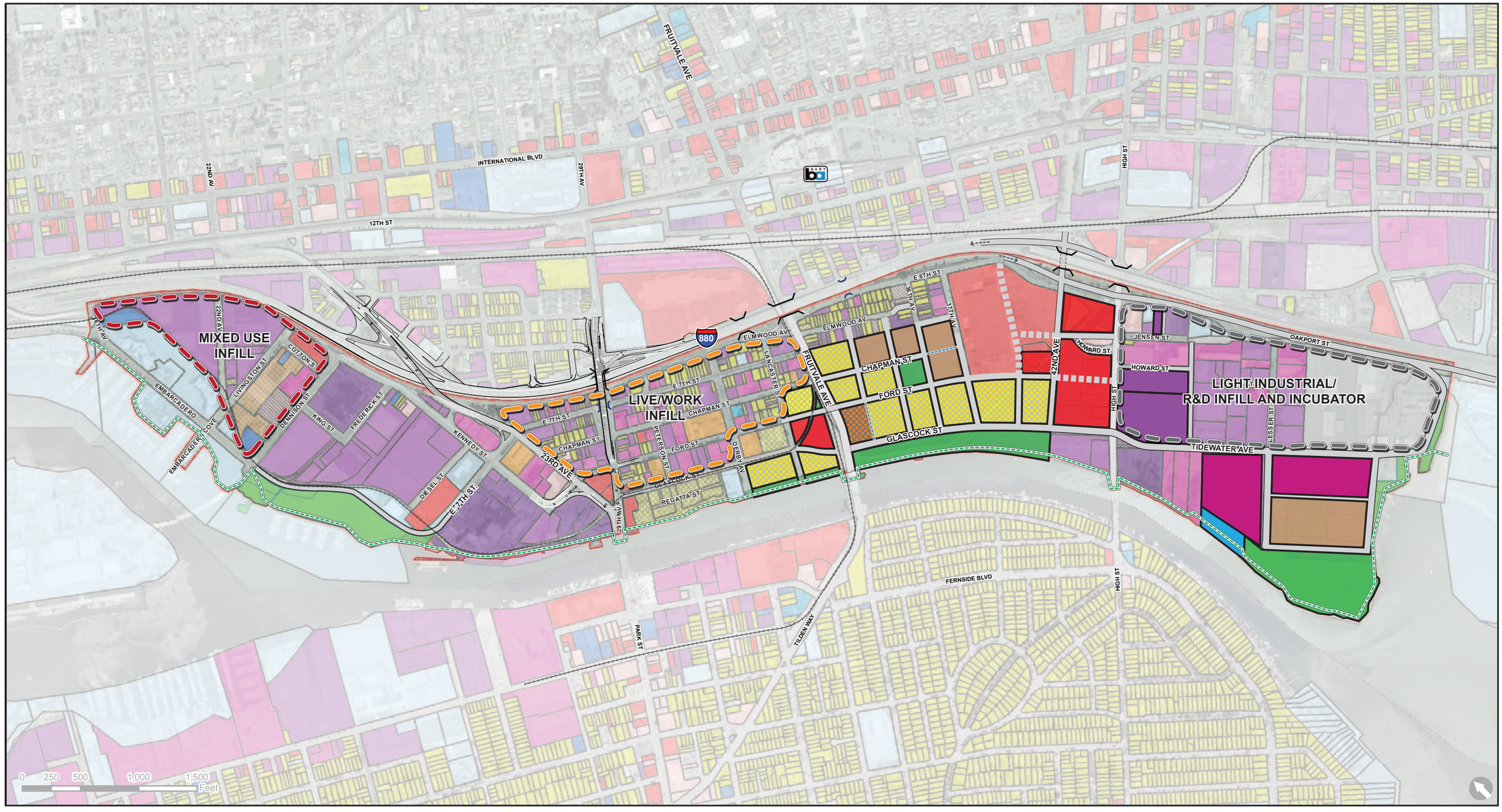
9. Preferred Alternative

Based on the information and analysis of the three Alternatives contained in this report, a preferred alternative was developed by community stakeholders and the project team.

