



Impact Fee Nexus & Economic Feasibility Study



Stakeholder Working Group
November 19, 2015

Urban
Economics



Oakland Impact Fee Stakeholder Working Group

November 19, 2015

AGENDA REVIEW

Agenda

- Allocation of Total Fee Revenue
- City Impact Fee Survey
- Development Pipeline
- Fee Considerations
- Proposal(s) Discussion (existing and alternatives)
- Wrap Up

**IMPACT FEE NEXUS & ECONOMIC FEASIBILITY STUDY
STAKEHOLDER WORKING GROUP**

City Hall, Hearing Room 3

Thursday, November 19, 2015, 12:00 p.m. – 2:00 p.m.

AGENDA

1. Agenda Review 10 min.
2. Allocation of Fee..... 30 min.
3. City Impact Fee Survey (MFD & Office)..... 10 min.
4. Development Pipeline 10 min.
5. Fee Considerations..... 10 min.
6. Proposal(s) Discussion (existing and alternatives)..... 45 min.
7. Wrap Up 5 min.

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

ALLOCATION OF TOTAL FEE REVENUE

Fee Allocation Considerations

- Needs associated with new development
- Current sources of funding
- Potential sources of funding
- CEQA transportation mitigation measures
- Phasing

Multi-Family Impact Fee Fee Zone 1

	Phase 1 July 1, 2016	Phase X July 1, 20XX	Target July 1, 20XX
Affordable Housing	?%	?%	?%
Transportation	?%	?%	?%
Capital Improvements	?%	?%	?%
Total New Fees	100%	100%	100%

Office Impact Fee

	Phase 1 July 1, 2016	Phase X July 1, 20XX	Target July 1, 20XX
Affordable Housing	NA*	NA*	NA*
Transportation	?%	?%	?%
Capital Improvements	?%	?%	?%
Total New Fees	100%	100%	100%

* The City already has an affordable housing fee on office development.

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

CITY IMPACT FEE SURVEY

City Impact Fee Survey

MULTI-FAMILY RENTAL HOUSING DEVELOPMENT

**Multi-Family Residential Rental Development:
Development Impact Fees and Comparable Charges, Oakland, Berkeley, Emeryville, and San Jose
as of September 25, 2015, with November 12, 2015 Oakland Proposal (shaded)**

FEE CATEGORY	FEE PER UNIT			
	Oakland (existing)	Berkeley	Emeryville	San Jose
Development Impact Fees				
Transportation ¹	-	-	1,555	-
Other Capital Facilities				
Capital Facilities ²	-	2,230	-	-
Sewer ^{3,4,5}	-	3,536	1,244	204
Sewer Treatment (EBMUD) ⁶	1,860	1,860	1,860	-
Water (EBMUD) ⁷	9,530	9,530	9,530	-
Fire	-	-	-	-
Police	-	-	-	-
Park and/or Park In-Lieu ⁸	-	-	3,602	\$6,800 - \$30,700
Library	-	-	-	-
Childcare	-	-	-	-
Subtotal Capital Facilities Fees	\$11,390	\$17,156	\$16,236	\$7,004 - \$30,904
Subtotal DIF (Transp. + Cap. Fac.)	\$11,390	\$17,156	\$17,791	\$7,004 - \$30,904
Affordable Housing Impact Fee^{9,10,11}	\$0	\$20,000	\$20,000	\$17,000
Non-Fees Similarly Applied				
Construction Taxes ¹²				\$9,394
Public Art In-Lieu ¹³	\$710	-	\$710	\$0
School Impact Fees	\$3,200	\$0	\$2,970	\$3,360
TOTAL PER UNIT	\$15,300	\$37,156	\$41,471	\$36,758 - \$60,658
City Proposed New Fee	\$20,000			
Proposed Total Per Unit	\$35,300	\$37,156	\$41,471	\$36,758 - \$60,658

NOTES:

