

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 that have resulted in significant contributions to the City's housing stock.

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 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. 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 Planning and Building Department, Bureau of Planning. The City has not identified any specific constraints to the approval of housing resulting from the application of the General Plan policies or current zoning.

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 and made LUTE map corrections in 2011. 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 the designation of 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 seven other chapters, known as Elements, and two Plans which are a part of LUTE:

- The Estuary Policy Plan, adopted in 1998, text amended 1999, 2005 and 2013
- Open Space, Conservation and Recreation Element (OSCAR), adopted in 1996, amended 2006
- Housing Element, last adopted in 2010
- Historic Preservation Element, adopted in 1995, amended 1998 and 2007
- Noise Element, adopted in 2005
- Safety Element, adopted in 2004, amended in 2012
- Scenic Highways, adopted in 1974
- Bicycle Master Plan, part of the LUTE, adopted in 2007
- Pedestrian Master Plan, part of the LUTE, adopted in 2002

Planning Code

The City of Oakland revised 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 maps were completed in 2011. The amendments to the Planning Code's industrial, commercial and residential zoning districts brought the City's zoning regulations into conformance with the general plan designations, creating a more predictable development framework.

Since January 2014, 61 dwelling units have been completed, approximately 4,400 dwelling units have been approved, and over 3,500 dwelling units are in proposed projects under review by the City. Approximately 400 of the dwelling units approved or planned will be affordable to very low- and low-income households. This new housing production suggests that the updated residential and commercial zoning districts, in combination with targeted investments by the City, have had the desired impact of stimulating housing production 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. See Table 6-1 for a summary of the permitted and conditional uses in residential zones. 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. The density bonus regulations were updated in 2014 and are codified in Section 17.107 of the Oakland Planning Code. Developers may apply for incentives or concessions for the reduction in development standards including, but not limited to: (1) Required off-street parking; (2) required setbacks; (3) Maximum building height; (4) required open space; (5) maximum floor area ration; (6) minimum lot area; and (7) minimum courtyards to facilitate the development of affordable housing.

Development standards in the Planning Code include:

- Permitted lot coverage is generally 40 percent in single-family districts. In the higher density residential zones (RU-1 through RU-5) 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 90 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 (RH, RD, and RM zones), 40 to 60 feet in medium density multifamily zones (RU-1 through RU-5), and no height limit in the core of the Central Business District.
- 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 lower density residential zones, including reduced setback requirements.
- Manufactured housing is permitted, as long as it meets 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 “unbundling”—separating the cost of a new residential unit from the cost of a parking space.

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The Planning Code provides additional and generous opportunities for housing in commercial zones. Residential uses are permitted or conditionally permitted in the following zones: Neighborhood Center, Community Commercial, and Central Business District. The density requirements are dependent on a separate height map. For Neighborhood Center and Community Commercial zones, the density ranges from 550 to 225 square feet of lot area per dwelling unit. For the Central Business District, the density ranges from 300 to 90 square feet of lot area per dwelling unit. Floor Area Ratio provisions generally do not apply to residential development. See Table 6-2 for a summary of the permitted and conditional residential uses and facilities in commercial zones.

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. 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. See Table 6-3 for a summary of the residential development standards.

**Table 6-1
Permitted and Conditional Facilities and Activities in Residential Zones**

	RH-1	RH-2	RH-3	RH-4	RD-1	RD-2	RM-1	RM-2	RM-3	RM-4	RU-1	RU-2	RU-3	RU-4	RU-5
Residential Facility Types															
One-Family Dwelling	P	P	P	P	P	P	P	P	P	P	P	P	P	-	-
One-Family Dwelling with Secondary Unit ¹	P	P	P	P	P	P	P	P	P	P	P	P	P	-	-
Two-Family Dwelling	-	-	-	-	-	C	C	P	P	P	P	P	P	P	P
Multifamily Dwelling	-	-	-	-	-	-	-	C	C	C	P	P	P	P	P
Rooming House	-	-	-	-	-	-	-	-	-	-	-	C	C	P	P
Mobile Home	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Activity Classifications															
Permanent	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Residential Care	-	-	-	-	-	C	C	C	C	C	C	C	C	C	C
Service-Enriched Permanent Housing	-	-	-	-	-	C	C	C	C	C	C	C	C	C	C
Transitional Housing	-	-	-	-	-	C	C	C	C	C	C	C	C	C	C
Emergency Shelter	-	-	-	-	-	-	-	-	-	-	C	C	C	C	C
Semi-Transient	-	-	-	-	-	-	-	-	-	-	-	-	-	C	C

Note: See Oakland Planning Code for complete standards including applicable limitations

**Table 6-2
Permitted and Conditional Residential Facilities and Activities in Commercial Zones**

	CC-1	CC-2	CC-3	CN-1	CN-2	CN-3	CN-4	CR-1	CBD-R	CBD-P	CBD-C	CBD-X	C-40	C-45
Residential Facility Types														
One-Family Dwelling	-	-	-	-	-	-	-	-	-	-	-	-	P	
One-Family Dwelling with Secondary Unit	-	-	-	-	-	-	-	-	P	-	-	-	P	
Two-Family Dwelling	P	P	-	P	P	P	P	-	P	-	-	-	P	
Multi-Family Dwelling	P	P	-	P	P	P	P	-	P	P	P	P	P	
Rooming House	P	P	-	P	P	P	P	-	P	P	P	P	P	
Mobile Home	-	-	-	-	-	-	-	-	-	-	-	-	-	
Residential Activities														
Permanent	P	P	C	P	P	P	P	-	P	P	P	P	P	P
Residential Care	P	P	C	P	P	P	P	-	P	P	P	P	P	P
Service—Enriched Permanent Housing	C	C	C	C	C	C	C	-	C	C	C	C	C	C
Transitional Housing	C	C	C	C	C	C	C	C	C	C	C	C	C	C
Emergency Shelters	C	C	C	C	C	C	C	C	C	C	C	C	C	C
Semi-Transient	-	-	-	-	-	-	-	C	C	C	C	C	P	P

Note: See Oakland Planning Code for complete standards including applicable limitations