A community workshop on November 14, 2009 was devoted to identifying a preferred alternative. The workshop was attended by approximately 40 members of the community, including property owners, developers, area architects and representatives of advocacy organizations. The majority of participants had participated in one or more of the previous five workshops in which the vision statement and draft alternative development concepts, described above, were developed. Attendees participated in a hands-on map-based activity to develop a preferred alternative in small groups, then came together as a large group to reconcile the four plans and develop a consensus plan representing the preferred alternative. The participants reached general consensus on the future of each subarea, as well as some key ambitions to improve the Plan Area as a whole, as described below.

Subsequently, the priorities of the community were developed into a preferred land use plan that also reflects other input from key stakeholders and processes. The planned Caltrans ramp reconfiguration and associated roadway infrastructure reorganization associated with the 42nd and High Street project have been integrated into the block and land use pattern reflected in the preferred alternative. Additional input from various City departments on feasibility of certain land use types, amounts, and configurations was used to refine amounts and organization of some land uses. Similarly, input from City advisory bodies such as the Parks and Recreation Advisory Committee, Landmarks Preservation Advisory Board and Planning Commission were integrated into the preferred alternative through subsequent revisions. As described below, input from other private interests, such as PG&E, with ramifications on possibility of some of the changes anticipated by the preferred alternative are reflected as well.

The preferred alternative is shown on the following page and described in detail below.



DRAFT Preferred Alternative

January 5, 2010

Subarea Boundaries

Land Use

- Industrial (Heavy)
- Industrial (Light) / R&D
- Industrial (Warehouse)
- Utilities
- Automotive
- Single-Family Res
- Medium-Density Res
- High-Density Res
- Live/Work
- Mixed Use
- Retail/Commercial
- Office
- Institutional
- Industrial Lot
- Commercial Lot
- Vacant Lot
- Parking Lot
- Publicly Owned
- Parks
- Bay Trail
- Drive Aisle
- Public Street
- Rail (non-BART)
- Underpass
- Ped/Bike Underpass
- Live/Work Infill
- Mixed Use Infill
- Light Industrial/R&D Infill and Incubator

CITY OF OAKLAND

CENTRAL ESTUARY PLAN
A Vision for Oakland's Waterfront
COMMUNITY DESIGN + ARCHITECTURE
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Summary

The community preferred alternative would result in the following net changes in residential units, office, retail, and industrial space, and jobs:

- Adds 2,465 new residential units for a total of 3,039 units
- Adds approximately 250,000 square feet of office and retail (mostly new regional retail along High Street) for a total of approximately 628,000 square feet
- Net loss of 1,071,675 square feet of industrial space (mostly reflecting redevelopment of the Owens Brockway site) for a total of approximately 4,171,000 square feet
- Net gain of 372 jobs

Area-Wide Concepts

The key area-wide concepts espoused by the community and reflected in the draft preferred alternative have to do with increasing connectivity through the area, especially for pedestrians and bicycles, and creating a distinctive place reflective of the unique area character at the center of the Plan Area. Throughout the process of developing the Plan, the community has supported new development and increased density in certain areas as a means to achieve goals elaborated in the vision statement, including increased access to the waterfront, better connectivity through the Plan Area for all modes, increased transit service and more neighborhood-serving retail. The provision of a continuous west-east roadway was a recommendation of the Estuary Policy Plan that has continued to have strong community support throughout the community process. The preferred alternative proposes such a roadway and will set standards for landscaping and pedestrian and bicycle infrastructure to ensure that it is an attractive and safe facility. Additionally, the desire to convert Fruitvale Avenue into a more local-serving pedestrian and bicycle-friendly corridor is supported by providing opportunities for the desired neighborhood-serving retail on that corridor. Anticipated redevelopment of a number of the parcels along this corridor and the potential opportunity to convert the unused rail spur to Alameda into community-serving open space and a multi-modal trail connection combine to create a unique opportunity to redefine this area and better connect the immediate neighborhood and the Fruitvale neighborhood to the north to the waterfront.

West Subarea

In the West Subarea, mixed-use infill would be allowed to continue around the Embarcadero Cove area, but the growing specialty food producing industrial area east of Dennison Street would be maintained and protected as industrial use, as would the ConAgra flour processing facility. Because over 90% of the flour produced at the ConAgra facility is used within 25 miles of the site, the community agreed that the economic and environmental benefits of this use should be maintained rather than considered for conversion to residential development. However, the community stressed the importance of providing Bay Trail connection along the waterfront edge of this facility within their parcel if possible, as well as improving the visual appearance of the street-fronting facade of the parcel that faces Union Point Park.