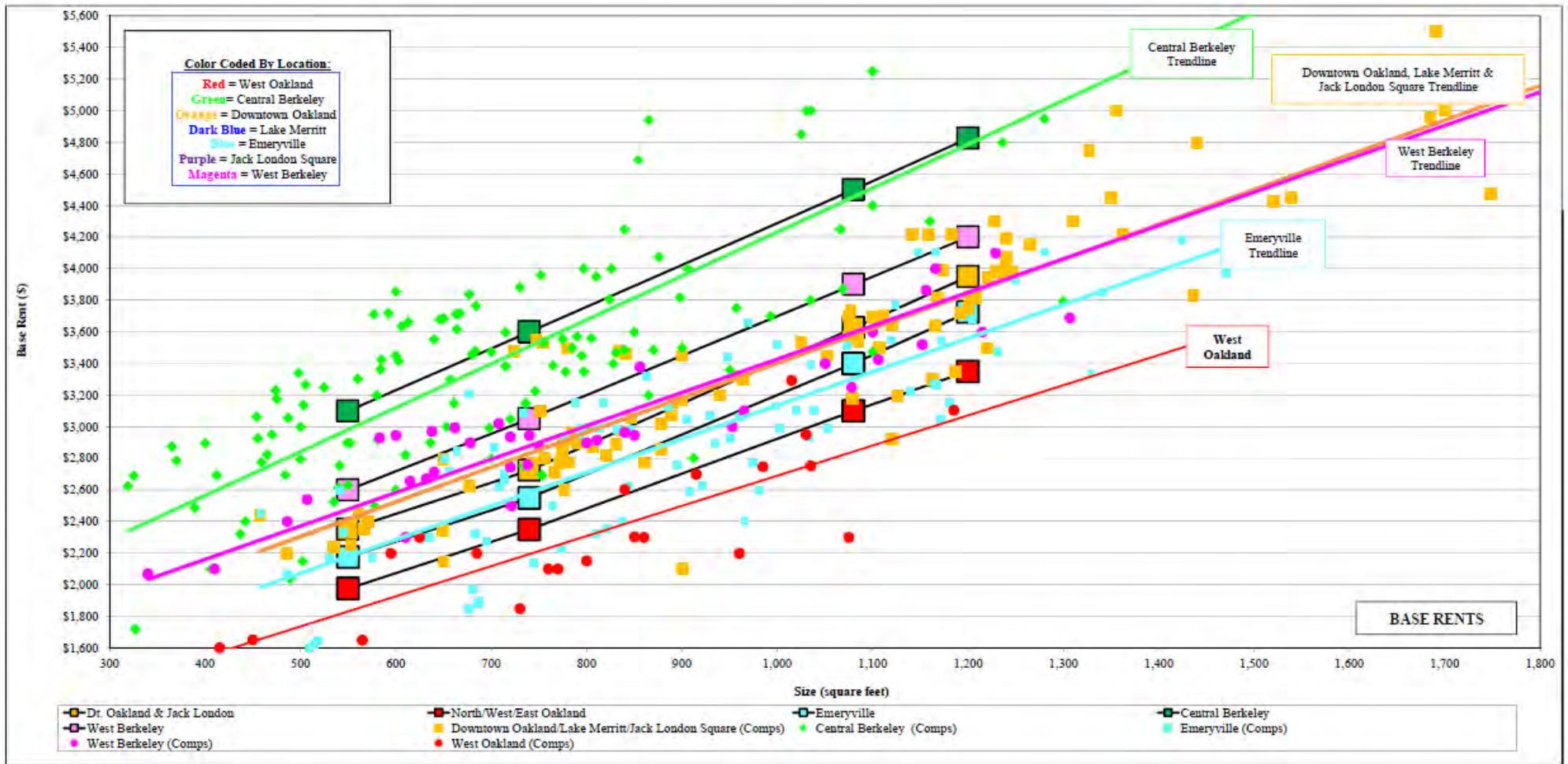
1. In Emeryville, a lower fee applies in the Transit Hub Overlay Zone. San Jose traffic impact fees only apply in North San Jose and Evergreen East/Hills. The fees are not estimated here.
2. In Berkeley, applicable only to area covered by the Downtown Streets and Open Space Improvement Plan; primarily transportation and open space/street medians.
3. Covers impacts to local sewer lines owned by the City of Berkeley. The sewer connection fee is \$3,536 per Equivalent Single-Family Dwelling Unit (last amended May 18, 2004, "Establish Sewer Connection Fees for Fiscal Years 2005-2009").
4. Covers impacts to local sewer lines owned by the City of Emeryville. The sewer connection fee is assessed per Single Family Dwelling Equivalent. Applies to all multi-family dwellings except units that contain two rooms or less or one bedroom or less. For this table, all units are assumed to have more than one bedroom and more than two rooms total.
5. The San Jose sewer connection fee for residential multifamily development is \$1,991 per acre plus \$194 per unit over 7 dwelling units per acre. The fee amount was calculated using the characteristics of a stacked flat prototype of 157 units at a density of 65 units per acre.
6. East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. The fee for a single family residence is \$1,860 per unit and for multi-family residences of 2-4 units, the fee is \$1,860 times the number of units. Larger multi-family residences are treated as non-residential uses. This analysis assumes the single-family unit charge for all residential units.
7. EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For multi-family premises the capacity charge is assessed per unit.
8. The City of San Jose park fees vary across 15 zones. The fees for multifamily housing of 5 or more units range from \$6,800 per unit up to \$30,700 per unit.