**Table 6-3
Permitted Facility Types and Development Standards in Residential Zones**

Zone	Description in Code	Permitted Facility Types	Conditionally Permitted Facility Types	Min. Lot Size	Permitted Density	Conditionally Permitted Density	Lot Coverage	Max Wall Height ^{t*}	Max Pitched Roof Height*	Min Parking	Required Setbacks ^{1, 2,*}			Min. Open Space/Unit
											Front	Interior Side	Rear	
RH-1	Single-family homes on one acre or more	single-family; single-family with secondary unit	N/A	43,560 sf	1 primary unit per lot plus a secondary unit	N/A	For 1-2 units: <12,000 sf = 40% >12,000 - < 25,000 = 30% > 25,000 - < 43,560 = 20% > 43,560 = 15%	25 ft.	30 ft.	2	25 ft	6 ft/15%	35 ft	N/A
RH-2	Single-family homes on lots of at least 25,000 sq. ft.	single-family; single-family with secondary unit	N/A	25,000 sf			See RH-1 rule	25 ft.	30 ft.	2	25 ft	6 ft/15%	35 ft	
RH-3	Single-family homes on lots of at least 12,000 sq. ft.	single-family; single-family with secondary unit	N/A	12,000 sf			See RH-1 rule	25 ft.	30 ft.	2	20 ft	6 ft/10%	25 ft	
RH-4	Single-family homes on lots of 6,500 - 8,000 sq. ft.	single-family; single-family with secondary unit	N/A	6,500 sf or 8,000 sf			See RH-1 rule	25 ft.	30 ft.	2	20 ft	5 ft/10%	20 ft	
RD-1	Detached, single-family homes	single-family; single-family with secondary unit	N/A	5,000 sf	1 primary unit per lot plus a secondary unit	N/A	See RH-1 rule	25 ft.	30 ft.	1	20 ft	5 ft/10%	20 ft	N/A
RD-2	Detached, single-family with allowances for two-family structures	single-family; single-family with secondary unit	duplex	5,000 sf		2 units on lots 6,000 sf or greater	See RH-1 rule	25 ft.	30 ft.	1.5	20 ft	5 ft	15 ft	100 sf
RM-1	Mix of single-family homes and duplexes	single-family; single-family with secondary unit	duplex	5,000 sf	1 primary unit plus a secondary unit on lots <4,000 sf; 2 units on lots ≥ 4,000 sf	2 units on lots 4,000 sf or greater	See RH-1 rule	25 ft.	30 ft.	1.5	20 ft	5 ft	15 ft	100 sf
RM-2	Mix of single-family, duplexes, townhouses & small multi-unit buildings	single-family; single-family with secondary unit; duplex	multi-family	5,000 sf	1 primary unit plus a secondary unit on lots <4,000 sf; 2 units on lots ≥ 4,000 sf	lots ≥ 4,000 sf, 3 or more units, 1 unit per 2,500 sf	See RH-1 rule; for 3 or more units = 40%	25 ft.	30 ft.	1.5 (1 for lots <4,000 sf or 45 ft in width)	20 ft	5 ft	15 ft	100 sf
RM-3	Mix of single-family homes, duplexes, townhouses, higher density small multi-unit buildings	single-family; single-family with secondary unit; duplex	multi-family	4,000 sf	1 primary unit plus a secondary unit on lots <4,000 sf; 2 units on lots ≥ 4,000 sf	lots ≥ 4,000 sf, 3 or more units, 1 unit per 1,500 sf	See RH-1 rule; for 3 or more units = 50%	30 ft	30 ft	1	15 ft	4 ft	15 ft	85 sf
RM-4	Mix of single-family homes, townhouses, small multi-unit buildings, located near major arterials	single-family; single-family with secondary unit; duplex	multi-family	4,000 sf	1 primary unit plus a secondary unit on lots <4,000 sf; for 1 -4 units, 1 unit per 1,100 sf on lots ≥ 4,000 sf	lots ≥ 4,000 sf, 5 or more units, 1 unit per 1,100 sf	See RH-1 rule	35 ft	35 ft	1	15 ft	4 ft	15 ft	70 sf
RU-1	Multi-unit, low-rise buildings	single-family; single-family with secondary unit; duplex; multi-family	N/A	4,000 sf	1 unit per 1,100 sf	N/A	N/A	40 ft	40 ft	1	15 ft	4 ft	15 ft	50 sf
RU-2	Multi-unit, low-rise or mid-rise buildings	single-family; single-family with secondary unit; duplex; multi-family	rooming house	4,000 sf	1 unit or rooming unit per 800 sf	N/A	N/A	50 ft	50 ft	1	10 ft	4 ft	15 ft	30 sf

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RU-3	Multi-unit, low-rise or mid-rise buildings at higher densities than RU-2	single-family; single-family with secondary unit; duplex; multi-family	rooming house	4,000 sf	1 unit or rooming unit per 450 sf	N/A	N/A	60 ft	60 ft	1	10 ft	0 ft	15 ft	30 sf
RU-4	Multi-unit, mid-rise, and high-rise buildings on major corridors	single-family; single-family with secondary unit; duplex; multi-family; rooming house	N/A	4,000 sf	Depends on height (ht) area: 35 ft. ht area: 550 sf 45 ft. ht area: 450 sf 60 ft. ht area: 375 sf 75 ft. ht area: 275 sf 90 ft. ht area: 225 sf	N/A	N/A	Depends on height (ht) area: 35 ft. ht area: min ht. 0 ft. 45 ft. ht area: min ht. 0 ft. 60 ft. ht area: min ht. 35 ft. 75 ft. ht area: min ht. 35 ft. 90 ft. ht area: min ht. 35 ft.		1	5 ft	0 ft	0/10/15 ft	Depends on height (ht) area: 35 ft. ht area: 150 sf 45 ft. ht area: 150 sf 60 ft. ht area: 150 sf 75 ft. ht area: 150 sf 90 ft. ht area: 100 sf
RU-5	Multi-unit, mid-rise, and high rise buildings and ground floor businesses on major corridors	single-family; single-family with secondary unit; duplex; multi-family; rooming house	N/A	4,000 sf	60 ft. ht area: 375 sf 75 ft. ht area: 275 sf 90 ft. ht area: 225 sf	N/A	N/A			1	0 ft	0 ft	0/10/15 ft	100 sf
R-80	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	N/A	4000 sf	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	N/A	none, but max. FAR 3.50	N/A	1	10 ft	0 ft	10 ft	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

¹Additional reduced side, and rear setbacks for smaller lots apply; ² additional setback required when facing required living room window;
*additional caveats exist; see Oakland Planning Code for current exact standards

Alternative Housing and Emergency Shelter

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 Neighborhood Center and Community Commercial commercial zones and in the Central Business District. 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 transitional housing and service-enriched permanent housing with supportive services as conditional uses in these same zones. Emergency shelter for homeless individuals and families is permitted in eight areas throughout the City by-right, subject to objective development and location standards, which are codified in the Oakland Planning Code Section 17.103. Additionally, emergency shelters are conditionally permitted in high-density residential zones and several commercial zones. See Table 6-4 and **Appendix F** for further details about these locations.