Central West Subarea

In the Central West Subarea, preservation of the existing neighborhood and its eclectic character including live/work uses, was a priority. Additionally, the residents indicated acceptance of some additional residential and neighborhood retail development in order to increase vibrancy in the neighborhood and improve neighborhood convenience, area security and transit availability. To this end, existing waterfront warehouse uses that do not take best advantage of their location or allow waterfront access were determined to be good candidates for redevelopment as medium-density residential development with landscaped and publicly accessible waterfront setbacks. New retail and north-south pedestrian and bicycle connections could be provided along Fruitvale Avenue, as described above.

Central East Subarea

In the Central East Subarea, the Owens Brockway glass manufacturing plant is a key opportunity site that is over 25 acres and has been offered for sale several times in recent years. The community felt this site presented the best opportunity for new residential development, as it would expand the existing Kennedy Tract neighborhood and provide the density needed to achieve various community goals. The preferred alternative for this site includes an approximately 8-acre publicly accessible waterfront park at the existing location of Alameda Avenue. In addition, the illustrative development concept also includes an approximately 1-acre urban park within the redeveloped Owens Brockway site. The community expressed a preference for mixed-use development with ground floor retail uses, which may be achievable in limited amounts due to economic constraints on retail uses. Retail located in this area could front onto an improved Fruitvale Avenue, creating a vibrant main street through the area that better connects the Kennedy Tract to the new residential development and creates a pedestrian corridor linking the Plan Area to Fruitvale BART and to Alameda. Regional-serving retail to provide jobs and convenient services could be located along High Street near the existing Home Depot center, expanding that retail center near the reconfigured I-880 interchange and capturing Alameda traffic. Redevelopment throughout this area not only provides the opportunity for a substantial waterfront park and continuous Bay Trail connection, but also creates a significantly more interconnected street grid that allows for more convenient pedestrian and bicycle access across the Plan Area.

East Subarea

The East Subarea currently supports a number of light industrial employers as well as some regionally-significant heavier industries, all of which the community hoped to preserve, while also revitalizing the area and attracting new industry, providing improved Bay Trail connections, and creating an opportunity for limited residential development adjacent to the Martin Luther King Regional Shoreline Park to take better advantage of the scenic location and existing park.

The preferred alternative reflects this mix of desires in a carefully constructed balance that initially involved redevelopment of the nearly 20-acre PG&E facility as a green jobs incubator surrounded by light industrial space to provide new jobs. At the outset of the planning process and after initial discussions with PG&E representatives, it appeared that this large site could become available for partial redevelopment within the Plan's 25-year planning horizon. However, in a letter to staff and testimony at the December Planning Commission hearing on the community-preferred alternative, a PG&E representative indicated that redevelopment or more intensive use of the site was not compatible with PG&E's goals. As a result, the development concept for the industrial area was refined to still include PG&E for consideration as light industrial and employment use, but not as an integral part of the Plan. An R&D incubator is still possible within the area north of Tidewater, and would also potentially serve as an anchor for the R&D office and lab space intended to buffer the proposed residential development from surrounding uses south of Tidewater.

The proposed residential development would front onto the expanded EBRPD park on two sides and be buffered from surrounding industrial uses by new R&D employment uses. The residential development would likely involve two large blocks of high-density housing at up to 80 units/acre.

Employment Impact of the Preferred Alternative at Build-out

In the preferred alternative, 729 jobs would be lost as a result of the redevelopment of existing employment uses. The vast majority of these (526) would be in the Central-East Subarea, where the Owens-Brockway site and most of the Warehouse Triangle is slated for conversion to residential, retail, and park uses. These new uses would support 383 new jobs, for a net loss of 143 jobs. A smaller cluster

of jobs would be lost in the East Subarea, with the conversion of some of the industrial land south of Tidewater to higher density industrial and high density residential uses. However, in this case, the 158 lost jobs are more than replaced by the addition of 672 jobs related to in-fill R&D industrial and incubator development, resulting in a net gain of 514 jobs in the subarea. In all, the 729 jobs lost to redevelopment are off-set by 1,101 new jobs for a net gain of 372.