9. In Berkeley, applies to projects of 5 units or more. The fee was originally adopted in 2012 at \$28,000 per unit (or \$28 per sq. ft. assuming 1,000 sq. ft. units). The fee option was reduced to \$20,000 per unit in February 2013 to offer an incentive for payment of the fee. Developers had been opting to provide 10 percent of the units as affordable to very low income tenants instead of paying the fee to the Housing Trust Fund. (City of Berkeley Municipal Code Section 22.20.065) In July 2015, the City Council considered an updated *Affordable Housing Nexus Study* (draft March 25, 2015) and is reviewing a range of options for a revised Affordable Housing Mitigation Fee Program.
10. The current \$20,000 fee was adopted in July 2014. No development projects have proceeded since the adoption. On October 20, 2015, the City of Emeryville voted to increase the Affordable Housing Impact Fee on rental residential projects to \$28,000 in conjunction with a number of changes to regulations and development bonuses for multi-unit residential uses.
11. Implemented in November 2014. Applies citywide to market rate rental projects of 3 or more units, except in Downtown Highrise Incentive Area where projects that obtain certificates of occupancy prior to June 30, 2021 are exempt. There are also Pipeline Exemptions for projects that have pulled permits prior to June 30, 2016 and receive certificates of occupancy prior to January 31, 2020.
12. The City of San Jose collects the following "development taxes" (excise taxes) to fund specific City operations set forth in the Municipal Code: Commercial, Residential, Mobile Home Park Construction Tax (percent of building valuation), Building and Structure Construction Tax (percent of building valuation), Residential Construction Tax (per unit), and Construction Tax (per unit) Construction taxes based on building valuations calculated using RSMMeans Square Foot Costs, 36th Annual Edition, 2015 with San Jose, CA location factors applied.
13. Cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. In Emeryville and Oakland, the in-lieu fee for housing is 0.5% of building cost for residential development. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee. In San Jose, the public art program is associated with municipal projects and redevelopment projects only, per municipal code.

