

June 15, 2021

Miroo Desai, Senior Planner
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608
mdesai@emeryville.org

RE: Additional Information on Bonus Points for the 1550 EmeryStation Project and the Use of the Flexible Community Benefit Category to Create Affordable Live/Work Units

Dear Miroo,

As you requested, this letter provides additional information about the bonus points necessary for the proposed 1550 EmeryStation office/lab project and how Wareham Development will attain them. Given the recent comments from the Planning Commission, the landscape plan and open space calculations have been revised and are included to demonstrate how we meet the bonus points for that category. In addition, we have outlined our proposal to convert a number of existing live/work units to affordable housing within the existing Hollis Street building, under the Flexible Community Benefit category (EMC Section 9-4.204 (e) (7)). You have indicated that this topic will be the main focus of the July 20, 2021 City Council Study Session.

This project presents a complex and challenging vision because there are a number of key objectives that must be balanced. For instance, it would be far easier to let leases expire and demolish the entire block – a reasonable approach from cost, construction and planning standpoints. But there is value beyond the economics. The retention of the Hollis Street building and the connection between Emeryville's past and future are important objectives and will result in a project that fits within the North Hollis Street context as well as provides a logical extension of the EmeryStation Life Sciences Campus. The pathway through the site between 62nd and 63rd Street will strengthen the Horton Street linkage – another key project objective.

Currently, other design changes to the project are being contemplated that may decrease the number of bonus points necessary. Nevertheless, Wareham remains committed to providing community benefits in some combination of open space credit and our proposal for creating affordable live/work units within the Hollis Street building. Our rationale for this approach is four-fold:

- It will help retain a legacy live/work community. This live/work community was one of, if not the first live/work projects in Emeryville developed during the late 1970's, leading to the promulgation of the initial life safety regulations in live/work occupancies. It became a model for many other live/work projects in the Bay Area. The inclusion of affordable live/work units will stabilize and enhance the existing community.
- Emeryville can take advantage of a multi-million dollar investment by converting existing units rather than through new construction. By applying the Flexible Community Benefit bonus points to the existing live/work units, the City is creating affordable housing in a cost effective way. New construction using an equivalent amount of funds would not produce as many units of the same type, size and affordability levels as proposed.
- Emeryville's adopted goals and policies support such an approach. The City's General Plan Housing Element contains a number of goals, policies and programs that support the creation of affordable live/work units, including:

Policy H-2-2: Support new housing opportunities for extremely low, very low, low and moderate income households.

Goal H-4: Provide a wide variety of housing types, appropriate for households at all socioeconomic levels and with a variety of lifestyles and preferences.

Policy H-4-2: Promote opportunities for affordable housing that serves locally identified target groups, including . . . artists and craftspeople.

Program H-4-2.5: Encourage the development of affordable live/work space for artists and craftspeople.

- The affordable live/work units will assist the City in meeting its obligations under the State's Regional Housing Needs Allocation (RHNA) Program. According to the City's 2020 General Plan Annual Report, Emeryville issued building permits for 79 percent of the total units required in the 2015-2023 time period. While this record points to progress in meeting the regional housing numbers, the City remains deficient in providing housing in the very low, low and moderate income categories.

With these community benefits in mind, Wareham proposes to take a portion of the existing live/work units and charge rents to qualifying households at or below the moderate income categories under a 30 year regulatory agreement. The difference between the amount of market rent currently charged and the regulated rent will represent an annual loss of income to Wareham. By extending this annual loss for a 30 year period, accounting for reasonable projections of rent increases and applying a discount rate, the estimated 1 or more percent of

construction costs total will be achieved in order to attain flexible community benefits bonus points. If this conceptual proposal is acceptable, Wareham will provide a more detailed set of calculations and information to staff in order to finalize a program for the City Council's consideration.

We look forward to further discussion with City staff about the affordable housing proposal as well as other remaining issues to be resolved as the project proceeds toward formal review and consideration in the Fall.

Sincerely,

Richard K. Robbins
Wareham Development



Attachments: revised landscape site plan and open space calculation sheet

June 18, 2021

Miroo Desai, Senior Planner
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608
mdesai@emeryville.org

RE: Supplemental Information About Affordable Live/Work Housing Program Using Flexible Community Benefits Bonus Points

Dear Miroo,

This letter and accompanying attachments will address your questions and request for a more detailed affordable housing proposal under the flexible community benefits category. Since it remains uncertain how many bonus points will be requested under this category, we thought the most straightforward approach would be to give some examples of how the one percent construction cost estimate would be met under various income categories. The other information about vacant units and current market rent levels is also provided.

In developing this concept, Alameda County Rent Limits dated 6/1/21 were used (attached). Specifically, the rent levels listed for 40 – 70 percent of median income were used to figure out how the one percent construction cost could be met. A valuation estimate of \$2 million was used for the one percent. The attached spreadsheet presents two examples of how it could work. In short, the difference between the current market rent and the proposed below market rent represents an annual loss to Wareham. By projecting this annual loss over a 30 year period, accounting for rent increases and a discount rate, the one percent construction cost figure can be met.