Employment Impact of Preferred Alternative by Subarea

	West	Central-West	Central-East	East	Total
Displaced Jobs	0	44	526	158	729
New Jobs	9	37	383	672	1,101
Net New Jobs	**9**	**-7**	**-143**	**514**	**372**

Source: Center for Community Innovation 2009, Strategic Economics 2009

While none of the jobs that would be lost as a result of redevelopment are in the highest wage category, 78 percent are above the Oakland living wage of $12.45 per hour and more than half offer wages of $17.50 per hour or more. The new employment uses, especially the new retail, would include a large number of very low wage jobs: 361 (33 percent) would pay less than the Oakland living wage. However, a nearly equal number would pay a fairly high wage, with 389 (35 percent) offering at least $25 per hour. In all, the greatest net gain in jobs will be those paying below the living wage, but there will be a net gain of jobs in nearly all wage categories.

Employment Impact of Preferred Alternative by Wage Category

	Displaced Jobs		New Jobs		Net New Jobs	
Wage Category	**#**	**%**	**#**	**%**	**#**	**%**
$12.45 or less	155	21%	361	33%	206	55%
$12.45-$17.50	184	25%	132	12%	-52	-14%
$17.50-$25.00	170	23%	204	18%	33	9%
$25.00-$35.00	164	23%	192	17%	29	8%
$35.00-$45.00	21	3%	96	9%	75	20%
$45.00-$55.00	22	3%	70	6%	48	13%
$55.00 and up	4	1%	31	3%	26	7%
n/a	9	1%	15	1%	6	2%
Total	**729**	**100.0%**	**1,101**	**100.0%**	**372**	**100.0%**

The vast majority of the jobs that will be lost are those that require no formal education beyond high school: 648 (87 percent) require only work experience or on-the-job training, including 293 (40 percent) that require only short-term on the job training. Only 8 percent of these jobs require a bachelors degree or higher. In comparison, a much larger share of the new jobs, especially those associated with the new R&D and incubator spaces, would require a bachelors degree or more (66 percent). However, fewer of

the new jobs (26 percent) would require only on-the-job training. In all, the redevelopment outlined in plan would result in a net gain of 125 jobs that require no formal education beyond high school or vocational training, in addition to 247 that require a bachelors degree or more.

Employment Impact of Preferred Alternative by Training/Educational Requirements

	Displaced Jobs		New Jobs		Net New Jobs	
BLS Training Level	**#**	**%**	**#**	**%**	**#**	**%**
Short-Term On-the-Job Training	293	40%	431	39%	139	37%
Moderate-to-Long-Term On-the-Job Training	293	40%	254	23%	-39	-11%
Work Experience	48	7%	75	7%	27	7%
Vocational or Associates Degree	36	5%	35	3%	-1	-0.3%
Bachelors (w/ or w/o work experience)	56	8%	277	25%	221	59%
Advanced Degree	4	0.5%	29	3%	26	7%
n/a	0	0%	0	0%	0	0%
Total	**729**	**100.0%**	**1,101**	**100.0%**	**372**	**100.0%**

Infrastructure Financing of Preferred Alternative

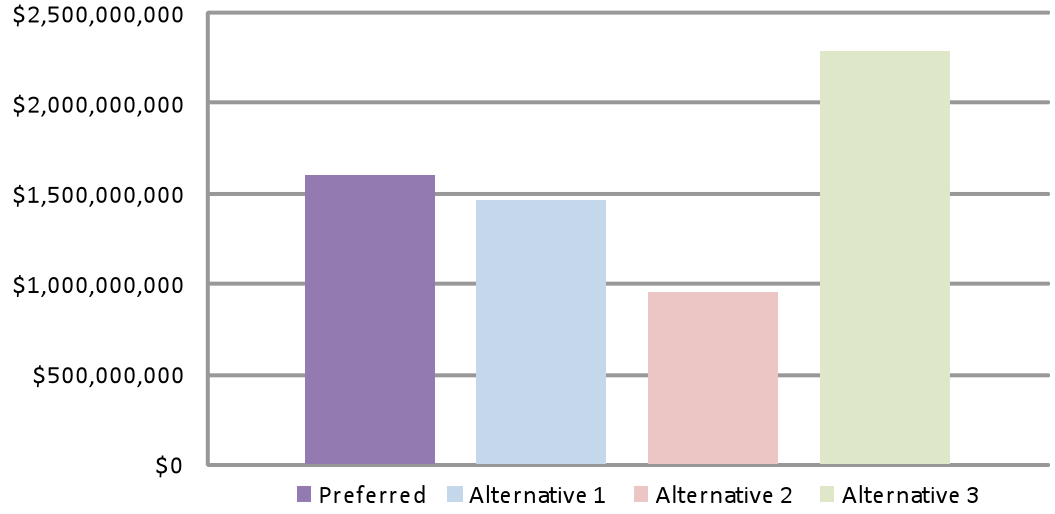
Much of the success of new development outlined in the preferred alternative is dependent on the implementation of new infrastructure, including new roads, streetscape improvements on existing roads, parks, and expansion/enhancement of utilities. Because these improvements are a direct benefit to local land owners, it is common to finance these through Community Facilities Districts (CFDs), where an annual fee is placed on property and contributes to the on-going development and maintenance of infrastructure. In addition, infrastructure is often financed through exactions from new development in the form of impact fees, developer agreements, and community benefits agreements. In the case of new roads providing access and circulation within large parcels, it is likely that developer agreements would be the primary mechanism for financing new infrastructure. However, other off-site infrastructure improvements, such as expansion or retrofitting of existing fire station facilities outside of the study area, will require alternative indirect financing mechanisms such as CFDs or impact fees.