Source: Hausrath Economics Group

City Impact Fee Survey for Multi-Family Housing Development

- Impact fees in other cities are not indicative of level of fees feasible in Oakland
- Comparing East Bay Cities:
 - Much higher rents in Berkeley and greater ability to pay impact fees
 - Oakland still perceived as more risky for development than Berkeley and Emeryville

2015 Rent Comparisons for Mid-Rise Housing (H-4) Oakland, Berkeley, Emeryville



Figures in parentheses represent year built and occupancy rate, respectively.

City Impact Fee Survey for Multi-Family Housing Development (cont'd)

- East Bay comparison (cont'd)
 - New developments are not paying housing fee in Berkeley and Emeryville
 - Choosing less costly options
 - Affordable housing on-site to get density bonuses
 - No projects have paid the fee in Emeryville since July 2014 fee adoption (all are planning on in-lieu on site option)
 - Berkeley and Emeryville had inclusionary housing prior to housing impact fee
 - Market had already adjusted

City Impact Fee Survey for Multi-Family Housing Development (cont'd)

- Regarding San Jose:
 - Had inclusionary housing prior to adoption of impact fee for rental housing
 - Impact Fee was adopted in Nov. 2014
 - Under new rental housing impact fee:
 - Projects of 3 or more units pay the impact fee if pull bldg. permit starting 7-1-2016 or later (exempt if pull all bldg. permits by 6-30-2016)
 - Pipeline exemption if Planning Permit approval by 6-30-2016 (permit cannot be expired) and certificate of occupancy by 1-31-2020 for at least 50% of the buildings
 - No fees on high-rise development located in Downtown Core Area that obtain certificate of occupancy by 6-30-2021 and are at least 150 ft. tall

Table 1
Current Rents for New Multi-Family Housing Development
in Oakland, Berkeley, and Emeryville

Mid-Rise Rental Apartments	Average Size	Average Rent per month	Rent per Sq. Ft per month
OAKLAND /a/			
– Downtown/Jack London/ Broadway Valdez/parts of North Oakland (Area 1)	825 sf	\$3,080	\$3.73
– West Oakland/East Oakland/parts of North Oakland (Area 2)	760 sf	\$2,530	\$3.33
BERKELEY /b/			
– Central Berkeley: Downtown and Campus Area (areas east of Sacramento St.)	760 - 825 sf	\$3,720 - 3,980	\$4.80 - 4.90
– West Berkeley: West of Sacramento St.	760 - 825 sf	\$3,200 - 3,390	\$4.10 - 4.20
EMERYVILLE /b/			
– Emeryville	760 - 825 sf	\$2,740 - 2,890	\$3.50 - 3.60

Note: Rents are identified for comparable mid-rise rental housing development in three Inner East Bay cities. The development prototypes are those identified for the economic feasibility analysis for Oakland's Impact Fee Study.

/a/ Hausrath Economics Group; rents in mid-2015 for mid-rise, residential development prototypes H-3 and H-4.

/b/ The Concord Group, October 2015; rents in Berkeley and Emeryville for comparable development to Oakland prototypes.

City Impact Fee Survey

OFFICE DEVELOPMENT

Office Development:

**Development Impact Fees and Comparable Charges, Oakland, Berkeley, Emeryville, and San Jose
as of September 25, 2015, with November 12, 2015 Oakland Proposal (shaded)**

FEE CATEGORY	FEE PER BUILDING SQUARE FOOT			
	Oakland (existing)	Berkeley	Emeryville	San Jose
Development Impact Fees				
Transportation ¹	-	-	3.74	-
Other Capital Facilities				
Capital Facilities ²	-	1.68	-	-
Sewer ^{3,4,5}	-	0.66	0.23	0.10
Sewer Treatment (EBMUD) ⁶	0.35	0.35	0.35	-
Water (EBMUD) ⁷	0.77	0.77	0.77	-
Fire	-	-	-	-
Police	-	-	-	-
Park and/or Park In-Lieu	-	-	3.66	-
Library	-	-	-	-
Childcare	-	-	-	-
Subtotal Capital Facilities Fees	\$1.12	\$3.46	\$5.01	\$0.10
Subtotal DIF (Transp. + Cap. Fac.)	\$1.12	\$3.46	\$8.75	\$0.10
Comm'l Dev. Impact (Linkage) Fee	5.44	4.50	4.00	-
Non-Fees Similarly Applied				
Construction Taxes ⁸				\$9.74
Public Art In-Lieu ¹⁰	\$1.91	\$0.00	\$1.91	\$0.00
School Impact Fees	\$0.51	\$0.00	\$0.47	\$0.54
TOTAL PER UNIT	\$8.98	\$7.96	\$15.13	\$10.38
City Proposed New Fee	\$4.00			
Proposed Total Per Square Foot	\$12.98	\$7.96	\$15.13	\$10.38

NOTES:

1. In Emeryville, a lower fee applies in the Transit Hub Overlay Zone. San Jose traffic impact fees only apply in North San Jose and Evergreen East/Hills. The fees are not estimated here.
2. In Berkeley, applicable only to area covered by the Downtown Streets and Open Space Improvement Plan; primarily transportation and open space/street medians.
3. Covers impacts to local sewer lines owned by the City of Berkeley. The sewer connection fee is \$3,536 per Equivalent Single-Family Dwelling Unit (last amended May 18, 2004, "Establish Sewer Connection Fees for Fiscal Years 2005-2009").
4. Covers impacts to local sewer lines owned by the City of Emeryville. The sewer connection fee is assessed per Single Family Dwelling Equivalent. Applies to all multi-family dwellings except units that contain two rooms or less or one bedroom or less. For this table, all units are assumed to have more than one bedroom and more than two rooms total.
5. The San Jose sewer connection fee for non-residential development is \$1,991 per acre for the first 10 acres plus \$861 per acre for each acre over 10 acres plus \$194 for each "living unit equivalent" over 7 units per acre. For office, a living unit equivalent is 2,000 square feet of building space. The fee amounts were calculated using the characteristics of a mid-rise (210,000 sq. ft.), lower/mid rise (140,000 sq. ft.), and high-rise (450,000 sq. ft.) office prototypes.
6. East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. The fee for a single family residence is \$1,860 per unit and for multi-family residences of 2-4 units, the fee is \$1,860 times the number of units. Larger multi-family residences are treated as non-residential uses. This analysis assumes the single-family unit charge for all residential units.
7. EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For multi-family premises the capacity charge is assessed per unit.
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Source: Hausrath Economics Group

City Impact Fee Survey for Office Development

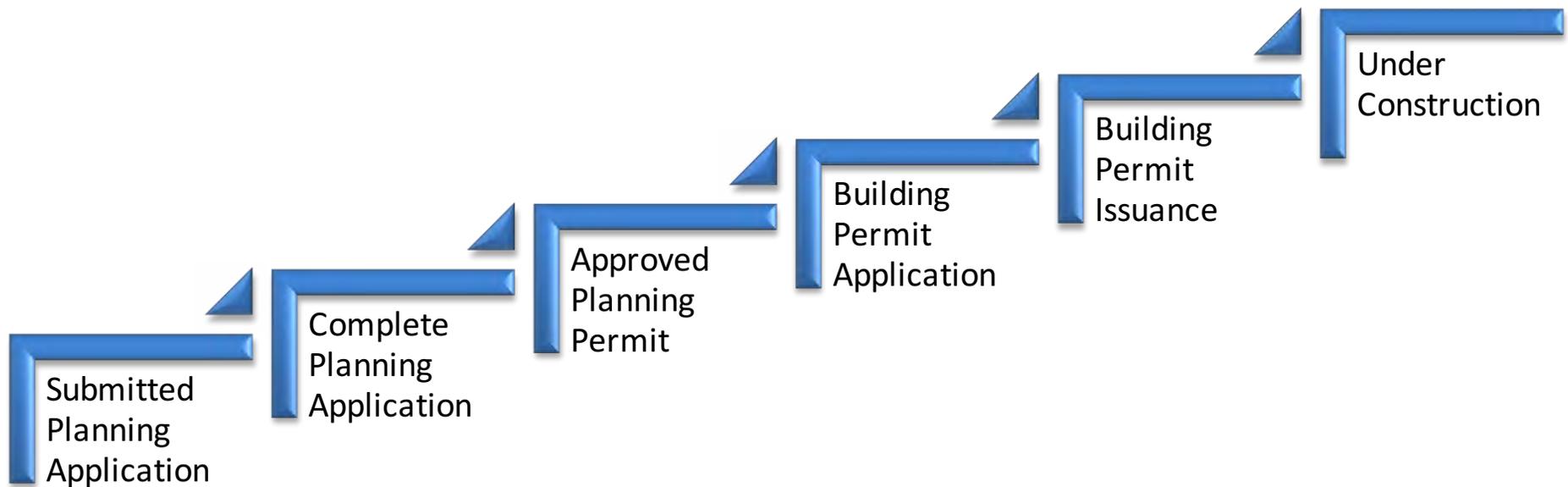
- Impact fees in other cities are not indicative of level of fees feasible in Oakland
- Comparing jobs/housing linkage fees:
 - Oakland, Berkeley, and Emeryville have such fees
 - San Jose does not

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

DEVELOPMENT PIPELINE

Development Approval Process



Housing Units in the Pipeline

Project Approval Milestone	Total Housing Units	Units with Vesting Maps	Units in Development Agreements	Affordable Housing Units	Remaining Units Potentially Subject To New Impact Fee
Pre-application	247	0	0	0	247
Complete Planning Application	3,304	859	0	59	2,386
Approved Planning Permit	10,500	2,022	235	492	7,751
Total	14,051	2,881	235	551	10,384

Note: Based on analysis of major projects as of August 2015 that excludes single family units, duplexes, and multi-family projects under 50 units in size. Data search may have missed some vesting maps.