**Table 6-4
Locations for Emergency Shelter**

Area	Name	Acres	Zoning	Primary Land Use
1	MLK Jr Way North	20	RM-2, RU-3, CN-3, S-1	High density residential & commercial
2	San Pablo (53rd to 67th St.)	42	CC-2, CN-3	High density residential & commercial
3	Pill Hill	36	S-1, CC-2, D-BV-4	Commercial
4	San Pablo (Grand Ave to I-580)	34	RU-5, CC-2	High density residential & commercial
5	3rd St Corridor	80	CIX-1A, CIX-1B, CIX-1C, IG, M-30, C-40	Industrial
6	12th St Corridor	37	CIX-2, CIX-2/ S-19, HBX-2	Industrial
7	MacArthur (Fruitvale to High St.)	68	RM-3, RM-4, RU-4, RU-5, CN-1, CN-2	High density residential & commercial
8	Coliseum Way Area	227	CIX-2, IG	Industrial

The eight areas where emergency shelters are permitted by-right, as well as the conditional use permit process (in O.M.C. 17.134 and 17.103.010) 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.

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; rather it is the absence of a dependable source of funds for the social services agencies who provide the services in these housing developments which constrains the housing from being built.

Incentives for Shelter Facilities for the Homeless

As noted above, emergency shelters are permitted by-right in eight segments throughout the City and conditionally permitted in both high-density residential areas and in commercial zones (See Appendix F). 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.

Construction Codes and Enforcement

The Building Services Bureau of the Planning and Building Department 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 April, 2014, 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.

Building and Fire Codes

The principal regulations governing building construction and maintenance in Oakland are the Oakland Building, and Housing Codes, which are based on the 2013 California Model Codes. These Codes are administered by the Building Services Bureau of the Planning and Building Department,

which is comprised of all operations related to permit processing, building plan review, construction inspection, and code enforcement.

The Oakland Fire Code is administered by the Oakland Fire Department's Fire Prevention Division, headed by the Fire Marshal, and is intended to ensure that all buildings meet minimum fire safety requirements.

Previous regulations in the Oakland Dangerous Buildings Code were rewritten and included in the Oakland Building Maintenance Code, formerly the "Housing Code", which is generally more comprehensive than the Oakland Dangerous Building Code. The Buildings Maintenance Code is used for the abatement of unsafe conditions in residential and non-residential structures. Buildings that are insanitary, unsafe and/or hazardous may be ordered vacated, and either rehabilitated or demolished by the Building Official. Actions under the Building Maintenance Code are limited to vacation and demolition of buildings determined to be hazardous. Code violations that are not hazardous are also abated under the Oakland Building Maintenance Code. The City applies these codes to address non-habitable conditions in residential structures. The City does not apply these codes in a manner that complicates the efforts of property owners to renovate, remodel, or rehabilitate their dwelling units (see below).

Building Maintenance Code and the Oakland Blight Ordinance

The Code Enforcement Section of the Building Services Bureau of the Planning and Building Department is responsible for the enforcement of OMC Chapters 15.04, Building Construction Code, 15.08, Building Maintenance Code, and OMC 8.24, the Blight Ordinance. The Building Maintenance Code regulates the habitability of residential and maintenance of non-residential occupancies. The purpose of the Blight Ordinance is to promote the health, safety, and general welfare of the citizens by requiring a level of exterior property maintenance to protect the public from the health and safety hazards and the impairment of property values which results from the neglect and deterioration of property.

The activity/use of a property is regulated by the Zoning Regulations. There may be the use of an undocumented unit, the creation of additional space, or the alteration of existing space. Violations of this nature are investigated by Code Enforcement. Work without benefit of approvals, permits, and inspections is in violation of the Building and Fire Codes.

The Code Enforcement Section responds to complaints from a number of sources. The sources may be a tenant, a referral from another City agency, a neighbor, a sighting by an inspector or staff member, as well as anonymous sources. An inspection of the property is conducted to verify the existence of violations.

When a violation is confirmed, a Notice to Abate is sent to the property owner. This notice will cite the Ordinance that has been violated and prescribe corrective actions to be taken. Failure to comply with the order will result in the assessment of fees and liens and may also require a third party contract to effect the abatement. Corrective action may be to clean and secure the property or, in the event of a hazardous property that has been declared as a Public Nuisance, corrective action may entail demolition. The rehabilitation of the property is the priority in most cases.

Hazardous conditions must be abated immediately. Non-hazardous conditions may be abated under a scheduled compliance process. Rehabilitation of properties and the elimination of blighting conditions will improve the equity of a property and improve property values of the surrounding neighborhood. Prospective purchasers/developers are encouraged to enter into a contractual

agreement with the City to provide adequate time to abate all violations, without the need for the assessment of fees.

Oakland Amendments to California Codes

Chapter 15.04 of the Oakland Municipal Code provides for local amendments to the California Building, Electrical, Mechanical and Plumbing codes. Significant amendments to these codes include the following:

1. Amendments to the C.B.C. which change administrative procedures, such as:

15.04.130 O.M.C.: In Section 105.7 of Appendix Chapter 1 of the California Building Code, replace the sentence in its entirety with the following: "In addition to the building permit and the Inspection Record Card, it shall be the duty of the person requesting any inspections to have available, at the time of inspection, the following information (as applicable):

1. The approved plans and specifications, including copies of approvals of any changes.
2. Copies of all previous Correction Notices.
3. Land use approvals (variances, Conditional Use Permits, Design Review, etc.).
4. Other permits as may be required by the scope of work (excavation, encroachment, sidewalk, sewer, grading, etc.).
5. Any other documents as may be necessary for the performance of the inspection (Special Inspection Reports, equipment and appliance installation instructions, payment of accrued fees, etc.)."

2. Amendments to the C.B.C. which codify rules specific to Oakland building types, such as:

15.04.697 O.M.C.: "Add the following new Chapter 3B for Joint Living and Work Quarters:

USE AND OCCUPANCY Requirements for Joint Living and Work Quarters: The purpose of this division is to provide alternative building standards and minimum standards of safety for commercially/industrially-oriented and residentially-oriented Joint Living and Work Quarters (JLWQ) purposes pursuant to California State Health and Safety Code Section 17958.11...

