

6. ANALYSIS OF CONSTRAINTS TO HOUSING

A. GOVERNMENTAL CONSTRAINTS

Governmental policies and regulations can have both positive and negative effects on the availability and affordability of housing and supportive services. This chapter of the Housing Element describes the policies and strategies that provide incentives for housing in Oakland and that have resulted in significant contributions to the City's housing stock, such as the historic preservation program

This chapter also analyzes City policies and regulations that could potentially constrain the City's abilities to achieve its housing objectives. Constraints to housing can include land use controls, development standards, infrastructure requirements, residential development (including infrastructure impact) fees, and development approval processes, along with non-governmental constraints such as financing. A brief discussion of the City's policy and regulatory context is presented below. Further details describing the City's policies and regulations are contained in Appendix E.

Since 1998, the City of Oakland has undertaken actions to reduce the impact of local government regulations and fees on the cost and availability of housing. Beginning with the General Plan update in 1998, the City has:

- increased residential densities,
- created new mixed-use housing opportunities along major transportation corridors and in the downtown,
- reduced open space requirements in high density residential zones in the Downtown, and in the Transit Oriented Development Zone (S-15),
- streamlined the environmental review process for downtown projects,
- adopted a Density Bonus Ordinance,
- adopted a secondary unit ordinance and streamlined the process for approval,
- created new fast-track and streamlined permit processes, and
- adopted Standard Conditions of Approval to, in part, streamline the CEQA review process.

Land Use Policies and Regulations

Discretionary land use control in Oakland is exercised by the Planning Commission and the City Council, and administered by the Community and Economic and Development Agency (CEDA), Planning and Zoning Division. The City has not identified any specific constraints to the approval of housing resulting from the application of the General Plan policies, current zoning, or the interim development controls.

General Plan Land Use and Transportation Element

The City of Oakland revised the *Land Use and Transportation Element* of its General Plan (LUTE) in March 1998. The LUTE outlines the vision for Oakland, establishing an agenda to encourage sustainable economic development, ensure and build on the transportation network, increase residential and commercial development in downtown, reclaim the waterfront for open space and mixed uses, and protect existing neighborhoods while concentrating new development in key areas. The LUTE includes a wide variety of land use classifications to encourage the development of an adequate supply of housing for a variety of residents, as well as many policies to encourage the development of affordable housing.

Among the significant changes in the LUTE was to designate land within the central city area, along transportation corridors, and within targeted redevelopment areas for higher-density residential and mixed-use development. These changes to the General Plan implemented the City's 10K Initiative, the Sustainable Oakland Development Initiative, encouraged the prospective development of transit villages at Fruitvale, Macarthur and Coliseum BART stations, and other strategies intended to encourage more housing in the City near job centers with access to transportation and other services. The LUTE also supports the protection and improvement of single-family neighborhoods. The changes to the General Plan provide strong incentives and encouragement, *not constraints*, for the production and improvement of housing for all segments of the population. The General Plan clearly sets forth areas of the City that are appropriate for additional housing development and increases densities in the downtown area and along transportation corridors, up to as much as 125 dwelling units per acre.

Other General Plan Elements

In addition to the Land Use and Transportation Element described above, the Oakland General Plan is comprised of six other chapters, known as Elements, and two Plans which are a part of LUTE:

- The Estuary Policy Plan, adopted in 1998
- Open Space, Conservation and Recreation Element (OSCAR), adopted in 1996
- Housing Element, last adopted in 2004
- Historic Preservation Element, adopted in 1995
- Noise Element, adopted in 2005
- Safety Element, adopted in 2004
- Bicycle Master Plan, part of the LUTE, adopted in 2007
- Pedestrian Master Plan, part of the LUTE, adopted in 2002

Selected policies and actions from these Elements and Plans which affect housing production are itemized in Appendix F.

Planning Code

The City of Oakland is in the process of revising its Planning Code to make it consistent with the LUTE. Revisions to the industrial zones were completed in July 2008, and creation of new commercial and residential zoning districts in the Planning Code and accompanying map are anticipated to be brought to the City Council in the near future. Until the revisions to the Planning Code are adopted, the City will use the General Plan policies, current zoning standards, and, where the current zoning is inconsistent, conformity guidelines that have been adopted and renewed by the City (*Guidelines for Determining Project Conformity with the General Plan and Zoning*

Regulations). These interim guidelines allow, with an interim conditional use permit, for the adoption of a “best fit zone” on a specific property which more closely matches the General Plan; this public process, allows development proposals to be reviewed and approved pending update of the Planning Code, often with higher densities than the current zoning permits.

Since January 2007, over 1,100 dwelling units have been completed or are under construction, approximately 5,000 dwelling units have been approved, and over 7,000 dwelling units are in proposed projects under review by the City. One thousand of the dwelling units constructed, under construction, approved, or planned are, or will be, affordable to very low- and low-income households. This new housing production suggests that the updated General Plan, in combination with targeted investments by the City’s redevelopment agency, have had the desired impact of stimulating housing productions in Oakland, including affordable housing.

Summary of Development Standards

Development standards under the Planning Code permit great flexibility in the types of housing permitted and the density of residential units. In addition to the provisions of its residential zones, the City further facilitates the production of affordable housing through density bonuses, broad provisions for secondary (or “in-law”) units, planned unit development overlay zones, and permits a wide variety of housing types in commercial zones. Because permitted residential densities are fairly high in Oakland, density bonuses are rarely necessary as an incentive to produce affordable housing; however, where applicable, the City is committed to using density bonuses and other regulatory tools to increase the supply of housing affordable to all income levels.

Development standards in the Planning Code include:

- Permitted lot coverage ranging from 40 percent in single-family districts to 50 percent in multifamily districts. In the higher density residential zones (R-60 through R-90) there are no lot coverage requirements.
- Minimum lot sizes ranging from one acre to 5,000 square feet in single-family zones, to 4,000 square feet in medium and high density zones.
- Minimum lot areas per dwelling unit in multifamily zones ranging from 450 to 150 square feet, the equivalent of approximately 50 to nearly 300 dwelling units per gross acre.
- A height limit up to 30 feet in single-family and lower-density multifamily zones (R-40 and R-50), 40 feet in medium density multifamily zones (R-60 and R-70), and no height limit in high-density residential zones (R-80 and R-90).
- Relatively low yard and setback requirements. In the highest density multifamily zones, there are no side-yard requirements.
- Special zoning provisions for small lots in R-36 zones, including reduced setback requirements.
- Manufactured housing is permitted, as long as meetings Planning and Building codes.
- Required parking per dwelling unit of two spaces in single-family zones (plus one additional space for second units), 1.5 spaces per unit in low- and medium-density multifamily zones,

one space in higher-density multifamily zones, and half a space in the two Transit-Oriented zones at the Fruitvale and West Oakland BART Stations. Some zones in the downtown and other commercial areas have no parking requirements. While some consider the residential parking and commercial parking standards of the City a constraint to new housing, the City routinely offers parking waivers, permits mechanical and stacked parking where feasible, encourages shared parking in mixed-use buildings and allows for “de-coupling”—separating the cost of a new residential unit from the cost of a parking space.

The Planning Code provides additional and generous opportunities for housing in commercial zones. Residential uses are permitted or conditionally permitted in the follow zones: Neighborhood Commercial (C-5), Local Retail Commercial (C-10), Shopping Center Commercial (C-20), at 11 units per gross acre; Village Commercial (C-27), Commercial Shopping District (C-28), District Thoroughfare Commercial (C-30), Special Retail Commercial (C-31), District Shopping Commercial (C-35), Community Thoroughfare Commercial (C-40) at 97 units per gross acre; Central Business Service Commercial (C-51) at 290 units per gross acre; Old Oakland Commercial (C-52) at 145 units per gross acre; and Central Core Commercial (C-55) at 290 units per gross acre.