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

FEE CONSIDERATIONS

Impact Fee Program Proposal

Key Components

1. Land use types
2. Fee zones
3. Target fee levels
4. Phasing in fees and what projects they apply to
5. Allocation of fees among three types
(affordable housing, transportation, capital improvements)
6. Time of payment of fees

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

PROPOSAL(S) DISCUSSION (EXISTING AND ALTERNATIVES)

Fee Proposal from Nov. 12, 2015 Working Group Meeting

Fee for Multi-Family Housing in Zone 1

Key Points

- Fee amount determined at time of Completed Planning Application
- Fee amount not dependent on timing of Planning Application Approval
- Building Permits must be applied for within 1 year of Planning Application Approval or fee changes to current fee at time of Building Permit
- Construction must start within 1 year of Building Permit Issuance or fee changes to current fee at time of Building Permit

Schedule of Fee Amounts

<i>Time of Completed Planning Application:</i>	<i>Prior to 7/1/2016</i>	<i>7/1/2016-6/30/2017</i>	<i>7/1/2017-6/30/2018</i>	<i>7/1/2018-6/30/2019</i>	<i>7/1/2019-6/30/2020</i>	<i>7/1/2020-6/30/2021</i>
Fee Amounts Per Unit:	0	\$5,000	10,000	20,000	20,000	20,000

Timing of Fee Payments

Assumptions:

- 6 months from Completed Planning Application to Planning Approval, or 12 months if EIR required
- 12 months from Planning Approval to Building Permit
- Payment at time of building permit
- Timing below assumes Completed Planning Application at mid-year above

<i>Timing for Building Permit:</i>	<i>7/1/2016-6/30/2017</i>	<i>7/1/2017-6/30/2018</i>	<i>7/1/2018-6/30/2019</i>	<i>7/1/2019-7/1/2020</i>	<i>7/1/2020-7/1/2021</i>
Payment of Fee Amounts:			\$5,000*	10,000	20,000

* Example:

- Application deemed complete 1/1/2017 (mid-point of first year of new fees)
- Application approved in 6 months: 7/1/2017
or application with EIR approved in 12 months: 1/1/2018
- Building permit in 12 months: 7/1/2018 or 1/1/2019
- \$5,000 per unit fee paid at building permit

Economic Considerations

- Payment of fees facilitated by real rent increases
 - To enhance existing feasibility:
+7.2% real rent increase
 - To cover new fees: + additional real rent increases
- Both rent scenarios show potential to support new fees
- Fee strategies to initially encourage “successes on the ground” could enhance potentials for development and increase ability to absorb higher fees

Testing Fee Option for Multi-Family Housing Development: Scenario A

Oakland Prototype H-4 Development: Mid-Rise, Rental Apartments

Type III construction on Type I podium
 5-6 floors over podium; 1 pkg space/du
 Average Unit Size: 825 sf
 Density: 200 units/acre

Location: Downtown/Jack London/Broadway Valdez/parts of North Oakland (fee zone 1)

Total Development Costs without Land (2015): \$467,000 per unit

Land Costs (2015): \$32,700 per unit

Year	Rent Assumption (2015 \$)			Fee	Return/a/	Rent in Future \$			
	Mid-Year	Real Growth	Monthly per unit	Monthly per sf unit	Potential Fee per unit	Return: IRR Target: 15%	Annual Increase	Monthly Per Unit	Rent per sf unit
2015		Base Case	\$3,080	\$3.73	0	9.3%	-	\$3,080	\$3.73
2016		+4%	\$3,200	\$3.88	0	12.5%	+9%	\$3,360	\$4.07
					\$5,000	11.5%			
					\$10,000	10.5%			
					\$20,000	8.5%			
2017		+3%	\$3,300	\$4.00	0	15%	+7%	\$3,590	\$4.35
					\$5,000	14%			
					\$10,000	13%			
					\$20,000	11%			
2018		+3%	\$3,400	\$4.12	0	17.4%	+7%	\$3,840	\$4.65
					\$5,000	16.4%			
					\$10,000	15.4%			
					\$20,000	13.5%			
2019		+2%	\$3,465	\$4.20	0	18.9%	+6%	\$4,070	\$4.93
					\$5,000	17.9%			
					\$10,000	16.9%			
					\$20,000	15%			
2020		+2%	\$3,530	\$4.28	0	20.3%	+6%	\$4,320	\$5.24
					\$5,000	19.3%			
					\$10,000	18.4%			
					\$20,000	16.5%			
5 years out		+14.7% real growth					+40% nominal \$ growth		