Section 3B.1.3 Applicability of City Planning and other Criteria for Joint Living and Work Quarters. As provided in California Health and Safety Code Section 17958.11 and the Oakland Planning Code, the residential occupancy of joint living and work quarters is an accessory use to its primary use as a place of work. Accordingly, the provisions of this division shall apply only to buildings or portions of buildings that meet the following criteria:

1. The minimum floor area of an individual JLWQ shall be 660 square feet.
2. A minimum of 67% of the floor area of an individual JLWQ shall be designated as work area and the remainder shall be designated as residential area pursuant to paragraph 3 below. Up to 25% of the designated work area may be used for dual purposes such as telephoning, drawing, accounting, reading, planning, development of work projects, and sanitary facilities.

3. The areas of an individual JLWQ used for living, sleeping, eating, and cooking (habitable space) shall be designated as residential area. The residential area shall be secondary to the work area and shall not exceed 33% of the floor area of the individual JLWQ.

4. In an individual JLWQ, a designated residential area of up to 300 square feet may provide residence for no more than two persons. An additional resident can be accommodated for each additional 150 square feet of designated residential area. No individual JLWQ shall accommodate more than 10 persons regardless of the size of the designated residential area.

3. Amendments to the California Electrical Code, Mechanical Code, and Plumbing Code, which are specific to the particular trade, such as:

15.04.905 O.M.C. “In Section 505.5 of the California Plumbing Code, add the following sentence at the end of the paragraph:

“When approved by the Building Official to discharge into a sanitary sewer system, water temperature shall not exceed 160° F.”

A full list of amendments to the codes is available in section 15.04 of the Oakland Municipal Code at the website found

at www.municode.com/resources/ClientCode_List.asp?cn=Oakland&sid=5&cid=3637

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 regulatory incentives, funding assistance, and other strategies.

When new development is proposed a Subdivision map is reviewed by the City Engineer, who determines the extent of public improvements required. Such improvements may include, but are not limited to, streets, sidewalks, sanitary sewer, storm drainage, curbs, gutters, and street lighting. These on and off-site improvements required by the City are standard when compared with other cities in the Bay Area and do not pose a development constraint.

The City requires street, sidewalk, water and sewer connections and improvements. Fees can vary within the City based on the location and type (single or multifamily) of the development. These fees are shown in Table 6-5.

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 CDBG funds, HOME program funds, or possibly Low/Mod Housing Asset or Trust funds). Permit and other development fees are eligible costs that can be funded through these sources.

Unlike most surrounding jurisdictions, Oakland does not currently 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 range from \$12,000 for planning permits for a new single-family home to \$42,000 for planning permits for a new 40 unit condominium development). Development impact fees charged by East Bay Municipal Utility District and the Oakland Unified School District also have an impact on the cost of housing (approximately \$24,000 per dwelling unit). Building permit fees range from approximately \$32,000 for a 40 unit condominium development to \$38,000 for a single-family dwelling. 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).

Total Fees

Two developments from Table 6-5 illustrate the total cost of City fees for planning, building and infrastructure:

- a 1,500-square-foot, low-rise town home, with a 400-square-foot garage, a per square foot cost of \$300 and with an assumed market price of \$540,000: all development fees for this property would be approximately \$50,000; representing 9% of the market price.
- a 1,125-square-foot condominium unit in a mid-rise, 40-unit development with a per square foot cost of \$390, and with an assumed market price of \$525,000 per unit: the total development fees for this project would be approximately \$74,000; this unit’s share of the entire project’s development fees would be approximately \$1,850 per unit (\$74K/40 units) representing 0.3% of the market price.

Table 6-5 below summarizes the major local permit costs that a developer would have to bear in undertaking a new residential development in the City of Oakland (This is not a complete list of all fees).

**Table 6-5
Permit and Development Impact Fees**

Fee Type	Fee Amount	
	Single Family	Multiple Family
Scenario	1,500 sq. ft. town home with a 400 sq. ft. garage; market value of \$540,000	1,125 sq. ft. condominium in a 40-unit subdivision; market value of \$525,000
<i>Planning Application Processing Fees</i>		
<i>Subdivisions</i>		
Tentative Parcel Map (1–4 lots)	\$6,313 (No Environmental Review)	\$13,679
Tentative Tract Map (5 or more lots)		
<i>Planned Unit Developments (PUD)</i>		
Preliminary PUD	N/A	\$10,532 (ER exempt non-infill)
Final PUD	N/A	\$9,065 (ER exempt, non-infill)
<i>Conditional Use Permits¹</i>		
(Minor)	\$5,261 (ER exempt, non-infill)	N/A
(Major)	N/A	\$9,018 (ER exempt, non-infill)
Environmental Initial Study ¹	\$1,703*	\$11,860**

*or 25% of consultant fee (case specific); fee not included in total fee calculation

**or 28% of consultant fee (case specific); fee not included in total fee calculation

Building Plan Check, Permit & Inspection Fees		
Inspection Fee ²	\$3,705	\$3,619
Processing and Plan Check (90 percent of inspection fee)	\$3,333	\$3,256
Permit Application Fee	\$71	\$71
Records Management (9.5% of subtotal of all fees)	\$1,657	\$1,502
Site Plan Review	\$917	\$917
State Energy/Access Regulations	\$1,222	\$1,194

**Table 6-5
Permit and Development Impact Fees**

Fee Type	Fee Amount	
	Single Family	Multiple Family
(33% of inspection fee)		
State Strong Motion Instrumentation Program (.01% of valuation)	\$54	\$53
Bedroom Fee (\$100 per bedroom)	\$400	\$200
Infrastructure, Impact & District Fees		
Oakland USD – School Impact Fee	\$3,492	\$4,854
EBMUD – Water Meter Connection	\$3,906	\$4,202
EBMUD – Acct Establishment Fee	\$38/meter	\$38/meter
EBMUD – System Capacity Charge	\$15,580/unit	\$9,070/unit
EBMUD – Wastewater Capacity Fee	\$1,385/unit	\$1,385/unit
City – Sewer Lateral Permit Fee (assumes no grading)	\$978.52	\$978.52
City – Sewer Connection Fee	\$782	\$782
Total	\$49,094	\$74,415

Source: City of Oakland

¹Assumes Environmental Review--Initial Study required; Initial Study fee is additional.

²Inspection fees are based on a sliding scale of construction valuation. See 2013 Master Fee Schedule, Page N-9 for details.

PERMIT PROCEDURES

Permit Requirements

Some types of development proposals require discretionary actions by several adjudicatory bodies, including the Parks Commission and Landmarks Preservation Advisory Board, but primarily the Planning Commission. Such actions include issuance of variances, conditional use permits, lot reduction permits, special development permits, exceptions, and mobile home certificates of compliance (which are “legal lot” determinations made by the City Engineer). The City of Oakland administers the permit process through the Planning Building Department. The most common discretionary actions are described below, but are not necessarily considered to be constraints to the production of new housing.