In summary, the development standards in the current Planning Code allow generous lot coverage, unit densities, maximum building heights which are appropriately scaled to permitted unit density, relatively small yard and set-back requirements, and relatively low parking requirements. In addition, the commercial zones allow a wide variety of residential densities; and the interim CUP process has been used to get even higher residential densities where the General Plan allows it but the zoning does not. Constraints posed by parking standards are regularly mitigated through variances and innovative parking systems. The City does not consider the development standards in the Planning Code to be a constraint to the production or rehabilitation of housing.

Alternative Housing

Oakland’s General Plan policies and Planning Code provide great latitude to developers of alternative housing types (such as rooming houses, group homes and residential care facilities, single-room occupancy units, transitional housing, and emergency shelters) for populations with special housing needs.

Single-room occupancy (SRO) housing and rooming houses are permitted or conditionally permitted in the high-density residential zones and in the C-5, C-25, C-27, C-30, C-35, C-40, C-45, C-51, C-52 and C-55 commercial zones. Residential care facilities for six or fewer persons are permitted in all residential zones and in residential units in commercial zones. Residential care facilities for seven or more persons and transitional housing are conditionally permitted in small-lot single-family, multifamily, and commercial zones. The City also allows service-enriched permanent housing with supportive services as conditional uses in these same zones. Emergency shelter for homeless individuals and families is conditionally permitted in high-density residential zones and several commercial zones. As part of this Housing Element update, the City is looking at the steps necessary to comply with the requirements of SB2.

The conditional use permit process could be considered a potential constraint to siting alternative types of housing and shelter to meet special needs. The conditional use permit process is intended to provide a relatively expeditious processing of conditional use requests, from several weeks to six months, depending on the type of conditional use and the zone in which it is located. Conditions are applied to ensure consistency of the use and compliance with development standards for the

applicable zone. However, where there is significant neighborhood opposition, the conditional use permit process can be used to stop a proposed development.

Permitting or conditionally permitting alternative housing in all high density residential zones, and most commercial zones, further increases housing opportunities and the feasibility of accommodating affordable housing in Oakland. Historically, the conditional use permit process and conditions imposed have not created significant constraints to locating residential uses for special need groups in residential or commercial zones.

Incentives for Shelter Facilities for the Homeless

As noted above, emergency shelters are conditionally permitted in both high-density residential areas and in commercial zones. Development of shelter facilities is further facilitated by a relaxation of parking standards well below those required for ordinary residential facilities, in recognition of the fact that most homeless persons do not have vehicles and thus a requirement for parking would be an unnecessary constraint. The City requires one parking space for each three employees on site during the shift that has maximum staffing, plus one space for each facility vehicle.

In 2007, SB 2 was passed by the state legislature, requiring a zoning district in each jurisdiction where emergency shelters were permitted, without requiring a conditional use permit. The City has committed in this Housing Element (Goal 1, Action 1.1.6 “Homeless and supportive shelters”) to amend the Planning Code within one year of adoption, permitting emergency shelters in at least one zone. See page 6-15 for a further discussion of SB 2 in Oakland.

Summary of Zoning and Development Standards

Table 6-1 provides a summary of permitted facility types and development standards in each of Oakland’s residential zones. Further detail is provided in Appendix C.

**Table 6-1
Permitted Facility Types and Development Standards in Residential Zones**

Zone	Zone Name	Description in Code	Permitted Facility Types	Conditionally Permitted Facility Types	Min. Lot Size	Min. Lot Width	Permitted Density	Conditionally Permitted Density	Max Height	Max Ht. of Access. Structure	Required Setbacks			Min. Open Space/ Unit
											Front	Interior Side	Rear	
R-1	One Acre Estate Residential	single-family estate living very low densities Oakland hills	single-family; single-family with secondary unit		43,560 sf (one acre)	100'	single-family dwelling plus secondary unit		25' (30' for pitched roof)	15'	25'	6' & 15% of lot width (whichever is greater)	35' **	Single-family
R-10	Estate Residential	single-family estate living very low densities Oakland hills	single-family; single-family with secondary unit		25,000 sf	100'	Single-family dwelling plus secondary unit		25' (30' for pitched roof)	15'	25'	6' & 15% of lot width (whichever is greater)	35' **	
R-20	Low Density Residential	single-family low densities Oakland hills	single-family; single-family with secondary unit		12000 sf	90'	Single family dwelling plus secondary unit		25' (30' for pitched roof)	15'	20'	6' & 15% of lot width (whichever is greater)	25' **	
R-30	One-Family Residential	single-family dwellings applied to areas already developed at lower densities	single-family; single-family with secondary unit		5000 sf	45'	Single family dwelling plus secondary unit		25' (30' for pitched roof)	15'	20'	5' & 10% of lot width when slope is >20%)	20' **	
R-35	Special One-Family Residential	areas containing mixture of single- and two-family dwellings applied to areas of existing lower or lower-medium density development	single-family; single-family with secondary unit	secondary unit; duplex	5000 sf	45'	Single family dwelling plus secondary unit	lots >4000 sf: two units	25' (30' for pitched roof)	15'	20'	5' *	15'	Without private open space 300 sf With max. substitution of private open space 100 sf
R-36	Small Lot Residential	foster dev of small lots <4000 sf or >45' width applied to areas of existing low-density residential	single-family; single-family with secondary unit; duplex	multi-family	5000 sf	45'	Lots <4,000 sf: single family dwelling plus secondary unit; Lots >4,000 sf: two units	One unit per 2,500 sf	30' (35' w/CUP for pitched roof – min 4:12 slope)	15'	20' (10' on lots <4,000 sf in area or <45 ft wide)	5' (3' on lots <4,000 sf in area or <45' wide)	15'	Without private open space 300 sf With max. substitution of private open space 100 sf
R-40	Garden Apartment Residential	lower medium-density development areas containing mixture of single- and two-family dwellings and garden apartments	single-family; single-family with secondary unit; duplex	multi-family	5000 sf	45'	Lots <4,000 sf: single family dwelling plus secondary unit; Lots >4,000 sf: two units	One unit per 2,500 sf	25' (30' for pitched roof)	15'	20'	5' *	15'	Without private open space 300 sf With max. substitution of private open space 100 sf