Once the preferred alternative is finalized, detailed development and infrastructure financing plans that set forth the timing and amount of infrastructure funding derived from the land use changes will be developed. At this stage, as the preferred alternative is being refined and finalized, its ability to self-finance needed infrastructure improvements can only be roughly estimated. The analyses below compare the preferred alternative to the initial plan alternatives in order to assess the relative ability for this development program to finance necessary infrastructure and capital improvements.

Comparison of Projected Assessed Value of Alternatives

One means of comparing the relative ability of the preferred alternative to self-finance infrastructure improvements is by assessing the total value of new development in each alternative (Figure 1). This method assumes that there is a fixed percentage of the total value that may be captured through exactions or community assessment districts while enabling the development to be financially feasible to build. The higher the value of development, the more money will be available for infrastructure.

Figure 1: Total Value of New Development (2009 Constant Dollars)



Source: Strategic Economics, 2009.

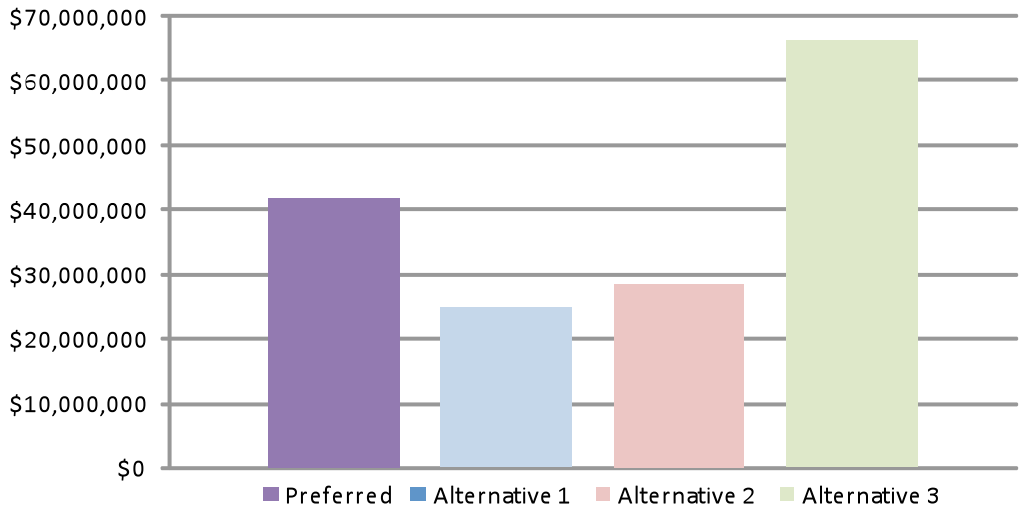
Under this method, with a total value of development of $1.6 billion, the preferred alternative has the potential to generate more funding for infrastructure than two of the three plan alternatives; only Alternative 3, which has the greatest intensity of residential development and industrial land conversion, has a higher value. However, the ability for the preferred alternative to finance infrastructure is heavily predicated on the redevelopment of the current Owens-Brockway site into residential use. The development on that site represents 47 percent of residential units proposed in the plan; retaining the site in industrial use would reduce the total value of new development by 34 percent (to $1.1 billion), even if it were able to successfully redeveloped into a industrial business park as outlined in Alternative 1.