If the City Council agrees to the approach and as the number of points becomes more certain, City staff and the Wareham can finalize the number of units and rent levels for the program.

Eleven units are currently vacant. One unit is to be demolished as part of the proposed project and one other is a non-residential office. That leaves nine vacant live/work units. We have used these units in the examples provided.

A rent roll, current as of May, 2021 is attached. This information contains the current rents, types of units, square footages and when leases are due to expire. For privacy purposes, the occupied unit numbers and tenant names have been omitted.

Please let me know if you need any further information. We look forward to the upcoming City Council review.

Sincerely,



Claudia Cappio
Consulting Principal

Attachments:

- Affordable Housing Spreadsheet
- Alameda County Rent Limits - 6/1/21
- Rent Roll Information

Alameda County Housing & Community Development
Rent Limits
(TCAC as of 4/1/2021, HUD as of 6/1/2021, State HCD as of 6/1/2021)

Source	Income Level	Bedroom Size ¹				
		ST/SRO	1 BR	2 BR	3 BR	4 BR
TCAC	20%	\$479	\$513	\$616	\$712	\$795
TCAC	30%	\$719	\$770	\$924	\$1,068	\$1,192
County HCD ²	30%	\$720	\$822	\$925	\$1,027	\$1,110
TCAC	35%	\$839	\$899	\$1,078	\$1,246	\$1,391
TCAC	40%	\$959	\$1,027	\$1,233	\$1,425	\$1,590
TCAC	45%	\$1,078	\$1,155	\$1,387	\$1,603	\$1,788
TCAC	50%	\$1,198	\$1,284	\$1,541	\$1,781	\$1,987
HUD ³	50%	\$1,198	\$1,284	\$1,541	\$1,781	\$1,987
TCAC	55%	\$1,318	\$1,412	\$1,695	\$1,959	\$2,186
TCAC	60%	\$1,438	\$1,541	\$1,849	\$2,137	\$2,385
County HCD ²	60%	\$1,438	\$1,644	\$1,849	\$2,055	\$2,220
HUD ³	65%	\$1,539	\$1,650	\$1,982	\$2,282	\$2,525
TCAC	70%	\$1,678	\$1,798	\$2,157	\$2,493	\$2,782
TCAC	80%	\$1,918	\$2,055	\$2,466	\$2,850	\$3,180
County HCD ²	80%	\$1,918	\$2,192	\$2,466	\$2,740	\$2,960
TCAC	100%	\$2,396	\$2,568	\$3,082	\$3,562	\$3,974
County HCD ²	120%	\$2,637	\$3,013	\$3,391	\$3,767	\$4,068

HOME Rent Limits

Source	Income Level	Bedroom Size ¹				
		ST/SRO	1 BR	2 BR	3 BR	4 BR
HUD ³	Low HOME	\$1,198	\$1,284	\$1,541	\$1,781	\$1,987
HUD ³	High HOME	\$1,539	\$1,650	\$1,982	\$2,282	\$2,525

Fair Market Rents

Source	Income Level	Bedroom Size ¹				
		ST/SRO	1 BR	2 BR	3 BR	4 BR
HUD ³	Fair Market	\$1,595	\$1,934	\$2,383	\$3,196	\$3,863

Notes:

1. To find rent limits for 5 bedroom and 6 bedroom units please refer to TCAC and HUD's published limits. Those bedroom sizes are not included in the table as the County's affordable housing portfolio does not include units of those sizes.
2. County HCD rent limits should only be used for projects using HUD income limits as TCAC provides all necessary rent limits. The County HCD rent limits are calculated as 1/12th of 30% of the AMI's income limit using the following assumed household size 1 person per ST, 2 people per 1 BR, 3 people for 2 BR, 4 people per 3 BR, 5 people per 4 BR. Please confirm with each project's Regulatory Agreement that this is the correct calculation to use when determining each units rent limit.
3. State HCD's HOME rent limits match HUD's published HOME rent limits.