**Table 6-2
Permitted Facility Types and Development Standards in Residential Zones**

Zone	Zone Name	Description in Code	Permitted Facility Types	Conditionally Permitted Facility Types	Min. Lot Size	Min. Lot Width	Permitted Density	Conditionally Permitted Density	Max Height	Max Ht. of Access. Structure	Required Setbacks			Min. Open Space/ Unit
											Front	Interior Side	Rear	
R-50	Medium Density Residential	apartment living at medium densities ⁰	single-family; secondary unit; duplex	multi-family;	4000 sf	25'	Lots < 4000 sf: single-family dwelling plus secondary unit; Lots > 4000 sf: two units	Lots 4500-4999 sf: 3 units; 5000-6999 sf: 4 units; 7000-8,499: 5 units; 8500-9,999: 6 units; >10,000: 1 unit per 1500 sf	30'	15'	15'	4' *	15'	Without private open space 200 sf With max. substitution of private open space 75 sf
R-60	Medium-High Density Residential	apartment living at relatively high densities areas with good transportation access, shopping and community centers	one-family; single-family with secondary unit; two-family; multi-family	rooming house	4000 sf	25'	one regular unit per 800 sf of lot area one efficiency unit per 550 sq. ft. of lot area One rooming unit per 400 sf 10% bonus if on a corner lot or next to a park (20% if both)	density bonuses up to 50% of permitted density with transfer of development rights from nearby lots	40'	40'	10'	15' *	15'	Without private open space: 200 sf/reg unit 130/efficiency 100/rooming With max. substitution of private open space: 30 sf/reg unit 20 sf/efficiency 15 sf/rooming
R-70	High Density Residential	apartment living at high densities areas with good transportation access, shopping	one-family; single-family with secondary unit; two-family; multi-family	rooming house	4000 sf	25'	one regular unit per 450 sf of lot area one efficiency unit per 300 sf. of lot area One rooming unit per 225 sf 10% bonus if on a corner lot or next to a park (20% if both)	50% bonus for projects more than 4 stories tall; or 50% bonus with transfer of development rights from nearby lots	40' + additional if stepped back	40' + additional if stepped back	10'	0' *	10'	Without private open space: 150 sf/reg unit 100/efficiency 75/rooming With max. substitution of private open space: 30 sf/reg unit 20 sf/efficiency 15 sf/rooming
R-80	High-Rise Apartment Residential	high-rise apartment living areas near major shopping & community centers and rapid transit stations	one-family; single-family with secondary unit; two-family; multi-family; rooming house		4000 sf	25'	one unit per 300 sf of lot area one efficiency unit per 200 sq. ft. of lot area One rooming unit per 150 sf 10% bonus if on a corner lot or next to a park (20% if both)	50% bonus for projects more than 4 stories tall; or 50% bonus with transfer of development rights from nearby lots	none, but max. FAR 3.50	None, but max. FAR 3.50	10'	0' *	10'	Without private open space: 150 sf/reg unit 100/efficiency 75/rooming With max. substitution of private open space: All public space may be substituted
R-90	Downtown Apartment Residential	high-rise apartment living at very high densities close proximity to Oakland central district	one-family; single-family with secondary unit; two-family; multi-family; rooming house		4000 sf	25'	one regular unit per 150 sf of lot area one efficiency unit per 100 sq.ft. of lot area One rooming unit per 75 sf 10% bonus if on a corner lot or next to a park (20% if both)	density bonuses up to 50% of permitted density with transfer of development rights from nearby lots	none, but max FAR 7.00***	None, but max FAR 7.00	10'	0' *	10'	Without private open space: 150 sf/reg unit 100/efficiency 75/rooming With max. substitution of private open space: All public space may be substituted

* additional setback required when facing required living room window
 ** minimum rear yard depth shall be increased by an additional 1/2 foot for each additional foot of lot depth over 100 feet, up to a maximum rear yard depth of 80'
 *** may be exceeded by 10% on any corner lot or any lot facing or abutting public park

Construction Codes and Enforcement

The Building Services Division of the Community and Economic Development Agency (CEDA) administers building, construction and housing maintenance codes. The Oakland Fire Department's Fire Prevention Division administers the Oakland Fire Code. These enforcement activities are part of the city's role in protecting the public's health, safety, and welfare. The City's enforcement of construction codes provides sufficient flexibility to address special considerations that arise in the rehabilitation of older structures, the conversion of structures for residential use, and the modification of structures to meet the needs of persons with disabilities. The City's code enforcement practices have, historically, allowed a range of supportive housing services in residential structures and developments. Through its interpretation and enforcement of building and housing codes, the City ensures that reasonable accommodations for persons with disabilities can be designed or retrofitted into new and existing buildings and that converted buildings can also be specially designed to serve special needs populations with disabilities.

The City has a number of amendments (itemized in Chapter 15.04 of the Oakland Municipal Code), both administrative and non-administrative (technical), to the California Building Code, California Electrical Code, California Mechanical Code, and California Plumbing Code. As of May, 2009, no analysis of these amendments for impacts on the cost and supply of housing had been performed, however, the City regularly surveys its costs of construction and building fees, to keep them aligned with the costs of delivering building services to the residents of the City.

In R-36 zones, which regulate small lots, the new Fire Code regulation that a wall within five feet of the property line must have a higher fire rating can cause a constraint to rehabilitation of homes in those zones. Some developers have reported that the City's practice of placing liens to recover abatement costs and penalties on properties, whose owners do not correct code violations, creates a disincentive for developers to acquire and improve or redevelop those properties. The City reports that this is not a widespread problem. The City has taken a flexible approach to building and housing code interpretation and enforcement that does not significantly impede the ability of property owners to rehabilitate their properties.

On and Off-Site Improvement Requirements

On and off-site improvements include streets, sidewalks, sanitary and storm water sewers, rainwater pollutant mitigations ("C3"), potable water and fire hydrant mains, and street lighting. The City's on and off-site improvements are fairly standard compared to other cities in the Bay Area and do not constitute a significant development constraint. Most of the housing opportunity sites designated by the City are infill and redevelopment sites that already have infrastructure and services in place and are located along fully developed streets. Higher density developments may require larger sized water, sewer, and utility lines to provide adequate services. Development in some older parts of the City may require the replacement of aged utility lines and other infrastructure. These costs are unavoidable; however, the City attempts to mitigate the impact on affordable housing through the use of redevelopment funds, regulatory incentives, funding assistance, and other strategies.

Permit and Development Fees

The City of Oakland and other public agencies charge a number of planning, building, and engineering fees to cover the cost of processing development requests, and providing public facilities and services to new development. Payment of these fees can have an impact on the cost of housing, particularly affordable housing. Fees are limited by state law, which requires that "a public agency

may not charge applicants a fee that exceeds the amount reasonably necessary” to provide basic permit processing services (California GC Sec. 65943 (e)).

Although fees in Oakland are comparable to other jurisdictions, they can still represent a significant cost to affordable housing development. Because revenue is necessary for operation of planning and building functions, the City does not waive fees, even for affordable housing developers; however, the City provides financial assistance to affordable housing by paying fees from one or more housing fund sources (such as redevelopment housing set-aside funds, CDBG funds, or HOME program funds). Permit and other development fees are eligible costs that can be funded through these sources.

Unlike most surrounding jurisdictions, Oakland does not charge impact fees for residential development. Fees for water and sewer services are charged by the East Bay Municipal Utility District, while school impacts fees are charged by the Oakland Unified School District. Although the City has no direct responsibility for the fees or services provided, Oakland does work with these agencies through its development review processes to ensure that fees are reasonable, are related to the impacts created by new development, and that new development can be served by these agencies.

Planning permit fees, excluding building permits, typically have a minimal impact on housing cost (typically \$2,737 for regular design review of a building) because these fees are charged as flat rates per application. Development impact fees charged by East Bay Municipal Utility District and the Oakland Unified School District have a greater impact on the cost of housing (approximately \$17,000 per dwelling unit) and represent between 40 percent and 50 percent of all fees charged. Total fees typically range from \$25,000 and \$40,000 per dwelling unit. When compared to the market cost of producing housing in Oakland (land and site preparation, construction, financing, etc.), permit and impact fees, while a cost factor, are not as significant as other cost factors in the production of affordable housing (such as the market cost of land and State requirements to pay prevailing wages on construction labor for housing development assisted with public funds).

According to a 1998 study, prepared by the California Housing and Community Development Department (HCD) and which has not been updated, planning fees in Oakland for a 2,500 sq. foot single-family home with a 400 sq. foot garage in a 25-unit subdivision averaged \$561.00. In 2008, these fees average approximately \$2,700, typically for regular design review. Planning fees for an average apartment in a 45-unit multifamily development were \$80.00 in 1998, according to the study. Regular design review for a 45 unit apartment now averages approximately \$60 per unit

Building permit fees have a greater impact than planning fees on the final cost of a unit. In the 1998 HCD study, building plan check, permit, and inspection fees for a single-family home averaged \$6,786. For the multifamily unit, building fees averaged \$3,416. In 2008, the figures are: \$28,000 for the single-family home and \$14,600 for the multifamily unit.