Conditional Use Permits

The Planning Code allows two types of uses in each zoning district: permitted uses; and conditional uses. The Conditional Use Permit (CUP) process allows the City the flexibility to determine if a specified use (called an “activity” in the Planning Code) proposed at a certain location is compatible with its surrounding neighborhood and if special conditions of approval are needed. Conditional use permits ensure the proper integration of uses, which, because of their special nature, and/or potential for becoming nuisances, may be suitable only in certain locations or zoning districts and then only when such uses can be controlled or designed in a particular manner. Details regarding permitted and

conditional residential uses for each zone are provided in Table 6-2, and development standards within these zones are indicated in Table 6-3. Potential concerns addressed by the use permit include factors such as noise, dust, dirt, litter, fumes, odors, vibrations, and traffic congestion. Conditional uses are those that need special review to determine their compatibility with the surrounding area, and to establish special conditions to maintain harmony with the neighborhood.

The Planning Code has further regulations, in addition to general conditional use permit requirements, for residential care facilities, service-enriched permanent housing, and transitional housing, and emergency shelters. These activities must comply with the following conditions:

1. Staffing of the facility must comply with state licensing requirements.
2. For properties in residential zones:
 - the operation of buses or vans to transport residents must not generate vehicular traffic substantially greater than that normally generated by residential activities in the surrounding area.
 - on-street parking demand due to visitors must not be substantially greater than that normally generated by the surrounding residential activities, and
 - the delivery of goods must occur within hours that are compatible with and will not adversely affect the livability of the surrounding properties.
3. The facility's program does not generate noise at levels that will adversely affect the livability of the surrounding properties.
4. No such facility shall be located closer than 300 feet from any other such activity or facility.

Additionally, in July, 2014, the City adopted development standards applicable to Emergency shelters permitted by-right, as follows: Where permitted by-right, Emergency shelters shall comply with the development standards of the underlying zone and be in accordance with the following additional criteria:

1. **Compliance with required licenses, permits, and approvals.** An emergency shelter shall obtain and maintain in good standing required licenses, permits, and approvals from city, county and state agencies or departments and demonstrate compliance with applicable building and fire codes. An emergency shelter residential facility shall comply with all county and state health and safety requirements for food, medical and other supportive services provided on-site.
2. **Number of beds.** A maximum of number of 100 beds or persons are permitted to be served nightly by the facility.
3. **Off Street Parking.** See Sections 17.116.060(B) and 17.103.010(A) for parking-related requirements for emergency shelters.
4. **Size and location of exterior onsite waiting and client intake areas.** Exterior waiting areas must comply with the Small Project Design Review Checklist Criteria for Facilities with 3 or More Dwelling Units.
5. **Restriction on overconcentration of Emergency Shelter Residential Activities.** See Section 17.103.010(B) for overconcentration standards for Emergency Shelter Residential Activities.

6. **Length of stay.** No individual or family shall reside in an emergency shelter for more than 180 consecutive days.
7. **External Lighting and Security.** Satisfactory completion of the City of Oakland’s “Crime Prevention Through Environmental Design (CPTED) Checklist for Residential Projects” is required for all emergency shelters permitted by-right.
8. **Additional Requirements.** For City of Oakland funded shelters refer to the current “Standard Contract – Service Agreement” that governs the disposition of funds from the City of Oakland, through the Department of Human Services, to a shelter operator.

Planned Unit Development (PUD)

The planned unit development (PUD) procedure encourages design flexibility and offers varying special bonuses for worthwhile projects. This process is used to review a large integrated development that is appropriately designed for a single tract of land or contiguous parcels when there is one common owner. Rezoning is the first stage in the process. The Planned Unit Development process applies to all rezone proposals, changes to the text of the Subdivision Ordinance, revisions to development control maps, or proposals affecting designated landmark or landmark site.

Variances

A variance is permission, by the Planning Commission, to waive or reduce a zoning district’s specific development standards or prohibitions of uses. Variances provide the flexibility to resolve difficulties or hardships when the strict application of regulations may be inappropriate due to special or extraordinary physical or topographic circumstances that occur on the property. The variance allows the property to be used in a manner consistent with the regulation and zoning district with minor variations so as to not adversely affect neighbors, adjacent properties, nor be contrary to adopted plans or development policy.

Variances from the development standards can be granted due to special circumstances peculiar to the subject property, including size, shape, topography, location, design constraints, or surroundings; or because of the location of Heritage or Landmark Trees, the strict application of the requirements of the Planning Code would deprive the subject property of privileges enjoyed by other properties in the vicinity and under identical zone classifications.

General Plan Amendment

A change to the text and/or designation of an area or parcel on the General Plan map requires a General Plan Amendment. The proposed legislative amendment must meet criteria specified in the General Plan for the City Council to approve a General Plan Amendment.

Zoning Amendment

A proposed change in zoning classification requires an amendment to the City’s Development Control Maps (zoning maps). The process begins with an application to the Planning Department for a zone change. A public hearing before the Planning Commission is required to approve a zone

change. That hearing is conducted within 60 days after a completed application is submitted to the City. A change that could affect the status of a designated landmark also requires review by the Landmarks Preservation Board. A proposed rezone from open space to another use requires review by the Parks and Recreation Advisory Commission. If the Planning Commission denies the rezone request, the applicant may appeal the decision to the City Council, which must take action on the appeal within 30 days. If the Planning Commission approves the rezone request, the recommendation is forwarded to the City Council for a final decision.

Tentative Parcel and Tract Map

A tentative parcel map is a proposal to subdivide one piece of land into a maximum of four parcels or condominium units. A tentative tract map is a proposal to subdivide land into five or more parcels or condominium units. Each of these must comply with the Oakland Planning Code, the Subdivision Map Act and Zoning Regulations.

Design Review

On December 19, 2006, the Oakland City Council adopted Design Review-related amendments to the Oakland Planning Code (Title 17) which made the citywide permit review procedures more effective, streamlined, and consistent throughout the City. City staff considers the design review procedures as removing constraints to housing production.

