

City of Oakland
Blue Ribbon Commission on Housing
Summary Notes of Meeting on June 21, 2007

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The City of Oakland Inclusionary Housing Blue Ribbon Commission (BRC) scheduled a series of workshops in a retreat format for in-depth discussion of potential policy recommendations. These recommendations will be forwarded to the Oakland City Council with the intent of assisting the Council with establishing components of an Affordable Housing program that *may* have Inclusionary Zoning (IZ) and Condominium Conversion (CC). (It is important to note that these meetings are to allow in-depth discussion of the topics and potential implementation. It is not a given that the recommendations from the BRC will result in an actual policy. The possibility remains that the recommendation could be not to have a policy).

Each workshop was a noticed meeting with a posted agenda and an opportunity for public comment. The discussions were facilitated by Surlene Grant, Principal, Envirocom Communications Strategies.

The following presents a summary of the discussion and agreements made at the workshop on June 21, 2007 at Sequoia Lodge, Oakland, CA.

The meeting agenda allowed for discussion of several pre-determined topics: Inclusionary Housing; Condo Conversion; and Funding Sources. However, the initial focus of the meeting was to continue the discussion and momentum from the previous meeting about IZ.

The meeting started with procedural matters such as roll call. Staff distributed the *draft* notes from the previous two facilitated meetings on June 7 and June 14; however, the minutes from the June 14 meeting were not available for a vote.

Following the procedural matters, Linda Hausrath of Hausrath Economics made a presentation regarding the financial consideration for implementing IZ through different scenarios. Based on the group discussion of the June 14 meeting, she presented models of the various combinations of on-site, off-site and in-lieu percentages. Jeff Levin, CEDA's Housing Policy and Program Coordinator, contributed to the report. Clarifying questions were asked and the more detail policy implementation questions were held until the group engaged in a fuller conversation of IZ. The handouts distributed by Ms. Hausrath are available through the Planning Department.

DISCUSSION OF INCLUSIONARY ZONING

Surlene Grant reviewed the notes from the June 14 meeting in which components determined to be the "meat" of any IZ policy were identified. Four key components were identified. Agreement had been reached June 14 regarding two of the four components.

Therefore, it was suggested that the group focus on the remaining components to start the day's dialogue.

Four Key Point for Inclusionary Zoning:

Agreed on June 14, 2007

- **“Trigger date” – six months from submission of a complete application for the project to the City. ****
- **Size of project is 20 units minimum**

**** Unanimous agreement**

Remaining to be discusses.

- 120% of AMI
- 10% on-site; 10% off-site; 10% in-lieu

The Commission began with a discussion of “other considerations” when determining an IZ policy implementation. These points helped the Commission arrive at some consensus about the AMI.

- Is there a pool of people in the given range of AMI
- Are there buyers within the range / price
- Partial of Full exemptions should be considered
- Lower the percentage to a point of feasibility
- Market demand of qualified buyers for affordable housing
- Involvement of Homeownership counseling groups
- Tie the program to the First Time Homebuyer program – is this possible?
- Create a mechanism for increasing the pool of homebuyers, if the home does sell to the Lower AMI group.
- City to monitor the program – can the City do this?
- A suggestion for the City to buy the units after 1 year, if they don't sell. (Staff responded that such would not be possible. The city is not in the business of buying property like this.).
- Create “something” (a formula or process) that gets us to the average AMI.
- Consideration of additional fees such as HOA, insurance and more into the total pricing formula.
- Need some kind of asset test for people who have hidden assets.
- Consider and impact feel

A Commissioner suggested that the program begin with a 5% on-site, 10% off-site and 10% in-lieu changing after 2 years to 15% on-site, 20% off-site and 20% in-lieu. This would be offered in combination with 80-100% AMI with an average of 90%. The sales price would be based on the State formula. After 1 year there could be a waiver.

This proposal launched a discussion of desired outcomes, ability to implement, market conditions, feasibility, the impact of additional costs such as HOA dues and mortgage insurance, timing, suggested counter proposals and more. The resulting proposal emerged as the final proposal before the group:

IZ PROPOSAL for FOR –SALE PROPERTIES

Eligibility: 100% of AMI or below. If after 1 year the IZ unit has not sold then the AMI can be sold to someone at 120% AMI.

