

Summary of Findings & Conclusions

West Oakland Specific Plan Market Opportunity Report: *Housing, Retail and Arts*

Prepared for

City of Oakland

Under subcontract to

JRDV Architects

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SUMMARY OF FINDINGS AND CONCLUSIONS

As part of the planning process for the West Oakland Specific Plan (WOSP), Conley Consulting Group has prepared this assessment of the opportunity for retail and residential development in the Planning Area. The industrial and business development potential is evaluated separately in an associated study performed by Hausrath Economics Group.

A. Population and Demographics

The Planning Area has a population base of roughly 25,000 people, a 15% increase since 1990. The population of West Oakland declined from around 40,000 in 1950 when the post-war economic contraction was already underway. While the Planning Area's population grew more rapidly than the city as a whole, the number of area households actually declined by nearly 3%. In the last 20 years there has been a major shift in the area's ethnic and racial composition. The number and proportion of African Americans declined significantly, from 77% to 53%, and the number of white, Latino, and Asian residents increased, making the area more diverse. Area households are larger than average for Oakland, have more children under 18 years at home, and own fewer cars.

The Planning Area remains much less affluent than the rest of the City today, with a household median income only 60% of the City-wide average. While Planning Area households' median income rose sharply between 1990 and 2000, it rose at about the same rate as the City as a whole between 2000 and 2010. Planning Area households are overwhelmingly renters (78%), a much higher share than the 58% of Oakland households who are renters.

B. Employment

Most Planning Area residents (81%) commute to jobs outside of the City of Oakland, while most of the 10,513 employees in the Planning Area (76%) live outside of the City. Only 42% of Planning Area residents over 16 years of age participate in the workforce (e.g. are either employed or actively looking for work), and the official unemployment rate of 27% likely underestimates the number of area residents who would work if employment opportunities were available. Overall, there is about a 25% overlap between area jobs and employed residents.

C. Housing

The best source of information on recent housing development in the Planning Area is Census based data, which is not altogether reliable¹. According to that data, more than 1,500 units were built since the year 2000. That rate of new housing development is greater than any other decade, including the 1940's war years.

Apartment rents in the Planning Area have declined slightly since the housing market collapsed in 2008, with the exception of one bedroom units, which have risen 4% since 2009. In contrast, rapidly rising rents in San Francisco and the Silicon Valley are generating interest in new apartment construction in those markets. However, median unit sales prices rose slightly in 2010 to \$228,500 from \$225,000 in 2008 and a low of \$157,000 in 2009. As also happened throughout Oakland, home sales prices in the Planning Area were depressed from frequent foreclosure sales in 2009, but unlike the citywide trend, median Planning Area sales prices have now recovered.

¹ The census relies on resident's reports of the age of their housing units; these reports are not always reliable.

There are 1,562 approved new units in the development pipeline for the area, but the development status of many of these projects is uncertain, given the current housing market crises affecting regional and local market.

The master planned development at 16th and Wood Streets was originally planned for 1,500 units on 29 acres for an average density of just over 50 du/acre. The first two market rate developments at 16th and Wood, totaling 293 units, came on line in 2007 just as the housing market stalled. Sales absorption has been slow-- down to 2 units a month at some points. These units have not yet sold out, and plans for the other proposed market rate development have been put on hold or abandoned until the broader market recovers. The current Wood Street developments have not achieved a critical mass that would create a separate community character from the surrounding area, including issues of resident safety. There is some indication that the remaining will be developed at lower densities than permitted under the master plan. Ironhorse, a 99 unit affordable apartment project was successfully developed and leased up. Recent sales prices at 16th and Wood have been in the range of \$263,000 for 900 square foot (SF) 1bd 1.5 bath loft to \$400,000 for 1,100 SF, 2 bd, 2bath townhouse.