/a/ Results identify increase in return as rents increase over and above costs. Costs including land are assumed to remain at levels shown for the Base Case mid-2015

Testing Fee Option for Multi-Family Housing Development: Scenario B

Oakland Prototype H-4 Development: Mid-Rise, Rental Apartments

Type III construction on Type I podium
 5-6 floors over podium; 1 pkg space/du
 Average Unit Size: 825 sf
 Density: 200 units/acre

Location: Downtown/Jack London/Broadway Valdez/parts of North Oakland (fee zone 1)

Total Development Costs without Land (2015): \$467,000 per unit

Land Costs (2015): \$32,700 per unit

Year	Rent Assumption (2015 \$)			Fee	Return/a/	Rent in Future \$			
	Mid-Year	Real Growth	Monthly per unit	Monthly per sf unit	Potential Fee per unit	Return: IRR Target: 15%	Annual Increase	Monthly Per Unit	Rent per sf unit
2015	Base Case		\$3,080	\$3.73	0	9.3%	-	\$3,080	\$3.73
2016	+4%		\$3,200	\$3.88	0	12.5%	+9%	\$3,360	\$4.07
					\$5,000	11.5%			
					\$10,000	10.5%			
					\$20,000	8.5%			
2017	+3%		\$3,300	\$4.00	0	15%	+7%	\$3,590	\$4.35
					\$5,000	14%			
					\$10,000	13%			
					\$20,000	11%			
2018	+2%		\$3,365	\$4.08	0	16.6%	+6%	\$3,810	\$4.62
					\$5,000	15.6%			
					\$10,000	14.6%			
					\$20,000	12.7%			
2019	+1%		\$3,400	\$4.20	0	17.4%	+5%	\$4,000	\$4.85
					\$5,000	16.4%			
					\$10,000	15.4%			
					\$20,000	13.5%			
2020	+1%		\$3,430	\$4.16	0	18.1%	+5%	\$4,200	\$5.09
					\$5,000	17.1%			
					\$10,000	16.1%			
					\$20,000	14.2%			
5 years out		+11.4% real growth							+36% nominal \$ growth

/a/ Results identify increase in return as rents increase over and above costs. Costs including land are assumed to remain at levels shown for the Base Case mid-2015