Application:

| | | |
|--------------|-------------------------------------|--------------|
| 5% on-site | <i>over two years converting to</i> | 15% on-site |
| 10% off-site | | 20% off-site |
| 10% in-lieu | | 20% in-lieu |

*Time line: For the first six months from City Council adoption, the 5%, 10%, 10% applies, then 24 months later (for a total of 30 months) the 15%, 20%, 20% will apply.

Sales price determined by State Formula.

Property owners will work with Homeownership programs and centers to find people with qualifications or help meet qualifications.

*Everyone agreed that there would be a period of 6 months from City Council adoption to implementation of the 5% on-site, 10% off site and 10% in lieu. The difference being a point as to whether it should be 18 months or 24 months before the higher percentage becomes effective. Four commissioners wanted 18 months; 6 commissioners wanted 24 months. The group took a break to have lunch and caucus. Returning to group discussion, the four commissioners agreed to move to the position of the other 6; thus making the proposal of the time line for implementation unanimous.

The basis for the IZ proposal being established, the facilitator and the commissioners created a list of other issues, concerns and desires they felt were necessary for the successful implementation of the IZ policy. Some of the items were pulled from the proposed 2006 ordinance (see previous chart). The Commissioners allowed only 30 minutes for talking about the list of additional concerns because of the late hour of the afternoon. All were offered with the understanding that City Staff would take these items into consideration when crafting the draft policy and integrate them into the policy recommendation in an appropriate manner.

It was pointed out that the “dot-vote” reflected on the June 14 notes should not be used by staff to determine priorities or all that is acceptable to the commissioners. That particular exercise took place early in the discussions and opinions may have changed given all the discussion and information exchanged since then.

“IZ GRAVY” – additional topics and points for consideration in formulating reports and recommendations for IZ.

- Preferences of IZ units for “Oaklanders” (Oakland residents / workers) to the extent possible by law. (All commissioners supported)
- Higher requirements for land rezoned from industrial to residential. (Discussion: Rezoning changed land value of approx. 25%. More info. needed. Commissioners split on this point.)
- Lottery – there needs to be a means to determine who gets a unit. A pool of qualified applicants should be created for the initial sale. (All commissioners except for 1 supported this concept).
- Rental Units -- IZ for rental units? Need affordable rentals. (Could that be addressed through Condo Conversion policy?).
- 45 Year Affordability tied to the property. (Discussion. Can be done with a “recapture” provision. Counters those who want to flip houses. Creates a different class of ownership that is not the same as a regular homeowner. Possibly look at a shared equity program.)
- Exemptions (Lots of discussion regarding various exemptions.)
 - State Redevelopment Law – How does it come into play with this policy in relations to the 15% affordability requirement. Value to add or exclude Redev. Areas in IZ. Will help City achieve Redevelopment. IZ can help achieve it. It is part of the 15%, not 15% on top of it.)
 - The interface with the four Transit Villages. Is there support for the exemptions of the Transit Villages...all which seem to have their own affordability goals. Many of the affordable units are already built.
 - Use of Public Funds for IZ. (Discussion: Proposition 1C makes funds available for programs such as this. Did the earlier Council recommendation to prohibit public monies from being used to implement the IZ program, mean funds such as Proposition 1C or only local (City) funds. Staff offered that the prohibition would apply to state funds too. Commissioner who lifted this concern, said that she would like to use some public money, depending on the source.
 - Rental Units – Use what is in the proposed ordinance.

- Geography / Economic Consideration – There should be an exemption in economically depressed areas to encourage market rate and economic integration.

The conversation about the IZ policy was considered to be done. At the end of the series of meetings, the Commissioners will review the policy suggestions in the context of all the other policy suggestions to see if there is a recommendation to the City Council.

The group then decided to take a few moments and list the key components of the Condo Conversion policy. As the list grew, the facilitator suggested a quick method of providing priority to the items for discussion. Ideally, all topics will be discussed at the next meeting in detail.

CONDO CONVERSION CONSIDERATIONS

- CAPS – number of units allowed to convert. (All 10 commissioners voted for this one as key subject).
- Conversion Fees – housing trust funds, others (Six commissioners)
- Tenant Benefits (Six commissioners)
 - Discounts
 - Relocation (Forced / Involuntary)
 - Consumer Education / Credit Worthiness / Homeownership
 - Tenant Protection Process
- No net loss of rentals (Four commissioners)
- Number of units covered / included (Four commissioners)
- Geographic Distribution (Three Commissioners)
 - City-wide
- Guarantees Affordability (One commissioner)
- Preferences for Conversions
 - Age of Building, Ability to be Converted