in Manhattan required public financing assistance and deferred loan payments and the City currently subsidizes 35 to 52% of the operating costs on an annual basis. The Torpedo Factory in Alexandria, Virginia is subsidized by the City of Alexandria with the City subsidizing the rents of the tenants. Please refer to Attachment G, “Subsidization of the Chelsea Piers and the Torpedo Factory Adaptive Reuse Projects,” prepared by Economic and Planning Systems Inc. (May 2006).

### **PROJECT DESIGN**

Several comments were made about the difficulty of understanding what the site will look like and feel like when the project is constructed.

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

Question (J. Brunner, H. Chang, P. Kernighan): What will it look like? How can the final building envelope (e.g., bulk, shape, height, and exterior materials) be visualized? The model is very important.

Staff Response: A project model is available at the Signature Properties sales office at 54 Washington Street, Jack London Square, Oakland. The model is available for review (by appointment) Tuesday-Sunday, 10:00 am. to 6:00 pm, and Mondays, 12:00 to 6:00 pm. In addition, the video prepared by the project sponsors attempted to show the bulk, height and scale of the project from various viewpoints. The video did show the architecture of one or two buildings, but did not provide examples of buildout of the remaining portions of the site. Because there were no building elevations submitted with the project application, staff required that the project sponsor prepare design guidelines for the new construction. The design guidelines include a number of general and more specific urban design principles and design standards that will be applied throughout the project. They also include illustrations of features of future development so that there is a sense of what can be expected around with development around Clinton Basin and along residential streets. The development standards in the zoning district show the heights of buildings and the expected density for each development parcel. In addition, a design review process will be followed for every new building as specific projects are submitted to the City in the future.

Question (J. Brunner): Why did the Planning Commission reject Alternative 2?

Staff Response: Several Commissioners commented that they did not favor the Embarcadero Road realignment curving through the project site. While there was agreement that a public accessway should separate the open space from the developed areas, it was believed that the internal roads proposed by the project achieved that purpose without adding a major thoroughfare through the project site. The project is being designed with an emphasis on pedestrian access through a smaller scaled network of streets that will foster neighborhood networks and create a finer grained residential quality; crossing a major thoroughfare to go anywhere within the project is not conducive to these objectives.

### **PROJECT PHASING**

Several comments were received about the phasing of the public amenities over the 20-year time frame.

Question (J. Brunner, N. Nadel): Why can't the project start on the north end? Why is Estuary Park being completed last? Wants to see it expanded sooner.

Staff Response: The phasing plan proposed by the project sponsor is based upon factors such as existing leases, remediation activities, and existing public access and construction requirements. The Cash and Carry site has a lease term that runs through 2009. The renovation of Estuary Park contemplated by the project would require the existing park to close, with the exception of the Jack London Aquatic Center, and the Cash and Carry warehouse be demolished prior to site remediation. Currently the only public access to the waterfront on the site is at Estuary Park. The project proponent took into consideration the existing lease and public access to the Estuary and identified the 9<sup>th</sup> Avenue Terminal as the best location for Phase I. Once the location of the

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

first phase is determined, construction of the project out of sequence would be inefficient and negatively affect other components of the project. In the event the phasing were reversed, and the project began at Estuary Park, the timeline for completion of the project would be pushed out and access to the Estuary would be cut off for a longer period of time than under the proposed phasing plan.

Question (J. Brunner, J. Quan): Why can't the Bay Trail be installed sooner?

Staff Response: Installation of the Bay Trail within the project area is limited by site conditions, existing leases, and contamination. It is not feasible to construct the final trail out of sequence because of these limitations. A temporary trail might be feasible; however liability and public safety would need to be taken into consideration prior to design and construction.

Question (J. Brunner): Can the City assist with obtaining an easement over the Fifth Avenue Point property?

Staff Response: The City has the power of eminent domain to acquire property for public purposes, which generally would include acquisition of an easement for a public trail. However, the developer has indicated that it is precluded from providing funding to support the City's acquisition of an easement due to a private agreement between the developer and the Fifth Avenue Point property. As a result, the City would need to identify other funding sources for acquisition, improvement and maintenance of the trail over the Fifth Avenue Point property.

### **PROJECT LABOR/JOB TRAINING**

A concern was expressed about the job training program and whether the \$1.6 million contribution to job training programs was enough of a community benefit over a 20 year period.

Question (D. Brooks): At what point in the 20-year timeframe will the money be contributed?

Staff Response: Upon the issuance of the first building permit for the project, the developer will provide \$1,000,000 to be equally distributed among four existing job training programs: youth Employment Partnership, Cypress/Mandela, Allen Temple Training Center, and Men of Valor. Prior to the issuance of the building permits for 40% of the project residential units and 60% of the project residential units, respectively, the developer will provide an additional \$325,000 for a provider or partnership of providers that will use the funds to serve local residents in the Eastlake/Chinatown, Fruitvale and Lower San Antonio neighborhoods. The local hiring and construction job training benefits are included in Exhibit J of the Development Agreement.

Question (D. Brooks): Can unskilled laborers be on the job without training? Are they eligible for benefits?

Staff Response: A variety of construction trades will be employed by the project. Each trade has an apprenticeship program to take unskilled workers and train them on the job. In addition the project sponsor is working with several Oakland job training programs to provide opportunities for workers with a variety of skills to work on the project. It is anticipated workers on the site will have a variety of skill levels depending on the demands of the job they are performing. The

## **Responses to City Council Questions March 28, 2006 Informational Meeting**

implementation of the job program proposed by the project sponsor will ensure that Oakland residents get a minimum number of construction jobs on the project.

### **FINANCIAL FEASIBILITY**

Question (J. Brunner): What is the financial feasibility of a project with 1,500 dwelling units versus 3,100 dwelling units?

Staff Response: Attachment K-4, “Oak to 9<sup>th</sup> Mixed Use Project Feasibility Analysis of Alternatives 1B, 2, 3” prepared by EPS, February 21, 2006 analyzed a buildout alternative with 1,800 units. The analysis concluded that due to the lack of existing infrastructure, contamination, soil conditions, and several other site conditions, that substantial fixed costs will not change significantly whether there are 1,500 or 1,800 units on the site. The feasibility analysis illustrates that a project with 1,800 units will result in a net loss of approximately \$172,000,000 over the 20 year time frame. This loss will increase as the number of units is decreased. In addition, a decrease in the number units from the proposed 3,100 units will lower the success rate for the planned retail and result in fewer amenities than currently proposed as part of the development plan.