While permit fees are necessary to pay for the services and infrastructure for which the fees are charged, the City can mitigate the cost of these fees by providing financial assistance to affordable housing developments. Such financial assistance has been a past and current practice of the City to facilitate the development of affordable housing in Oakland.

Development Approval Process

The Oakland Community and Economic Development Agency administers the permit process through the Planning and Zoning Division and the Building Services Division. Although the

approval process for a development project often includes multiple permits, the City has made substantial efforts to prevent its permit processes from being a constraint to development. Depending on the number and type of approvals required, developments can typically be entitled in six weeks to six months. The City believes that the time required to approve most projects does not present a significant time or cost constraint to the development of housing development in Oakland.

Factors that most affect the City's current ability to process development approvals in a timely manner include:

- staff shortages, including mandated City shut-downs or furloughs due to fiscal constraints
- the volume of applications and concurrent special projects requiring staff time
- the number of general inquires (phone, front counter, correspondence)
- minimum time lines for public notice (state law and zoning code)
- additional time and extent of noticing desired by some members of the community
- subjective review issues (quality of building and site design, for example)
- review by the Design Review Committee or Landmarks Preservation Advisory Board
- environmental review
- level of community involvement and interest in a project
- the number of discretionary approvals

Efforts to expedite permit approvals include:

- Major Projects process manual
- Third party peer review of innovative structural and fire suppression designs
- web site assistance with comprehensive permit information
- a permitting center to provide a one-stop permitting and assistance for applicants
- pre-application meeting to identify issues and potential resolutions to expedite an applicant's development proposal
- concurrent processing of multiple permit applications (for example, conditional use permit, design review, and a tentative subdivision map), which are required for a single development proposal
- expedited Planning Commission and Design Review Committee consideration for high priority residential projects (including affordable housing projects)
- a "rapid check" review of building plans

The majority of actual processing time for a use permit and/or other discretionary approvals typically takes place during the planning staff initial project review. Staff works with the applicant to achieve a completed application that conforms to the various procedural, design, and zoning requirements. Processing times vary depending on the size and complexity of the project, the completeness of the application and the conformance of the project to the Planning Code requirements. Other variables which can effect processing time include the CEQA process when it results in an Environmental Impact Report, and appeals of approvals. However, every effort is made by the City to maintain an efficient process.

Design Review

Since the start of 2007, the Design Review procedures for citywide permit review procedures in Oakland Planning Code have been made more effective, streamlined, and consistent throughout the City. There is now one unified residential design review program, in three parts: Regular Design Review, Small Project Design Review, and Design Review Exemption. Specific details of each procedure are in Appendix E. As part of its streamlining efforts, applications for design review are now processed concurrently with other planning permits. Design review is triggered when an applicant is adding floor area or a secondary unit. Because of the new procedures and the efficiencies which they bring to the application process, the City staff considers the design review procedures as removing constraints to housing production.

Projects that involve designated historic properties are reviewed by the Landmarks Preservation Advisory Board. Design review of these properties is conducted concurrently with one of the design review procedures described above.

Historic Preservation

Oakland has a program for officially designating select Landmarks and Preservation Districts. Oakland also has a wealth of historic buildings and neighborhoods that the City considers cultural and environmental assets with or without formal designation. The *Historic Preservation Element* of the General Plan sets forth a graduated system of ratings, designation programs, regulations, and incentives proportioned to each property's importance. The *Preservation Element* establishes design review findings for work affecting historic buildings (Policy 2.4 for designated landmarks and districts, Policy 3.5 for other historic properties). Policies 3.2 and 3.6 of the *Preservation Element* set out preservation responsibilities for City-owned properties and City-assisted projects.

The California Environmental Quality Act (CEQA) law requires review of impacts on major historic resources. The CEQA "infill exemption" cannot be used for projects that potentially impact historic resources. Demolition of a CEQA-level historic resource requires the preparation of an environmental impact review document. The City's requirements are consistent with State law. Many housing development projects use Federal funds and require Section 106/NEPA review to avoid adverse effects on historic resources.

The Landmarks Preservation Advisory Board or its staff reviews changes to any designated properties (about 160 individual landmarks and 1500 buildings in districts out of 100,000 properties Citywide). The Board also advises on projects involving other historic properties. Design review for any modifications to these structures is conducted concurrently with the regular project review but may need to take into account the Board's monthly meeting schedule. A project that respects the historic character of the resource, e.g. by following the Secretary of the Interior's Standards for

Rehabilitation, will have a faster and smoother review process. Design review fees are waived for Designated Historic Properties.

The Historic Preservation Element of the Oakland General Plan notes “Cost effective preservation of affordable housing” among the benefits of preservation (Goals and Objectives, p.2-7). This principle is also included in the Central City East, West Oakland, and other Redevelopment Area Plans. Adaptive reuse of historic commercial, industrial, and institutional buildings as market-rate and affordable housing continues to be a major development opportunity in Oakland.

The State Historical Building Code, administered by the City building official, can facilitate cost-effective rehabilitation and reuse of qualified historical buildings.

The City’s recently adopted (2007) Mills Act program can reduce property taxes for selected historic properties in exchange for a long-term contract to repair and maintain the property. For the year 2009, there are 20 slots available, and income is not a criteria for selection.

Other programs can assist with preservation though they are not restricted to historic properties. Mixed-use buildings can benefit from the Downtown and Neighborhood Commercial Revitalization facade improvement matching grants. The Central City East Redevelopment Area’s Homeownership Rehabilitation Program provides loan funds for cosmetic or restorative exterior work. For homes in the Community Development Districts, several City and County grant and loan programs assist with access, lead abatement, and emergency repairs. In addition, the City is authorized to offer financial assistance for seismic strengthening of existing residential buildings.

Residential Rent Regulations

Rent regulations do not apply to new construction in Oakland, and are not a constraint to the provision of new housing in the City. For more details about the City’s program, and how it continues to keep older rental property affordable by limiting annual rent increases, see Chapter 7 -- Policy 5.3 “Rent Adjustment Program.”

Accessibility for Persons with Disabilities

Persons with disabilities have a number of housing needs related to accessibility of dwelling units, access to transportation, employment, commercial services and alternative living arrangements that include on-site or nearby supportive living services. It is the policy of the City to comply with all applicable provisions of the Americans with Disabilities Act of 1990 (ADA), protecting the civil rights of persons with disabilities, and ensuring that all of its programs, activities and services, when viewed in their entirety, are readily accessible to and usable by individuals with disabilities. The City ensures that new construction and alterations to City of Oakland buildings and facilities are in conformance with Title 24 of the California Code of Regulations, and all other applicable State and federal accessibility regulations.

The City of Oakland has a policy to provide individuals with disabilities with equal opportunity to participate in and benefit from all City programs, activities and services; and to provide for these in an integrated setting unless separate or different measures are necessary to guarantee equal opportunity. Furthermore, the City will reasonably modify policies, practices, or procedures for qualified persons with disabilities upon request, including requesting special accommodations or variances from the requirements of City zoning or building codes.

The City has implemented a number of policies, procedures and services to address the needs of persons with disabilities in regard to residential housing, emergency shelter facilities, and community accessibility.

Zoning, Permit Processing, and Building Codes

The City implements and enforces Chapter 11 A and B of the 2007 California Building Code, which is very similar to the ADA. The City provides information to applicants or those inquiring of City regulations regarding accommodations in zoning, permit processes, and application of building codes for persons with disabilities.