This method only provides a rough means of comparison and does not account for the effect that exactions may have on the feasibility of development- regardless of its total potential value; if a project is only marginally profitable, the size of the impact fee may delay or deter development. Because much of the new development requires infrastructure to be in place before it will be successful, the timing may preclude the use of impact fees to construct these improvements.

Comparison of Projected Tax Increment Generated by Alternatives

Another means of assessing the relative ability of each alternative to pay for infrastructure is measuring the total tax increment that will accrue to the Coliseum Redevelopment Area as a result of new development that is not set aside for non-infrastructure uses such as affordable housing or schools. The total value of non-reserved tax increment provides a sense of how much additional bonding capacity could be generated from new development (assuming this bonding capacity is not limited, or spoken for by other Redevelopment projects). This source has the virtue of not placing an additional burden on development, meaning that developer contributions could either be lowered to enhance feasibility or directed to other investments. In addition, because the ORA has the ability to use this increment to leverage bond financing, it is somewhat less dependent on the timing of development (although it will require a steady stream of debt financing revenue be generated from somewhere in the larger Redevelopment Area).

Figure 2: Total Value of Non-Reserved Tax Increment from New Development (2009 Constant Dollars)



Source: Strategic Economics, 2009.

Figure 2, above, shows how this portion of the tax increment financing (TIF) revenue in the preferred alternative compares to the three initial plan alternatives. This shows that, again, the preferred alternative provides more revenue to the Oakland Redevelopment Agency (ORA) that could be used to finance infrastructure than two of the three alternatives. However, as with the total value of development, this is largely dependent on the conversion of the Owens-Brockway site to residential use. With that land use change, the preferred alternative would generate approximately $42 million in non-set-aside TIF; this is reduced almost by half, to $22 million, if the site is instead redeveloped as an industrial business park in the model of Alternative 1.

Regardless of these rough comparisons, the actual ability of development to pay for infrastructure depends on several factors not yet determined: 1) the profitability of new development, 2) the cost and phasing of new infrastructure, 3) which components of the infrastructure will be paid for by the RDA, and 4) whether infrastructure will be supported by one-time exactions, an on-going community facilities district, or both. By looking at the physical placement of new infrastructure, one can determine if developer agreements make the most sense (as improvements would be on or adjacent to new development sites), or if a CFD, RDA, impact fee, or other collective source of revenue across multiple property owners is necessary to finance infrastructure improvements.

Overall Ability of Development to Pay for Infrastructure in Preferred Alternative

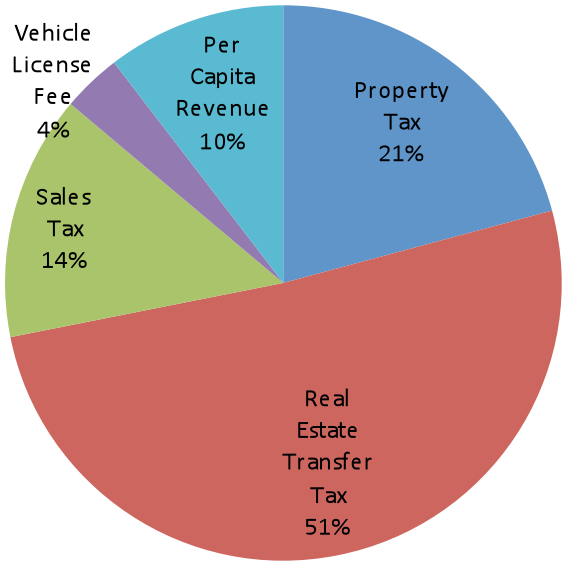
A preliminary cost of infrastructure improvements in the Plan Area, including improvements and expansions of streets and utilities, is estimated to be up to $84 million dollars. The true cost would be much higher, as this figure does not include new parks, environmental remediation, and right-of-way acquisition. However, given that even the more modest figure for streets and utilities is equal to approximately 5 percent of the total value of new development, it is likely that other sources of revenue will be necessary to fully fund the infrastructure and other investments necessary for the success of the Preferred Alternative. This may require the ORA to direct tax increments generated from other portions of the Coliseum RDA toward the Plan Area.