Rent Roll

Property: 010-200 From Date: 05/13/2021 By Property

Unit(s)	Lease	Area	Lease To	Monthly Rent	Price Per Sq. Ft.	Last Rental Amount	Type of Floorplan
OCCUPIED UNITS							
1-33		2,420	6/30/2021	\$ 4,800.00	1.98		Studio
		1,000	5/31/2021	\$ 2,318.00	2.32		Studio
		800	6/30/2021	\$ 2,546.00	3.18		Studio
		774	5/31/2021	\$ 2,576.00	3.33		Studio
		1,200	7/31/2021	\$ 2,987.00	2.49		Studio
		1,302	6/30/2021	\$ 2,575.00	1.98		Studio
		1,127	7/31/2021	\$ 3,000.00	2.66		Studio
		804	5/31/2021	\$ 2,600.00	3.23		Studio
		217	3/31/2022	\$ 360.00	1.66		Studio
		1,372	8/31/2021	\$ 3,100.00	2.26		Studio
		1,027	7/31/2021	\$ 2,800.00	2.73		Studio
		1,027	12/31/2022	\$ 2,600.00	2.53		Studio
		1,467	12/31/2021	\$ 2,972.00	2.03		Studio
		1,200	12/31/2021	\$ 2,274.00	1.90		Studio
		1,027	5/31/2021	\$ 2,987.00	2.91		Studio
		1,027	5/31/2021	\$ 2,987.00	2.91		Studio
		200	3/31/2023	\$ 257.50	1.29		Office Space
		1,148	5/31/2021	\$ 3,000.00	2.61		Studio
		1,605	1/31/2022	\$ 2,900.00	1.81		Studio
		735	8/31/2021	\$ 2,070.00	2.81		Studio
		1,242	5/31/2021	\$ 2,945.00	2.37		Studio
		1,461	7/31/2021	\$ 3,296.00	2.26		Studio
		1,868	10/31/2021	\$ 4,130.00	2.21		Studio Loft
		1,163	5/31/2021	\$ 3,100.00	2.67		Studio Loft
		1,150	12/31/2021	\$ 3,164.00	2.75		Studio
		1,082	6/30/2021	\$ 3,232.00	2.99		Studio Loft
		1,073	5/31/2021	\$ 3,050.00	2.84		Studio Loft
		1,117	5/31/2021	\$ 3,330.00	2.98		Studio Loft
		1,080	5/31/2021	\$ 2,992.00	2.77		Studio Loft
		1,087	8/31/2021	\$ 3,193.00	2.94		Studio Loft
		1,128	5/31/2021	\$ 3,000.00	2.66		Studio Loft
		1,091	1/31/2022	\$ 2,900.00	2.66		Studio Loft
1504	VACANT	1,027		0.00		\$ 2,781.00	Studio
1508	VACANT	1,027		0.00		\$ 2,475.00	Studio
1512	VACANT	1,027		0.00		\$ 2,835.00	Studio
1518	VACANT	1,027		0.00		\$ 3,000.00	Studio
1524	VACANT	619		0.00		\$ 1,678.00	Studio
1533	VACANT	1,078		0.00		\$ 3,000.00	One-Bedroom
1537	VACANT	825		0.00		\$ 1,715.00	Office Space
1539	VACANT	1,598		0.00		\$ 3,250.00	One-Bedroom
1558	VACANT	1,123		0.00		\$ 3,255.00	Studio Loft
1566	VACANT	1,073		0.00		\$ 3,100.00	Studio Loft
1576	VACANT	1,121		0.00		\$ 3,375.00	Studio Loft
Total Current		47,567.00		90,041.50			

	Total Units	Total Area	Monthly Rent
Occupied	33.00	36,022.00	90,041.50
Vacant	11.00	11,545.00	0.00
Total	44.00	47,567.00	90,041.50

Studio defined as a room with no separated rooms (with a door)

Bedroom defined as a room with a door.

Office Space is defined as a space with no kitchen and restroom

Studio Loft is defined as a two-level unit with no door partitioning off the bedroom

Facing Construction
Facing Hollis
Facing 62nd Street
Roof Units
Will Be Removed During Redevelopment

0.05 increase in rents

0.04 discount rate

EXAMPLE 1

vacant units	monthly current	below mkr	difference	percent med
1504	2781	959	1822	40
1508	2475	1198	1277	50
1512	2835	1198	1637	50
1518	3000	1438	1562	60
totals	11091	4793	6298	

annual loss

75576

1	75576
2	78599
3	81743
4	85013
5	88413
6	91950
7	95628
8	99453
9	103431
10	107568
11	111871
12	116346
13	121000
14	125840
15	130873
16	136108
17	141552
18	147215
19	153103
20	159227
21	165596
22	172220
23	179109
24	186273
25	193724
26	201473
27	209532
28	217913
29	226630
30	235695

npv \$2,180,077

EXAMPLE 2

vacant unit	monthly current	blw mkt	diff	percent median
1539	3250	1198	2052	50
1558	3255	1438	1817	60
1566	3100	1678	1422	70
1576	3375	1678	1697	70
	12980	5992	6988	

annual loss

83856

1	83856
2	87210
3	90699
4	94327
5	98100
6	102024
7	106105
8	110349
9	114763
10	119353
11	124127
12	129092
13	134256
14	139626
15	145211
16	151020
17	157061
18	163343
19	169877
20	176672
21	183739
22	191088
23	198732
24	206681
25	214948
26	223546
27	232488
28	241788
29	251459
30	261518

npv \$ 2,418,923