The new design review framework reduces the number of different review procedures and uniformly applies those procedures citywide. Construction of new dwelling units, other than a secondary unit, now requires Regular Design Review citywide. Secondary Units of up to 500 square feet that meet all applicable zoning standards for parking, minimum pavement width, prohibition along dead-end streets, and architectural compatibility are exempt from design review; whereas Secondary Units between 500 and 900 square feet that meet the same applicable zoning standards require Small Project Design Review. Design review is intended to address the compatibility of new construction and additions with surrounding development and preserve the architectural quality of Oakland's housing stock. Staff considers site characteristics, topography, neighborhood, scale, bulk, architectural context, height, material, texture, and overall character. There is now one unified residential design review program: Regular Design Review, Small Project Design Review, and Design Review Exemption. Applications for design review are processed concurrently with other planning permits.

The majority of residential addition projects are reviewed under a revised version of Oakland's Small Project Design Review program, which originally applied only to *nonresidential* projects - such as changes to storefronts, signs, and awnings. Small Project Design Review (SPDR) applies to all additions citywide of more than 10 percent, but not more than 1000 square feet or 100 percent of the total floor area or footprint on site, whichever is less.

Small Project Design Review has been designed to have a quicker turnaround time than other types of zoning permits, including Regular Design Review. A final decision on an application is usually made at the zoning counter, unless the proposal involves an upper-story addition of more than 250 square feet. For Small Project Design Review proposals involving an upper-story addition of more than 250 square feet, applicants are required to provide public notice of the project by displaying a large notice poster at the project site and by mailing notice along with a copy of the plans to all adjacent neighbors and properties directly across the street. There is no appeal of the Small Project Design Review decision.

Regular Design Review is a full review process that involves notification to all owners of property within 300 feet of the proposed project. By state law, the City has 30 days to render a determination of completeness on an application. Unlike the Small Project Design Review program, which includes no appeal process, the decision on a Regular Design Review application can be appealed to the City Planning Commission or its Residential Appeals Committee. Projects are reviewed against a set of adopted residential design criteria as well as special design review findings of the individual zoning districts.

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 forth preservation responsibilities for City-owned properties and City-assisted projects.

The California Environmental Quality Act (CEQA) requires review of impacts on major 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/NHPA 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). 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 Mills Act program (adopted in 2007) can reduce property taxes for selected historic properties in exchange for a long-term contract to repair and maintain the property. Annually, there are at least 10 slots available, and income is not a criterion for selection.

Other programs can assist with preservation though they are not restricted to historic properties. For homes in the Community Development Districts, several City and County grant and loan programs assist with access improvements, lead abatement, and emergency repairs. In addition, the City is authorized to offer financial assistance for seismic strengthening of existing residential buildings. See Chapter 7, Policy 4.1 “Housing Rehabilitation Loan Programs.”

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.”

Approval Process

The Planning and Zoning Division is responsible for processing development permits and carrying out the City’s long-range planning efforts. The basic steps in the approval process are described below.

Pre-Application Meeting

Proposals may involve multiple permit approvals depending on the complexity of the land use issues and the location of the proposed project. The initial step is usually a Pre-Application meeting, which involves the review of preliminary plans and photographs of a proposed project. At this time, staff will evaluate the proposal, review compliance with the General Plan and Planning Code, determine appropriate applications and fees, offer comments on the proposal to meet the General Plan objectives and Planning Code development standards, identify related non-planning issues, and describe the permit process and timeline.

Application for Development Review and Development Agreement

The Basic Application for Development Review is an application form filed to accompany all zoning permit applications, and is submitted along with site plans and/or other data to the Planning and Building Department. Significant discretionary actions are the subject of a public hearing before one of several hearing bodies, depending on the specific action. An application for a development agreement is heard by the City Planning Commission at a public hearing. The hearing is noticed at least ten days before the hearing date, in accordance with state law. The Commission forwards its recommendations to the City Council within ten days. The City Council reviews the recommendation of the Planning Commission and may approve or disapprove the proposed development agreement, or approve it with changes and/or conditions. The decision of the Council is final.

Conditional Use Permit

An application for a major conditional use permit is also considered by the Planning Commission at a noticed public hearing. The Commission decides whether the proposal is consistent with general use permit criteria, and has the authority to grant or deny the application. This decision can be appealed to the City Council within ten calendar days. In order to grant a use permit, the Planning Commission must make specific findings that the project is:

- compatible with the neighborhood,
- an asset for the neighborhood,
- enhances the area,
- meets design review standards, and
- complies with the General Plan and other adopted city plans.

An application for a minor conditional use permit is normally considered by the Director of Planning and Zoning. However, the Director can refer this decision to the Planning Commission at his or her discretion.

Planned Unit Development (PUD)

A planned unit development (PUD) permit application is reviewed and approved by the Planning Commission at a noticed public hearing. A decision of the Planning Commission can be appealed to the City Council.

Permit Processing Times

The City of Oakland meets state-required timelines for the approval of development permits, as shown below in Table 6-6. An expedited permit review could provide an additional level of certainty that the amount of time required for project approval will not adversely affect the developer's ability to access funding.

**Table 6-6
Application Processing Times**

Application	Timeframe
General Plan Amendment	Up to 1 year
Rezone	6 months to 1 year
Tentative Subdivision Maps	Planning Commission – 50 days maximum (if no Environmental Impact Report)
Parcel Map	50 days maximum – from completed application
Final Subdivision Map	Within 30 days
Major Conditional Use Permit	Planning Commission – 4 to 6 months (including public review)
Minor Conditional Use Permit	Zoning Administrator – 6 weeks to 3 months
Variance--Major	Planning Commission – 17 days public notice, plus up to 3 months for planner review and supervisor approval
Variance--Minor	Zoning Administrator – 17 days public notice, plus up to 8 weeks for planner review and supervisor approval.
Building Permit	1 to 6 weeks
Residential Design Review	Up to 8 weeks
Boundary Line Adjustment	3 weeks

Source: City of Oakland, 2014.

The majority of actual processing time for a use permit and/or a special development permit typically takes place during the planning staff initial project review. The planning 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, the conformance of the project to the Planning Code requirements, and the level of environmental review (e.g. Environmental Impact Report versus Negative Declaration versus CEQA exemption). This process often takes place before the formal submittal of an application and review period begins.

Factors Affecting the Development Approval Process and Efforts to Expedite

The Planning and Building Department administers the permit process through the Bureau of Building and the Bureau of Planning. 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 in Oakland.

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

- staff shortages 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 timelines 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 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.

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 2013 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 (AIP) 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, Policy 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.

From 2011 through 2013, the City received 445 calls with questions regarding Residential Disabled Parking Zones. Of these inquiries, 236 resulted in action by the City. The City processed work orders to install 145 new zones, repaint 4 locations, and remove 22 zones. 65 requests were denied.