Fiscal Impact of the Preferred Alternative at Build-out

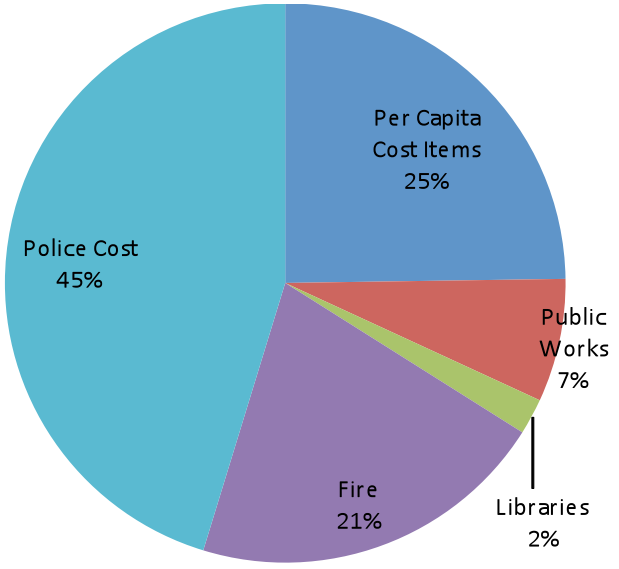
In addition to examining the carrying capacity for capital investments, the consultant team also evaluated the likely fiscal impacts to the City for city services and the operation and maintenance of infrastructure associated with the proposed new development. Over the course of the 25-year period of this plan, the fiscal impact of the preferred alternative will be variable and highly dependent upon the phasing of new development and redevelopment. At build-out (2035), however, it is projected that the plan will be strongly fiscally positive, with marginal revenues to the general fund exceeding marginal expenditures by $1.3 million (2009 dollars). More than 50 percent of this marginal revenue will be derived from the real estate transfer tax, much of which will be driven by the redevelopment of the Owens Brockway site. Nearly 45 percent of the increase in costs will be in the form of increased demands on the police department, which will need to provide significantly enhanced services to an area that currently has a small residential population.

Fiscal Impact of Preferred Alternative at Build-Out (2035)

	Preferred Alternative
Revenues	
Property Tax	$1,439,000
Real Estate Transfer Tax	$3,534,000
Sales Tax	$988,000
Vehicle License Fee	$238,000
Per Capita Revenue	$720,000
Subtotal	$6,919,000
Expenditures	
Per Capita Cost Items	$1,380,000
Public Works	$397,000
Libraries	$116,000
Fire	$1,157,000
Police Cost	$2,523,000
Subtotal	$5,573,000
Net Impact on General Fund	**$1,346,000**



Revenues



Expenditures

The fiscal impact only addresses changes to costs and revenues related to on-going operations and maintenance, not the up-front costs associated with new infrastructure. However, a significant investment in new road construction, demolition, and land remediation will be necessary to support the new development outlined in the plan. While some of this will be funded by developers, much of this investment would need to precede new development, suggesting a source of public infrastructure funding, such as from Oakland Redevelopment Agency (ORA), may be required. Nonetheless, over the course of the 25-year period of the plan, the preferred alternative will yield a significant return to the ORA. From 2010 to 2035, the ORA will collect approximately $82 million in tax increment, including $42 million that is not part of the required set-aside for schools or housing.

Total Tax Increment Captured by ORA by year 2035

General Activities	$42,000,000
Housing Set-Aside	$37,000,000
School Set-Aside	$3,000,000
Total	**$82,000,000**

Compared to the three alternatives initially proposed, the preferred alternative has a more positive fiscal impact at build out than both Alternative 2 and Alternative 3, though less positive than Alternative 1. Similarly, the preferred alternative generates more non-set-aside tax increment for the ORA than Alternative 1 and Alternative 2, but less than Alternative 3 ($66,000,000).

Fiscal Impact at Build-Out: Comparison of Alternatives

Alternative 1	$2,700,000
Alternative 2	-$300,000
Alternative 3	$1,000,000
Preferred Alternative	**$1,400,000**

Non-Set-Aside Tax Increment Captured by ORA: Comparison of Alternatives

Alternative 1	$25,000,000
Alternative 2	$29,000,000
Alternative 3	$66,000,000
Preferred Alternative	**$42,000,000**