Access Improvement Program

The Access Improvement Program (AIS) aims to improve residential access by providing grants for accessibility modifications on a matching fund basis to properties located in one of seven of the City's Community Development Districts. Details of the program are in Chapter 7, Action 4.3 "Housing Preservation and Rehabilitation."

Residential Disabled Parking Zone Program

The City's Residential Disabled Parking Zone (RDPZ) Program is intended to assist drivers with mobility impairments who need residential accommodation for on-street parking, and who cannot otherwise gain ready access to their residences. The City may provide a RDPZ where there is a demonstrated need for parking space designation for persons with disabilities on residential streets.

During the first quarter of 2008, the City of Oakland received a total of 34 requests, including 27 requests for a new RDPZ, six requests to remove an existing RDPZ, and one request to repaint an existing RDPZ or to install a sign at an existing RDPZ. Investigation for 17 of the 34 requests has been completed, and the remaining 17 requests are currently under investigation. This has resulted in nine approvals, six denials, and two closed cases with no further action required.

Mayor's Commission on Persons with Disabilities

The Mayor's Commission on Persons with Disabilities (MCPD) acts as the City's designated advisory body for ADA compliance, and seeks to remove constraints to housing for residents with disabilities by providing educational and networking opportunities in the areas of accessible affordable housing and emergency preparedness. Established by city ordinance in 1980 to represent and address the issues faced by people with disabilities, this commission is committed to promoting the total integration of persons with disabilities into all aspects of the community. Since 1990, the MCPD acts by advising the Mayor and City Council on matters affecting the disability community; reviewing and commenting on City policies, programs, and actions; providing advice and assistance to other City boards and commissions; and participating at the local, state, and national levels in the advancement of disability rights. The Commission's monthly proceedings are open to the public and serves as a venue through which persons with disabilities within the community can comment and provide recommendations on City policy and planning documents.

Efforts to Remove Regulatory Constraints for Persons with Disabilities

The State of California has removed any City discretion for review of small group home projects (six or fewer residents). The City does not impose additional zoning, building code, or permitting

procedures other than those allowed by state law. For example, the definition of “Family” in the Planning Code is: “one person, or a group of people living together as a single housekeeping unit, together with incidental domestic servants and temporary nonpaying guests.” This does not prove to be a constraint to housing for persons with disabilities, because “Family” is only used in the Planning Code to describe a facility type—such as, “one-family dwelling,” it is not used to limit the ability of unrelated individuals to live together, as in a residential care facility.

Another example is the restriction on overconcentration in the Planning Code (section 17.102.212), which requires a 300 foot separation between any of four facilities types which can be used to house people with disabilities—“residential care,” “service-enriched permanent housing,” “transitional housing,” and “emergency shelter.” The City does not consider this separation requirement to be a constraint to housing for the disabled population, and relies on the Mayor’s Commission on Persons with Disabilities (see above) to make proposals to amend any section of the Planning Code which could be a constraint for housing that population.

Zoning and Other Land Use Regulations

In reviewing the City’s zoning laws, policies, and practices for compliance with fair housing law, the City has not identified zoning or other land use regulatory practices that could discriminate against persons with disabilities and impede the availability of such housing for these individuals. Oakland’s Planning Code allows many of the housing use types and supportive services that persons with disabilities require. The 1998 General Plan policies encourage special needs housing with supportive services to be located near transportation and other areas with access to services. Appendix E describes the City’s planning, zoning, and permit policies in greater detail.

Building Codes

As described above and in Appendix E, the City provides reasonable accommodation for persons with disabilities in the enforcement of building codes and the issuance of building permits through its flexible approaches to retrofitting or converting existing buildings and construction of new buildings that meet the shelter needs of persons with disabilities. The City has not made amendments to the Code that would diminish the ability to accommodate persons with disabilities. Oakland also recognizes the State Historic Building Code as a way to allow greater flexibility in the rehabilitation of historic buildings in association with accommodating persons with disabilities.

Universal Design

The City has not adopted a universal design ordinance governing construction or modification of homes using design principles that allow individuals to remain in those homes as their physical needs and capabilities change. However, all City or Agency- funded developments must meet requirements as stated by ADA and fair housing act standards, along with any local or state complimentary laws. For federally funded projects, architects are required by the NOFA to comply with the Uniform Federal Accessibility Standards.

Procedures for Ensuring Reasonable Accommodations

The City ensures that reasonable accommodations are made for persons with disabilities, through several means:

- Persons with disabilities can request special accommodation for exceptions to the Planning Code, or they can apply for variances to the Planning Code. The City does not have an reasonable accommodations ordinance, but rather, an informal procedure used by Planning and Buildings division staff.
- Information is available through the City’s website, and through the MCPD, regarding programs and procedures that can assist persons with disabilities access city services, and, if need be, reasonable accommodation for exceptions to the Planning and Building codes.

State Requirements

Although not within the City’s control, state laws and funding requirements impose significant constraints on the City’s ability to achieve its housing objectives. There are many state requirements that can constrain housing affordability and availability. Some of these requirements are:

Prevailing wage requirements, which significantly increase labor costs on government-assisted housing projects.

Limited availability of state funding for housing and supportive services programs. Nearly all state programs are significantly oversubscribed in relation to the need.

Environmental review requirements under the California Environmental Quality Act (CEQA). CEQA provides opportunities for procedural delays and legal challenges of residential development approvals. The City has limited the potential of CEQA to create procedural delays by using exemptions permitted for infill and affordable housing projects, implementing environmental mitigation measures through the City’s Planning Code, and receiving legislative approval to streamline the environmental review process for certain downtown projects (AB436).

The mandates in SB 2 for emergency shelter in all jurisdictions could potentially conflict with other established homelessness policies and approaches, such as Alameda County’s “EveryOne Home” program, to which the City of Oakland is participating. The County’s program encourages supportive housing, not large bed emergency shelters, seeks to prevent homelessness before it starts, and advocates for the construction of up to 15,000 new units of housing for county residents with HIV/AIDS or mental illness in the next 15 years.

B. NON-GOVERNMENTAL CONSTRAINTS

The production, availability, and cost of housing in Oakland are impacted by nongovernmental factors associated with the higher costs and greater difficulties of producing housing through redevelopment in an already-developed, central city such as Oakland. Broader market factors applicable throughout the Bay Area region, increasingly affecting Oakland, also pose constraints to housing in Oakland, particularly affordable housing.

Land Costs

Property Values and the Price of Land

Market prices for land are high in the desirable, high-cost San Francisco Bay area and increased dramatically until 2007. As of late summer and early fall of 2008, though, real estate has had price reductions due to the mortgage lending crisis and resulting instability in the banking industry. As evidenced in Chapter 3, declines in home sales prices as of July 2008 has brought prices down to levels seen in approximately 2001 to 2003. Long term, however, the desirability and acceptability of locations in Oakland and other inner cities has increased within the region. Demand is increasing for housing close to employment centers such as Oakland and San Francisco and is likely to continue to be relatively strong given the demand for locations near urban centers. This demand is fueled by increases in auto fuel costs and resultant increase in commute costs. Oakland is at the center of a region with good transportation accessibility throughout the Bay Area. Additionally, Oakland's urban character and relatively lower costs have made the City an increasingly desirable alternative to higher-cost areas nearby, particularly to San Francisco across the Bay. Finally, there are efforts by the Association of Bay Area Governments (ABAG), the regional planning agency, to encourage in-fill development in cities such as Oakland. It is yet to be determined how long the current economic crisis will impact the demand for housing in Oakland.

