City of Oakland Blue Ribbon Commission
Staff Response to Questions from Commissioners Regarding
May 17, 2007 Inclusionary Housing Impact Analysis Preliminary Results,
May 31, 2007

1. Questions Regarding Table 3 - Estimating Maximum Sales Prices For Households With Incomes At 100% AMI

- Where did the interest rate of 6.9% come from?

The interest rate was based on the interest rate requirements of the City's annual Notice of Funding Availability (NOFA). The NOFA requires the rate to equal the Federal National Mortgage Association's (FNMA) Required Net Yield Rate for 30-year fixed rate mortgages (60-day Actual/Actual), plus five-eighths percentage points (0.625%), rounded to the nearest one-eighth of one percentage point (0.125%). As of 1/25/2007, the FNMA's Required Net Yield Rate was 6.23 percent, plus .625%, which equals 6.875%.

- Are you sure that redevelopment law requires including a utility allowance?

California Code of Regulations Title 25: Section 6920 defines how affordable housing cost is calculated and includes the following associated with owning a housing unit: principal and interest payments on a mortgage loan; private mortgage insurance; property taxes and assessments; fire and casualty (hazard) insurance covering replacement value of improvements; a reasonable allowance for utilities (using the Oakland Housing Authority's Utility Allowance as a base) and for unit maintenance; and homeowner's/maintenance association fees (if applicable).

- I think we already discussed that the "maintenance reserve" pmt isn't required.

Please see answer above.

2. There should be a table like Table 4, showing the gap or cost per unit for on-site units.

A table will be provided to show how the cost of on-site compliance is calculated in the report. This information will be included with the other sensitivity analysis results.

3. I don't know whether the gap should be figured against market-rate prices or against development costs, but I still think that the on-site and off-site units should be compared against the same measure - or the gap should be figured in two ways: against costs (and showing the developer fee/profit assumptions), and also against potential sales prices.

From the perspective of identifying the economic impact of potential inclusionary housing requirements, the impact of on-site compliance is appropriately identified as the difference in project revenues between (a) all market rate units in the primary project, and (b) 85 percent market-rate units and 15 percent affordable units in that same project. In other words, that difference is how on-site compliance would impact the financial pro forma of the primary project. (This assumes that the development costs are essentially the same in either case, which is likely when the affordable units are distributed throughout the project and include a mix of bedroom sizes similar to the market-rate units.)

4. It's possible that the cost of developing the on-site IZ units will be less than the market-rate unit costs (finishes, other materials, square footage) - and also that the market rate sales prices of those could be less than other unit types.

Yes, this is a possibility for townhomes, but not as likely with condominiums. The report will include a discussion on its potential impact on the analysis.

5. Table 6, it would be helpful to see more break-out of where those numbers came from - in terms of total costs and numbers of units produced.

Back-up tables will be provided in the report. If you would like to see this information prior to the report, it can be provided.

6. I'd like to see income levels up to 120% AMI (w/ units priced at 110%).

This will be included in the sensitivity analysis currently being performed by our consultants. We anticipate the analyses will be complete by the June 14th retreat.

7. Calculate the in-lieu fee, without assuming "city requirements."

The interest rate will be adjusted for the sensitivity analysis (the consultants will use the Federal National Mortgage Association’s Required Net Yield Rate for 30-year fixed rate mortgages but will not add an additional .625% as required by the City’s NOFA).

For this round of sensitivity analyses, the consultants will continue to use prevailing wage and developer profit for calculating the development costs and a maintenance reserve for calculating the affordable housing cost.

8. "Best practices" info or comparison w/ results of IZ ordinances in the rest of Alameda County.

“Inclusionary Housing in California: 30 Years of Innovation,” a report prepared in 2003 by NPH and the Rural Housing Coalition, is included in your background materials. This report provides a comparison of ordinance parameters for over 100 jurisdictions in California, nine of which are located in Alameda County (See Appendix A). This is the most comprehensive comparison to date. NPH is anticipated to release an update of this report shortly, but it may not be in time for the retreats.