TABLE 1
RENTAL HOUSING DEVELOPMENT PROTOTYPES - BASE CASE MID-2015
CITY OF OAKLAND DEVELOPMENT IMPACT FEE STUDY

	Rental Apartments Prototype H-3		Rental Apartments Prototype H-4		Rental Apartments Prototype H-5	
Development Characteristics						
Construction Type	Type V on Type I podium		Type III on Type I podium		Type I	
Height	3-4 floors over podium		5-6 floors over podium		20 - 28 floors	
Parking Location	podium; above grade		podium; above grade		largely above grade	
Parking Ratio	1 space/du		1 space/du		1 space/du	
Average Unit Size	760 sf		825 sf		845 sf	
Density	60-130 units/acre		90-200 units/acre		350 - 485 units/acre	
Location in City	West Oak, North Oak, East Oak		Downtown / JL / BV / No.Oak		Downtown / JL / BV: prime sites	
Prototype	120 units, 4 over 1, 100 DU/acre		180 units, 5-6 over 1+, 200 DU/acre		220 units, 22 flrs, 400 DU/acre	
Development Costs						
	Per SF Unit	Per Unit	Per SF Unit	Per Unit	Per SF Unit	Per Unit
Land	\$42.99	75/sf \$32,670	\$39.64	150/sf \$32,700	\$32.25	250/sf \$27,250
Hard Construction	\$328.13	\$249,380	\$359.36	\$296,470	\$417.16	\$352,500
Government Permits and Fees	\$34.76	\$26,420	\$33.67	\$27,780	\$36.37	\$30,730
Other Soft Costs	\$42.67	\$32,432	\$57.50	\$47,435	\$75.09	\$63,450
Construction Financing	\$13.95	\$10,600	\$18.67	\$15,400	\$29.70	\$25,100
Total Development Costs (excl. devel. fee & return on capital)	\$462.50	\$351,502	\$508.84	\$419,785	\$590.57	\$499,030
Revenue						
Monthly Rent	\$3.33	\$2,530	\$3.73	\$3,080	\$4.58	\$3,870
Gross Potential Rev. (100% Occ.)	\$39.95	\$30,360	\$44.80	\$36,960	\$54.96	\$46,440
Annual Rental Revenue (5% Vac.)	\$37.95	\$28,840	\$42.56	\$35,110	\$52.21	\$44,120
(Less) Operating Expenses (30%)	(\$11.38)	(\$8,650)	(\$12.76)	(\$10,530)	(\$15.67)	(\$13,240)
Net Operating Income (NOI)	\$26.57	\$20,190	\$29.79	\$24,580	\$36.54	\$30,880
Measures of Return						
Yield on Cost (NOI % of costs)	5.7%		5.9%		6.2%	
Target Yield	≈ 6%		6 - 6.5%		≈ 6.5%	
Capitalization Rate	5.5%		5.5%		5.5%	
Estimated Market Value	\$483.03	\$367,100	\$541.70	\$446,900	\$664.50	\$561,500
(Less) Dev. Costs & Sales Exp.	(\$486.65)	(\$369,857)	(\$535.92)	(\$442,130)	(\$623.79)	(\$527,105)
Net Value Over Costs	(\$3.62)	(\$2,757)	\$5.78	\$4,770	\$40.71	\$34,395
As % of Development Costs	-1%		1%		7%	
Required % of Cost	13-15%		15-19%		19-25%	
Capitalization Rate	5%		5%		5%	
Estimated Market Value	\$531.32	\$403,800	\$595.88	\$491,600	\$730.89	\$617,600
(Less) Dev. Costs & Sales Exp.	(\$489.07)	(\$371,692)	(\$538.62)	(\$444,365)	(\$627.11)	(\$529,910)
Net Value After Costs	\$42.25	\$32,108	\$57.26	\$47,235	\$103.78	\$87,690
As % of Development Costs	9%		11%		18%	
Required % of Cost	13-16%		15-19%		19-25%	
Equilvant IRR for ROC	12-15%		12-15%		12-15%	

Source: Hausrath Economics Group

Background On Trends to Apartment Rents

North Alameda County Sub-Market (Oakland, Emeryville, Berkeley, Piedmont, Alameda)

Source: REIS (Regional Information Systems), from the Concord Group

Annual Changes in asking rents, year-to-year:

2004-2005	0.7%	2010-2011	2.3%
2005-2006	5.0%	2011-2012	3.4%
2006-2007	5.4%	2012-2013	4.7%
2007-2008	5.9%	2013-2014	12.2%
2008-2009	-2.9%		
2009-2010	1.1%		

Forecasts

2014-2015	7.3%
2015-2016	6.3%
2016-2017	4.5%
2017-2018	3.1%
2018-2019	1.9%

Bay Area Rents for MSAs (Metropolitan Statistical Areas)

Source: Axiometrics

(Annualized recent rates of rent growth)

	<u>Oakland MSA</u>		<u>San Francisco MSA</u>		<u>San Jose MSA</u>
	(real growth)				
April 2013	8.3%	(3.3%)	6.3%		6.0%
Nov. 2013	7.2%	(2.2%)	8.2%		7.8%
April 2014	9.3%	(4.3%)	7.9%		9.2%
Nov. 2014	13.0%	(8.0%)	9.3%		11.3%
June 2015	14.4%	(9.4%)	9.1%		10.4%
Oct. 2015	12.3%	(7.3%)	8.0%		8.1%

Rents in Large Apartment Buildings in Oakland (with 50+ units)

Source: Realfacts LLC, as reported by Paragon

Growth of rents from prior year:

2007	4.2%	2011	9.1%
2008	13.2%	2012	13.9%
2009	-1.6%	2013	11.1%
2010	-2.8%	2014	16.1%

Oakland Impact Fee Stakeholder Working Group

November 19, 2015

WRAP UP / QUESTIONS