Before continuing with a discussion of land prices it is important to note that there are significant variations in the price of land within Oakland. The City has some of the highest residential land values in the Bay region (such as in the Oakland hills with views of San Francisco Bay) and some of the lowest as well (such as in older, working-class neighborhoods in the vicinity of the I-880 freeway and older industrial areas).

Examples of land acquisition costs for the development of affordable housing in Oakland (examples used were from developments for housing affordable to moderate-, low-, and very low-income households) provide an indication of minimum prices for land suitable for residential use. The examples are for infill sites purchased in lower land-cost areas of the City. The examples range from \$17 to \$105 per square foot (2008 values), as summarized in Table 6-2 below. On average, this reflects a significant increase in land costs for affordable housing developments compared to those reported in Oakland's last Housing Element that ranged from \$13 to \$70 per square foot.

The significance of land acquisition costs for housing development depends on the density of the new development. When apportioned over the number of housing units, land acquisition costs per unit show dramatic differences. Table 6-2 demonstrates that sites with the highest land costs can still have low per unit land costs if developed at a high density. For multifamily, affordable rental developments, land acquisition costs range from about \$19,000 per unit for the highest density development (240 units per acre) to \$32,000 per unit for a development with a lower, but still high, density (80 units per acre). Data obtained for this report is based on actual affordable housing developments supported by the City's Housing and Community Development Department and represents budgeted or actual expenditures in 2007-08.

**Table 6-3
Land Costs for Affordable Housing Sites in Oakland (2008)**

Housing Type	Single-family Detached Residential, Low Density	Single-family Detached Residential, Moderate-Density	Multifamily Residential, Higher-Density	Multifamily Residential, High-Density
Site Area	1.81 acres	0.50 acres	0.69 acres	0.33 acres
Land Acquisition Cost	\$1,358,500	\$714,919	\$1,775,000	\$1,500,760
Land per sq. ft.	\$17.26	\$32.56	\$59.41	\$105.32
Density of Development	14 units/acre	32 units/acre	80 units/acre	241 units/acre
Number of Units	25	16	55	79
Land Acquisition Cost per Unit	\$54,987	\$44,682	\$32,273	\$18,997
Affordability level	Low to Moderate Income (60-100% AMI)	Moderate Income (100% AMI)	Very Low to Low Income (35%-60% AMI)	Very Low- to Low Income (30%-60% AMI)

Sources: City of Oakland, Housing and Community Development, CEDA, 2008.

Given the current financial crisis it is unclear what will happen with land costs. It is likely that they will not continue the precipitous increases as experienced in recent years. If land costs remain at current levels or continue to increase, the City can do little to directly affect the cost of land other than continue to provide opportunities for increased residential densities, housing on under-used sites and locations with redevelopment potential, mixed-use development, and housing on infill properties. In response to high land prices and increasing land values in the past, the City of Oakland created an Affordable Housing Site Acquisition Program that provided funds to developers of affordable housing for site acquisition and associated costs. The Oakland Redevelopment Agency also has been involved in land acquisition, resale, and land write-down activities to facilitate new housing development. If necessary, these sources for land acquisition can be re-established for future use in the development of affordable housing.

Costs for Redevelopment and Urban Infill

Since Oakland is an already-developed, central city, new housing development largely requires the reuse or redevelopment of underutilized properties with older, existing uses on them. It also can include development of currently vacant sites formerly passed over for development because of higher development costs or lower revenue potentials, due to odd-sized or small parcels, contamination issues, and other factors. There are a variety of uncertainties, difficulties, and additional costs associated with development of these types of sites that pose constraints for new housing development. However, Oakland does not have large, vacant, unconstrained parcels, and

must rely on redevelopment and infill strategies to accommodate the bulk of its ABAG-assigned regional housing allocation.

The total cost of “land” for developing infill sites or redeveloping under-used sites includes not only land acquisition, but also additional costs of demolishing existing structures and site clean-up. Costs for relocating existing uses and/or compensating existing users are also frequently a required expense in the calculation of the total cost of land development in Oakland. Thus, total “land” costs for urban infill development and redevelopment are generally greater than the land/site acquisition costs alone.

Further, infill sites are generally smaller parcels that can be difficult to develop (including those that might be irregularly shaped) and that are more costly to develop (as the costs of the approval process and other planning efforts would be spread over a relatively small number of new units). Development on smaller, infill sites is more difficult and more costly than larger-scale development on vacant land, and can provide less return to the developer. However, there also can be offsetting advantages of infill development in that much of the infrastructure to serve the new development is already in place, in most cases.

Environmental Hazards

The redevelopment of sites in urban areas also can involve costs to remediate contaminated soil or groundwater, or to demolish buildings containing hazardous materials. In Oakland, many of the larger development sites that remain were in former industrial use. These often require some level of remediation and/or hazardous materials removal, resulting in additional costs that can be substantial and that can pose constraints on development. Such costs can render private sector redevelopment infeasible in situations where market prices and rents for the new uses are not high enough to amortize the costs of cleanup. In other situations, such costs can reduce the return from development of market-rate projects, making them less attractive to potential developers. In all cases, such costs increase the levels of subsidies required for affordable housing projects. The City and Redevelopment Agency are trying to address the problems associated with environmental hazards, helping to fund Phase I assessments and actual cleanup activities in some cases pursuant to the Polanco Redevelopment Act (Section 33459, California Health and Safety Code).

Land Availability

There are adequate sites for developing housing to meet Oakland’s housing needs, as described in Chapter 4, Land Inventory. The availability of sites for development, however, can be constrained by the need to assemble smaller parcels into larger development sites and/or by landowners seeking high prices for their properties. The latter is particularly the case for older properties formerly in commercial or industrial uses that are being held as long-term investments by owners hoping to reap the rewards of an improving local market.

To facilitate site availability, the Redevelopment Agency is playing a role in purchasing and assembling opportunity sites and then soliciting developers for building new housing. Examples include several Agency-owned sites that are nearing completion in the downtown area. Other examples include an assembly of sites at and near the MacArthur BART station. The Agency and City continues to assist in identifying and assembling sites, undertaking project planning, and negotiating agreements to facilitate Infill and Transit Oriented Developments underway and in the planning stages in Oakland. The City also had a program for assisting nonprofit housing developers in acquiring sites for affordable housing. As stated earlier, this program is no longer active but can be easily revisited if necessary.

Construction Costs

The costs of constructing housing in the Bay Area are generally, and in Oakland in particular, high. Market factors resulting in high construction costs are further compounded for affordable housing providers because they must pay “prevailing wages.” Construction costs are typically broken down by either a per unit cost or per square foot cost. Further, construction costs can be separated into land costs, “hard” costs or “soft costs.” Hard costs include construction line items such as labor, building materials and installed components. Soft costs include items such as architectural and engineering, planning approvals and permits, taxes and insurance, financing and carrying costs, and marketing costs. The hard construction costs typically represent about 50 to 60 percent of total development costs. Thus, they have a significant effect on development feasibility. Land and soft costs can represent another 40 to 50 percent of the total cost of building housing.

When the last Housing Element was prepared, the hard costs (labor, building materials, installed components, etc.) for single-family detached home construction ranged from \$90 per square foot for average construction to \$140 per square foot for custom construction and luxury finishes.²⁹ While hard costs for an average-quality wood-frame construction for multi-unit apartment buildings ranged from \$100 to \$150 per square foot, with costs at the higher end of the range applicable for three- and four-story construction over structured, above-grade parking.