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 serve 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 17.103.010), 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.” This overconcentration restriction is similar to restrictions found in state law, moreover, the City does not consider this overconcentration restriction to be a constraint to housing for the people with disabilities 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. City staff believe that there are enough sites with adequate zoning in Oakland such that this finding is not a constraint to reputable providers of this type of housing.

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.

Building Codes

As described above, 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 funded developments must meet requirements as stated by ADA and fair housing act standards, along with any applicable local or state 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 through the recently adopted Reasonable Accommodations Ordinance. Chapter 17.131 of the Oakland Planning Code contains the Reasonable Accommodations Policy and Procedure including defining types of reasonable accommodations requests, the application submittal requirements, and the method of appeal. Additionally, a form has been developed for clarifying the submittal and review process.

- Information is available through the City’s website, and through the MCPD, regarding programs and procedures that can assist persons with disabilities with access to 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 (AB 436).
- The mandates in SB 2 for emergency shelters could potentially conflict with other established homelessness policies and approaches, such as Alameda County’s “EveryOne Home” program, in 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 with the exception of the bursting of the housing bubble and resulting economic downturn in recent years, values have mostly recovered in 2013. As evidenced in Chapter 3, rents and median sales prices rose

slowly during much of the 1990s, price increases accelerated in the late 1990s and continued to increase rapidly until 2007. From 2008 to approximately 2012 prices declined dramatically as the housing bubble burst and the foreclosure crisis ensued. In 2013 housing costs (both market rents and home sales prices) have had significant increases with prices in some zip codes reaching heights close to those at the peak of the housing bubble. 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.

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 various areas of the City. The examples range from \$13 to \$47 per square foot (2014 values), as summarized in Table 6-7, below. On average, this reflects a slight decrease in land costs compared to those reported in Oakland's last *Housing Element* that ranged from \$17 to \$105 per square foot. This may reflect affordable housing developer's ability to purchase property in what was a down land value market in recent years. 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 2013-14.

**Table 6-7
Land Costs for Affordable Housing Sites in Oakland
(2014)**

Housing Type	Single-family Attached Residential Townhouses, Low Density	Multi-family Residential, High-Density	Multifamily Residential, Higher-Density
Site Area	.73 acres	2.49 acres	1.60 acres
Land Acquisition Cost	\$421,500	\$5,150,003	\$1,225,000
Land per sq. ft.	\$13.27	\$47.47	\$17.63
Density of Development	16 units/acre	29 units/acre	37 units/acre
Number of Units	12	71	59
Land Acquisition Cost per Unit	\$35,125	\$72,535	\$20,763
Affordability level	Very Low- and Low- Income Households (30-80% AMI)	Very Low to Low Income Households (30%-80% AMI)	Very Low-Income Households (30%-50% AMI)

Source: City of Oakland, Department of Housing and Community Development, 2014

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-utilized sites and locations with potential for 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 City will consider funding land acquisition for future use in the development of affordable housing.

Costs for Urban Infill

Since Oakland is an already-developed, central city, new housing development largely requires the reuse 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 infill development 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 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 formerly used for industrial purposes. 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 is 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.

The 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. This program is no longer active but could be 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,

demolition, 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.

For the 2015-2023 Housing Element, the hard costs (labor, building materials, installed components, etc.) for an average-quality wood-frame construction for multi-unit apartment buildings ranged from \$378 to \$404 per square foot, with costs at the higher end of the range applicable for four- and five-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 most recently new tower construction is being explored by developers in the Broadway Valdez area, north of downtown). 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 6-8⁴⁷ summarizes development costs as identified by AECOM, in a November 2013 report for the City of Oakland, *Downtown Oakland Development Feasibility Study*.⁴⁸ For the *Study*, the City selected three vacant or underdeveloped sites in downtown Oakland, and AECOM analyzed the financial pro-formas of 14 different building scenarios (low rise wood-framed construction -- with or without parking -- and high-rise tower construction, with or without parking). Except for one scenario, all pro formas assumed market-rate rental housing was built (a single scenario envisioned low-rise condominium building). In all cases, land was assumed to cost \$50 a square foot, for analysis purposes (in an actual real estate market transaction, land costs can vary widely from this amount). Table 6-8 includes specific addresses from the *Development Feasibility* study, and shows the building type studied for that address, and their associated hard costs, and soft costs.

⁴⁸ AECOM, *Downtown Oakland Development Feasibility Study*, November 25, 2013. See report at <http://www2.oaklandnet.com/oakca1/groups/ceda/documents/report/oak043663.pdf>

**Table 6-8
Market Rate Housing Development Costs in Oakland (2014)**

Housing Type	Low-rise (2100 Telegraph) (9)	Low-rise (226 13th St) (1a)	Low -rise (301 19th St) (3a)	High-rise (2100 Telegraph) (2a)	High-rise (301 19th St) (4a)
<i>Size per unit</i>	990 sf	1,017 sf	1,054 sf	1,010 sf	1,036 sf
<i>Numbers of units</i>	330 units	200 units	175 units	365 units	246 units
Type of Construction & Parking	Wood over concrete podium, (70 feet); parking half below grade.	Wood over concrete podium, (70 feet); parking half below grade.	Wood over concrete podium (70 feet); parking half below grade.	Tower construction; (270 feet); parking half below grade, and in garage	Tower construction (175 feet); parking half below grade and in garage

Hard costs, Construction, Demolition, and Parking	\$98,174,000	\$59,410,000	\$53,215,000	\$110,270,500	\$75,035,000
Soft Costs ¹	\$38,884,427	\$21,349,415	\$18,768,728	\$52,416,526	\$30,623,868
Land acquisition and site costs	\$4,696,870	\$3,001,985	\$2,909,925	\$3,001,985	\$2,925,925
Total Costs	\$141,755,297	\$83,761,400	\$74,893,653	\$165,689,011	\$108,584,793
Total cost per Unit	\$429,562	\$418,807	\$427,964	\$453,942	\$441,402
Total Costs per building sq. ft. (not including parking sf)	\$404	\$378	\$378	\$428	\$404
Hard Costs per building sq. ft. (not including parking sf)	\$280	\$268	\$268	\$285	\$279

Source: "Downtown Oakland Development Feasibility Study", November 25th 2013, AECOM and City of Oakland