Successful small scale development in the Dogtown neighborhood on the Emeryville border has captured good buyer response to for sale townhouse/loft projects (four to twelve units). Newer developments by a handful of developers in that area are lower density duplexes and single family projects. The buyer profile for these units is former San Francisco renters attracted to affordable home ownership opportunities who prefer new modern units, first time homebuyers, and workers in the tech and creative industries, some of whom work out of their homes. Many of these buyers came from San Francisco neighborhoods like the Mission and are already comfortable with urban living. There are more males than females in this buyer pool. In combination with the nearby successful 91 unit West End Commons and the 40 loft and townhouse units at the old Clawson School site, there is a critical mass of new housing in the Dogtown neighborhood. Advertisements for units in this area currently emphasize proximity to Emeryville. Developers report that Dogtown residents take advantage of the nearby Emery-go-Round shuttle to access the MacArthur BART station. Sales prices have ranged from \$300,000 for 1,000 SF townhome/lofts to \$470,000 for 1500SF, 2 bedroom lofts.

During the housing market boom of the century's first decade, an average of 125 units per year were built in the Planning Area. ABAG projects new housing development at 236 units per year in the area through 2035, nearly double the recent rate. For the remainder of the current decade, the Planning Area market rate housing development opportunity will likely be limited to an average of 100 units per year. Development of a quality TOD project at the BART station in a wood frame configuration with suitable amenities might raise Planning Area housing absorption to 150 units per year.

With significant area improvements and amenities, after 2020 the average absorption rate could increase to 200 units per year. This will require attracting different market segments to the Planning Area.

Affordable housing will be readily absorbed even without area improvement. However, a funding source to fill the feasibility gap, which has averaged \$140,000 per unit in the recent past, must be secured if Redevelopment is tax increment set aside funds are no longer available.

D. Retail

While the Planning Area generates a slightly higher share of the City's sales tax than its share of Oakland's population (7% and 6%, respectively), retail uses generate less than half of the sales tax in the area, with the majority of sales tax coming from non-retail businesses, industrial and construction related activity, arts and creative uses, services, and businesses that primarily serve regional versus the local consumers. Planning Area retail does not serve the retail needs of its residents, with an average of 63% of the residents' potential sales in lost as leakage. Although the underserved expenditure potential, or leakage, could support another 325,000 SF of new retail, it will likely not be feasible to capture a significant part of this potential because the Trade Area is small and isolated from other neighborhoods, and because there are currently not enough established retail locations that can offer tenants a high probability of successful operations.

There are two near term retail opportunities in the Planning Area:

- A full sized grocery store, which could re-capture the 51,000 SF of food store leakage as well as sales now going to liquor and corner stores.
- Large format stores that may locate on sites with good freeway access to serve the larger regional market while also providing goods and services to Planning Area residents.

In the longer term, with significant urban improvements, crime reduction, and a larger population and employment base as a result of implementing the WOSP, the retail potential is:

- A drug store or other convenience uses, most effectively co-located with a grocery store
- Comparison goods retail, including both popularly priced retail (if a satisfactory shopping environment is created), or large format stores. There is potential to add more small shops at the existing Jack London Gateway shopping center.
- More restaurants like Brown Sugar Kitchen and Nellie's Soul Food that serve employees, residents and attract out of area customers.
- The amount of new retail which could potentially be developed is a function of the area's new population and employment base.

D. Crime

High Planning Area's crime rates are a serious impediment to the quality of life for existing residents as a barrier to attracting other housing market segments to the area. Although Oakland police officers interviewed for this report state that most violent crimes against people are committed against victims who are themselves involved in criminal activity, the crime rate is still a serious barrier to attracting residents and business. It is unlikely that the goals of the WOSP can be realized without significant safety improvements to the area.

E. Arts

Artists have lived and worked in the Planning Area since at least the mid 1970's (and likely before then), attracted to the availability of affordable large-scale work and living spaces. The last economic cycle pushed artists out of fast growing San Francisco neighborhoods and formerly abandoned industrial districts. The Planning area's obsolete industrial buildings have been transformed into workspaces for arts studios (American Steel), Trapeze Arts, and institutions like the Crucible (fire arts). Arts uses are price sensitive, and are likely to be displaced by rising property values and rents following significant

revitalization in the Planning Area. The price sensitivity applies to both residential and production arts uses.