Construction costs for higher-rise concrete and steel-frame multi-unit buildings are higher than for wood-frame construction. In fact, the higher costs for steel- and concrete-frame construction are a significant factor limiting the feasibility of high-density housing development in Oakland. This continues to be the case for Oakland as concrete and steel-frame buildings are only being built in Oakland at locations that can attract the highest housing prices and rents (such as on the shores of Lake Merritt, Jack London District, and more recently in the Central District). There are also a few examples of concrete and steel-frame construction for more affordable, higher density senior housing. For all types of construction, underground parking would result in still higher construction costs.

To bring the analysis to more recent market-rate construction costs, Table 6-3 summarizes development costs as identified by Hausrath Economics Group in a 2006-07 report for the City of Oakland *Economic Impact Analysis of Inclusionary Housing Program in Oakland*. Construction hard costs have increased dramatically in recent years ranging from \$200 per square foot for a low-rise townhome to almost \$300 per square foot for a multi-unit mid-rise condo.

²⁹ RS Means 2001 per square foot hard construction costs, as well as information for developments in Oakland, CA as per Hausrath Economics.

**Table 6-4
Market Rate Housing Development Costs in Oakland (2006-07)**

Housing Type	Low-Rise Townhome	Low-rise Loft/Townhome	Lower-rise Condos	Lower/Mid-rise Condos	Mid-rise Condos	Mid-rise Condos	High-rise Condos
Density	Moderate-density	Moderate-density	Moderate-density	Moderate-density	Higher-density	High-density	High-density
Size per unit	1,300 sq ft/unit	1,450 sq ft/unit	1,080 sq ft/unit	1,125 sq ft/unit	900 sq ft/unit	1,000 sq ft/unit	975 sq ft/unit
Units per acre	30-35 units/acre	30-35 units/acre	50-60 units/acre	80-100 units/acre	100-140 units/acre	140-167 units/acre	200-300 units/acre
Type of Construction & Parking	Wood, 3 floors including garage in unit	Wood, 3 floors including garage or surface parking	Wood frame on concrete podium, 3 floors over first floor parking on some/all site	Wood frame over concrete podium, 4-5 floors over 1 level parking podium	Wood frame on concrete podium, 4-6 floors over parking	Steel/concrete, 6-8 floors over parking	Steel/concrete, 9-16 floors over mostly below grade parking
Costs							
Land Cost per Unit	\$45,000	\$ 58,000	\$ 27,000	\$50,000	\$ 56,000	\$ 50,000	\$ 44,000
Land Costs per Sq. Ft.	\$34.62	\$ 40.00	\$ 25.00	\$44.44	\$ 62.22	\$ 50.00	\$ 45.13
Per Unit Hard Cost	\$260,000	\$ 304,500	\$ 216,000	\$281,250	\$ 266,400	\$ 330,000	\$ 360,750
Hard Costs per Sq. Ft.	\$200	\$ 210.00	\$ 200.00	\$250	\$ 296.00	\$ 330.00	\$ 370.00
Per Unit Soft Cost	\$84,200	\$ 105,900	\$ 82,800	\$108,000	\$ 104,900	\$ 115,800	\$ 125,400
Soft Costs per Sq. Ft.	\$64.77	\$ 73.03	\$ 76.67	\$96	\$116.56	\$115.80	\$128.62
Per Unit Total Cost	\$389,200	\$468,400	\$325,800	\$439,250	\$427,300	\$495,800	\$530,150
Total Cost per Sq. Ft.	\$299.39	\$323.03	\$301.67	\$390.44	\$474.78	\$495.80	\$543.75

Source: City of Oakland, 2008

Table 6-5
Affordable Housing Development Costs in Oakland
(2008)

Housing Type	Single-family Detached Residential	Single-family Detached Residential	Multifamily Residential Rental Apartments for Families	Multifamily Residential Rental Apartments for Families
Density	Low-density 14 units/acre	Moderate-density 32 units/acre	Higher-density 30 units/acre	Lower-density 15 units/acre
Number of Units	25 units	16 units	55 units	79 units
Building Sq. Ft.	29,550 sq. ft.	26,263 sq. ft.	78,375 sq. ft.	81,200 sq. ft.
Type of Construction and Parking	Two-story wood frame single family homes with driveway parking	Two buildings: one adaptive rehab of small building (4 units); three-story slab on grade wood frame (12 units); separate surface parking	Two four-story buildings; Small building with 12 units with parking included in unit; 43 units in large building wood frame with parking podium	Eight-story reinforced concrete structure (seven stories residential over first floor combined commercial and parking)
Costs				
Hard Costs, Construction, Units and Parking	\$4,565,779 (57%)	\$4,646,583 (65%)	\$15,179,127 (65%)	\$22,688,661 (77%)
Soft Costs ¹	\$2,131,450 (26%)	\$1,806,971 (25%)	\$6,520,309 (28%)	\$4,441,581 (15%)
Land Acquisition and Site-related Costs	\$1,358,500 (17%)	\$714,919 (10%)	\$1,775,000 (8%)	\$1,500,760 (5%)
Total Cost	\$8,055,729 (100%)	\$7,168,473 (100%)	\$23,474,436 (100%)	\$29,573,003 (100%)
Total Cost per Unit	\$322,229	\$448,030	\$426,808	\$374,342
Total Cost per Sq. Ft.	\$273	\$273	\$300	\$364
Hard Costs per Sq. Ft.	\$155	\$177	\$194	\$279

Sources: City of Oakland, Housing and Community Development, CEDA.

¹Includes costs for architecture and engineering, planning and approval, fees and permits, taxes and insurance, financing and carrying costs, and marketing.

The hard construction costs for affordable, single-family detached housing are in the range of about \$155 to \$177 per square foot, with total costs of about \$273 per square foot. These translate to a total per unit cost of between \$322,000 and \$448,000.

For costs of affordable housing development, the City has relied on examples of recent construction costs and total development costs in City-financed developments as shown in Table 6-4. As shown, the hard construction costs for the multifamily, affordable housing developments range from \$194 to \$279 per square foot, while total costs (including construction costs, soft costs, and land) range from \$300 to \$364 per square foot. These translate into per-unit total costs of \$374,000 to \$427,000.

The construction costs and total costs of developing housing in Oakland are high and present serious constraints to the availability of housing, particularly housing affordable to very low-, low-, and median-income households. To address these constraints, there are a number of housing programs in Oakland to support affordable housing development, including loans and grants to developers of low- and moderate-income housing. Examples are mentioned herein and described in other chapters of this Housing Element (see Chapter 5, Housing Program Resources, in particular).

Financing

The availability and cost of financing have an effect on housing in Oakland. Both financing for real estate development and financing for homeownership are relevant considerations. A caveat to any evaluation of the future of real estate development or housing ownership finance in Oakland is the limitation of the credit market given the current economic crisis (beginning in 2008). In the current Housing Element planning period, this section observes both opportunities and obstacles to financing real estate development and ownership in the City. The obstacles are magnified given the dramatic collapse of the housing market and the global financial crisis. At present, credit remains very restricted even for previously credit worthy borrowers. In the short run, demand for single family ownership is likely to be very soft. In the long run, given the demographic trends towards migrations back to urban areas, the demands for real estate development and ownership housing in Oakland is likely to continue when the current financial crisis passes.

Financing For Real Estate Development

As stated in the prior Housing Element, there have been difficulties obtaining the real estate financing necessary to develop in older areas of Oakland that have not experienced significant previous reinvestment. Institutional lenders and outside investors can be cautious in providing financial backing in these types of neighborhoods. Developers attracted to projects in these areas are often smaller entities with limited records of achievement or with limited financial resources to invest, compounding the difficulties involved in obtaining financing. In addition, interest rates for any available financing in these areas can be at higher rates. When the credit market becomes more fluid, this all remains to be the case in most circumstances in Oakland with some exceptions as cited later in this section.