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

**Table 6-9
Affordable Housing Development Costs in Oakland
(2014)**

Housing Type	Single-family Detached Residential	Multi-family Residential Rental Apartments for Families	Multi-family Residential Rental Apartments for Families
Density	Low-density 16 units/acre	High-density 29 units/acre	Higher-density 37 units/acre
Number of Units	12 units	71 units	59 units
Building Sq. Ft.	31,767 sq. ft.	108,500 sq. ft.	69,500 sq. ft.
Type of Construction and Parking	2-story wood frame single family homes	5-story wood frame construction over podium parking	4-story on-grade wood frame construction
Costs			
Hard Costs, Construction, Units and Parking	\$3,160,360 (63%)	\$23,671,799 (64%)	\$17,574,370 (59%)
Soft Costs ¹	\$1,429,438 (28%)	\$370,189 (1%)	\$4,102,522 (14%)
Land Acquisition and Site-related Costs	\$411,500 (9%)	\$5,150,003 (14%)	\$1,225,000 (4%)
Total Cost	\$5,053,808	\$37,100,251	\$29,573,003
Total Cost per Unit	\$421,151	\$522,539	\$501,237
Total Cost per Sq. Ft.	\$159	\$342	\$426
Hard Costs per Sq. Ft.	\$99	\$218	\$253

Sources: City of Oakland, Department of Housing and Community Development (DHCD).

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

Since there has not been much development of single-family affordable homeownership housing there is not significant data on construction and total costs. For the one active project in the City's Department of Housing and Community Development pipeline, this data might be skewed. The organization that is developing these affordable homeownership units uses sweat equity and secures significant donations in time and materials for their developments. Regardless, the development costs are \$99 per square foot for hard cost and with a total development cost of \$159 per square foot. This translates to a total per unit cost of \$421,151. See Table 6-9 for details.

For costs of affordable housing rental development, the City has relied on examples of recent construction costs and total development costs in City-financed developments also shown in Table 6-9. The hard construction costs for the multifamily, affordable housing developments range from \$218 to \$253 per square foot, while total costs (including construction costs, soft costs, and land) range from \$342 to \$426 per square foot. These translate into per-unit total costs of \$501,237 to \$522,539.

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. In the current Housing Element planning period, this section observes both opportunities and obstacles to financing real estate development and ownership in the City.

Financing For Real Estate Development

Among other things, the Housing Element Annual Performance Report tracks housing starts in an attempt to understand the pace of residential development in light of the area's anticipated demographic demand as illustrated by the Regional Housing Need Allocation. As reported in Chapter 2, from 2007 to 2013 Oakland had a total of 3,852 housing starts. In contrast, neighboring City of Berkeley had 1,400 units under construction during the summer 2014. This is over one-third of the City of Oakland's seven year total pipeline under construction at one point in time. This illustrates how, as stated in the prior Housing Element, residential real estate developers may have difficulties obtaining the real estate financing necessary to develop in Oakland.

In a survey of a number of Oakland and area residential market-rate real estate developers conducted for this Housing Element, some stated that institutional lenders and outside investors continue to be cautious in providing financial backing in most Oakland neighborhoods for new residential development. They found that, in trying to attract large-scale institutional investors to the City, that there was a general misperception of Oakland's livability and desirability. Additionally, small-scale developers attracted to projects in historically under-invested areas are often smaller entities with limited records of achievement or with limited financial resources to invest, compounding the difficulties involved in obtaining financing.

While investment in residential housing still struggles to increase, the City's efforts in the last decade to revitalize and invest in the central city through its Redevelopment and specific and area planning efforts have spurred a renaissance that is starting to be noticed by large-scale institutional lenders. Market factors and conditions, including dramatic demand for Bay Area housing and a lack of urban developable land options in proximity to San Francisco and Silicon Valley have increased the acceptability of Oakland neighborhoods that have formerly been passed over for residential development. Oakland rents are showing dramatic increases and there is a high demand for housing as evidenced in Chapter 3. This bodes well for future residential investment in the City especially given its strategic location near job centers and transit. The challenge will be to increase residential development to meet the housing demand while at the same time not displacing long-standing City residents.

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 \$347,200 loan using a sales price of \$434,000 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 6-10 provides an example of the impact of financing costs on housing cost.

Table 6-10
Financing Costs for a Mortgage of \$347,200

Interest Rate	Required Monthly Mortgage Payment (30-year term)	Required Household Income ¹
3%	\$1,464	\$58,552
4%	\$1,658	\$66,303
5%	\$1,864	\$74,554
6%	\$2,082	\$83,266
7%	\$2,310	\$92,397
8%	\$2,548	\$101,905
9%	\$2,794	\$111,746
10%	\$3,047	\$121,877
11%	\$3,306	\$132,259

Source: City of Oakland, Department of Housing and Community Development (DHCD).

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

As shown in Table 6-10, monthly payments increase by about \$194 to \$260 for every one point increase in interest rates, in the range of three percent to eleven percent. As monthly payments increase, the income required to cover those payments also increases from about \$59,000 to \$132,000 (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 24 percent to 53 percent, as the interest rate increases from three 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 6-11 shows the effect that

interest rates have on the amount for which a household can qualify, assuming a median income of \$80,300 for a household of three persons⁴⁹.

Table 6-11
Effect of Interest Rates on Qualifying Loan Amount

(Assuming 2013 Area Median Income of \$80,300 for a Three-Person Household)

Affordable Monthly Mortgage Payment ¹	Interest Rate	Maximum Qualifying Loan Amount
\$2,008	3%	\$476,158
\$2,008	4%	\$420,493
\$2,008	5%	\$373,960
\$2,008	6%	\$334,834
\$2,008	7%	\$301,742
\$2,008	8%	\$273,589
\$2,008	9%	\$249,496
\$2,008	10%	\$228,756
\$2,008	11%	\$210,800

Source: City of Oakland, Department of Housing and Community Development (DHCD).

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 \$210,800 to \$476,158 as the interest rate increases from three 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 four first-time homebuyer programs (though they currently only operating on program income). 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 \$50,000 to public personnel with incomes at or below 120 percent of the area median income level. The First-Time Homebuyer CalHome Program provides assistance to first time homebuyers via deferred loans of up to \$60,000. The First-Time Homebuyer Shared Appreciation Mortgage (SAM) Program of the Local Housing Trust Funds is a California State grant funded program that provides assistance to first time homebuyers via deferred loans of up to \$60,000.

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

⁴⁹ For this analysis, HUD's income limits for Oakland, California effective 2013 are used.

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. Public comment received as part of the Specific Planning efforts underway have generally been supportive of promoting housing affordable to Oakland residents, given the rising costs of rent in the City. Additionally, the completion and occupancy of several attractive and affordable housing developments, and the rebuilding and rehabilitation of older public housing projects 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.