While problems still exist, there have been significant improvements in the availability of real estate financing in Oakland neighborhoods. City support for projects has been an important factor. City funds (loans at below-market interest rates) have provided the basis for partnerships with private lenders, adding both financial support and enhanced credibility to projects. Market factors and conditions, including increasing demand for Bay Area housing and a lack of development options have increased the acceptability of Oakland neighborhoods that have formerly been passed over. What is no longer the case is the rapidly-escalating housing prices for Oakland real estate. In addition,

Oakland rents are showing some increases as evidenced in Chapter 3 though a more comprehensive rental market study is required to understand how the economic crisis is impacting rents. Spurred by the Community Reinvestment Act, increased investment were required of major banks resulting in increases in investing in Oakland neighborhoods. In addition, nonprofit developers have continued to make advances in their development portfolios in Oakland, bringing credibility and experience in obtaining financing for affordable housing projects.

Senior housing developments have continued to be the easiest of the affordable housing projects to get entitled and funded. As reported in the last Housing Element, affordable single-family developments had the hardest time finding financial backing and continue to be difficult given the costs to develop. Mixed-use projects also can have difficulties, often based on uncertainties about the commercial component or the complexities of the project.

Financing for Homeownership

The cost of borrowing money to buy a home is another factor affecting the cost of housing and overall housing affordability. The higher the interest rate and other financing costs charged for borrowing money to purchase a home, the higher the total cost of the home and the higher the household income required to pay that cost.

In general, the effect of financing costs on housing costs is demonstrated by examining monthly mortgage payments (principal and interest) on a 30-year \$340,000 loan³⁰ using a sales price of \$425,000 as the average Oakland citywide median (as stated in Chapter 3) with a 20% down payment. The cost of the loan increases with higher interest rates. The household income required to make those payments also increases with higher interest rates. Table 6-5 provides an example of the impact of financing costs on housing cost.

Table 6-6
Financing Costs for a Mortgage of \$340,000

Interest Rate	Required Monthly Mortgage Payment (30-year term)	Required Household Income ¹
5%	\$1,825	\$73,008
6%	\$2,038	\$81,539
7%	\$2,262	\$90,481
8%	\$2,495	\$99,792
9%	\$2,736	\$109,429
10%	\$2,984	\$119,350
11%	\$3,238	\$129,516

Source: City of Oakland, Housing and Community Development, CEDA.

¹Assumes 30% of income is spent for mortgage payment.

As shown in Table 6-5, monthly payments increase by about \$213 to \$254 for every one point increase in interest rates, in the range of five percent to eleven percent. As monthly payments increase, the income required to cover those payments also increases from about \$73,000 to \$129,500

³⁰ Note that this loan amount is double the assumption of \$170,000 loan amount used in last Housing Element analysis.

(assuming 30 percent of income allocated for housing expenditures). If, instead, household income was held constant, the share of income spent on housing would have to increase from 30 percent to 53 percent, as the interest rate increases from five percent to eleven percent.

From the perspective of a buyer with a given household income, the higher the financing costs, the lower the mortgage amount that the household income can support and, thus, the lower the housing price that the household can afford. The effect of financing costs on housing affordability can be demonstrated by showing how the mortgage amount (and housing price) that a household can afford based on its household income declines with higher interest rates. Table 6-6 shows the effect that interest rates have on the amount for which a household can qualify, assuming a median income of \$75,400 for a household of three persons³¹.

Table 6-7
Effect of Interest Rates on Qualifying Loan Amount

(Assuming 2008 Area Median Income of \$75,400 for a Three-Person Household)

Affordable Monthly Mortgage Payment ¹	Interest Rate	Maximum Qualifying Loan Amount
\$1,885	5%	\$351,141
\$1,885	6%	\$314,402
\$1,885	7%	\$283,330
\$1,885	8%	\$256,894
\$1,885	9%	\$234,271
\$1,885	10%	\$214,797
\$1,885	11%	\$197,937

Source: City of Oakland, Housing and Community Development, CEDA.

¹Assumes 30% of income is spent for mortgage payment.

The mortgage amount that a household with income at the current median level for the City of Oakland can afford mortgage amounts from \$351,141 to \$197,937 as the interest rate increases from five percent to eleven percent. That change makes a substantial difference in the price of housing that the household can afford to buy. It also increases the amount of public subsidy required to provide affordable homeownership opportunities to median-income households.

For the last several years, interest rates have been at relatively low levels. Nevertheless, financing costs are still significant, and many households have difficulty purchasing a home. To address these costs, Oakland has two first-time homebuyer programs. The First-time Homebuyer Mortgage Assistance Program provides deferred interest loans of up to \$75,000 to low-income (80% area median income level), owner-occupants. The Public Safety/Officers/Teacher Program provides loans of up to \$20,000 to public personnel with incomes at or below 120 percent of the area median income level.

³¹ For this analysis, HUD's income limits for Oakland, California effective April 28,2007 are used.

As noted in Chapter 3, predatory home mortgage lending practices in Oakland resulted in dramatic rates of foreclosures beginning in early 2007 and continuing through the time of writing this Housing Element. Those predatory lending practices included charging excessive fees, high interest rates, and other techniques used by mortgage lenders to take advantage of borrowers, especially low-income borrowers. In 2001, the City of Oakland enacted an Anti-Predatory Lending Ordinance to stop these practices, but it was invalidated by the California State Supreme Court. In retrospect, the easy availability of non-traditional mortgage products, which appeared to provide greater access to homeownership, has proven to be disastrous for many households.

As a caveat to any analysis of financing for homeownership, the limitations of mortgage lending due to the current credit crisis impacts this analysis. In the prior Housing Element reporting period, there was a dramatic increase in mortgage lending. As stated in Chapter 3, much of this lending was high-risk loans including adjustable rates and balloon payments.

In the wake of the foreclosure crisis in housing prices, underwriting criteria have been tightened and higher-risk loans are no longer available. While an increase in down payment requirements actually reduces monthly housing costs by reducing mortgage costs, this is offset by the need for higher rates of savings that are beyond the means of many families. At the same time, the shift away from adjustable rate, interest only, and other alternative loan types makes mortgage financing less affordable, as has stricter credit requirements.

Neighborhood Sentiment

Neighborhood concerns and opposition to higher-density developments and to affordable housing developments continue to hamper efforts to construct new housing in Oakland especially against affordable housing development. As in many cities, there can be resistance to change in familiar environments. While there is general agreement that housing should be available to all income levels, there can be resistance to specific affordable housing proposals, particularly rental housing projects, based on a lack of information or misinformation, a poor image or past history of such developments, and/or concerns that an area already has a disproportionately large number of lower-income units.

The City of Oakland is trying to address these concerns, by working with developers and providing information for use at public meetings. The General Plan directs and encourages new moderate- and higher-density housing along the City's major corridors, in the areas near transit stations, in downtown, and along the waterfront. The rezoning effort, now underway, has a process of stakeholder meetings interspersed with public workshops, which specifically address the issue and impacts of density on the major streets and corridors. Specifically, the issue of scale is being studied and discussed during this rezoning process—crafting zoning regulations which blend the new housing (to be built on the major corridors and thoroughfares) with the predominantly one- and two-story, single-family neighborhoods which are adjacent to those corridors and thoroughfares. The completion and occupancy of several attractive and affordable housing developments, and the rebuilding and rehabilitation of older public housing projects have continue to improve the quality, image, and acceptability of affordable housing in Oakland. Successful, new low-income housing developments now enhance many Oakland neighborhoods and blend unnoticed into others.

