THE PROPOSED WOOD STREET PROJECT: POLICY AND PLANNING FRAMEWORK

A Report to the
City of Oakland
Community and Economic Development Agency
Planning Division
Claudia Cappio, Development Director

Submitted by
Mundie & Associates
Consultants in Land Use and Economics

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This paper was prepared by Mundie & Associates, Consultants in Land Use and Economics, under the direction of Claudio Cappio, Development Director, Planning Division, City of Oakland Community and Economic Development Agency.

Participating Mundie & Associates staff:

Roberta Mundie, President

Suzanne Lampert, Vice President

Raj Lalwani, Staff Associate

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- Private development: In the "Maximum Residential Scenario," up to 1,570 housing units, 27,847 square feet of commercial development (including the restored train station 14,847), approximately 2.8 acres of private open space, and about 1.4 acres of public open space. In the "Maximum Commercial Scenario," up to 1,084 housing units, 539,626 square feet of commercial development, about 2.0 acres of private open space, and 1.4 acres of public open space.
- Infrastructure: In either scenario, street reconstruction; street enhancements (lighting, trees, landscaping); water, storm drainage, and sanitary facilities; and joint trench.
- Amenities: In either scenario, dedication and improvement of public open space in the form of five pocket parks plus the plaza in front of the train station; also, rehabilitation of the main hall and signal tower of the historic 16th Street train station for use as an exhibit space and venue for public and private events.

II. KEY POLICY CONSIDERATIONS

A. Residential or Non-residential Development?

The main issue that the Wood Street Project poses is:

> ***Shall Oakland depart from its previous plan for non-residential use of this site (including particularly industrial and transportation uses) in favor of an alternative plan emphasizing residential development?***

1. The Policy Context

Policy direction is provided by the Oakland General Plan (Land Use and Transportation Element (LUTE), Housing Element, Historic Preservation Element, and Open Space, Conservation, and Recreation Element(OSCAR)). In considering the issue framed above, Oakland must consider:

- The LUTE designates the site for employment-related (and, in part, port priority) uses; consequently, the project's proposed changes in land use regulations would reduce the amount of land available for industrial/employment use and increase the amount designated for residential development. The Wood Street Project site, because of its long western frontage along the transportation corridor, shares fewer boundaries with other land uses than would be the case with sites more centrally located in West Oakland. Therefore, it is a site that might be viewed

as potentially appropriate for heavy industry: it is more "separate" from residential areas than other potential sites

- The project site is separated from the Port of Oakland by I-880 and the frontage road; it has no direct water access. Therefore, its utility as a port priority site is limited.
- Conflict between trucking activities and existing residential use in West Oakland is already a community issue. The proposed Wood Street Project would introduce new residents whose tolerance of heavy truck traffic and truck parking on neighborhood streets is unlikely to be greater than that of existing residents; at the same time, residential use on the project site is likely to generate less truck traffic than employment-related use.
- Residential uses are in more immediate demand than employment-related uses. Given recent and foreseeable trends in Oakland, it is unclear when the Wood Street site might be demanded for employment use. The advantage of a residential project now, with the set of assets and features it offers, must be weighed against the advantage of preserving the site for a potential future use that maintains its employment character.

2. The Geographic and Development Context

West Oakland is located at a Bay Area crossroads: it enjoys ready access both to downtown Oakland and (via the Bay Bridge) downtown San Francisco, with other road links extending north, south and east. Rail and transit (BART) are both conveniently accessible. With the replacement of the failed elevated Cypress Freeway by the surface Mandela Parkway, the community has already become a more attractive location than it was prior to 1989.

In this light, West Oakland – and, in particular, the project site – is well-suited for either employment-related or residential development. Key considerations in choosing a development course are:

- Shifting demand for economic base uses in older cities. While the transportation/distribution uses that were historically located here remain an important part of West Oakland's economy, the heavy industry base of both the neighborhood and the City has shrunk. What might replace industrial uses that are economically or technologically obsolete is not fully known, but recent development in Emeryville and the Bay areas of Berkeley are close-at-hand examples of how industrial sites and older industrial buildings can be recycled to meet contemporary needs of business firms.
- Housing demand exceeds housing supply in the Bay Area. The Bay Area as a whole lacks an adequate housing supply to meet the needs of its economic growth now and for the foreseeable future. The region has seen a period of fairly steady economic expansion over 25+ years and the housing stock has simply not kept pace.
- Threshold housing – the lowest priced new housing available on the market – is difficult to build in the Inner Bay Area because of higher costs for land, construction, infrastructure, and fees. The entire Bay Area has a shortage of housing priced at less than $300,000.
- The demand for housing in the downtowns of American cities has been renewed in the past decade, stimulated by interest in a more urban living experience as well as in reducing commute times/distances. Oakland has responded to this demand to date by encouraging transit-oriented residential development as well as housing projects in its downtown area (the 10K Initiative).

B. Do the Potential Benefits of the Wood Street Project Outweigh Its Potential Costs?

Beyond the environmental impacts identified in the Draft Environmental Impact Report on the proposed Wood Street Project, three types of benefits may be identified:

- Quantifiable benefits; primarily, the public revenues generated by the project that exceed the costs of providing public services. (These benefits are estimated in a separate report.)
- Non-quantifiable benefits that are created by quantifiable investments. These benefits typically result from infrastructure expenditures that improve neighborhood facilities and amenities. The benefits of the Wood Street Project would be in its investments in infrastructure, provision of public open space (five pocket parks and a plaza in front of the train station), and restoration of the 16th Street train station for exhibit space and for use as a venue for public and private events.
- Non-quantifiable benefits that are created by the presence of the project. These benefits may have offsetting costs that are also not quantifiable. Such benefits include, for example, increased support for local-serving retail businesses, demonstration that West Oakland is an acceptable location for private investment, and the development of a significant number of modest-priced, market-rate housing units into an area that suffered disinvestment for decades. This last effect, which may be considered to be "gentrification," may be considered by some observers to be a cost rather than a benefit.

C. Dynamics Needed for Success

Assuming that the City is inclined to approve the Wood Street Project, the following factors are critical for its success:

- **Market conditions.** Existing conditions are favorable: sites in West Oakland are relatively inexpensive; City policy in general encourages the development of new housing; the timing is right to capture demand for close-in housing; and it is possible – for a project targeted in that direction – to bring units to market in price ranges that are competitive with threshold housing prices in outlying counties remote from the Inner Bay Area jobs that provide a livelihood for Oakland (and other Inner Bay Area) residents.
- **Critical mass.** The scale of a project is important from a marketing point of view, particularly in a market that might be considered untried or risky. A critical mass of new development is essential to spark a change the market perception of the neighborhood: a sizable infusion of new units and new residents can demonstrate the timeliness and appropriateness of the project sponsor's concept, and encourage other (major) developers to follow suit.

  In addition, a larger number of units allows the relatively fixed costs of project conception and approval to be spread out in smaller increments, yielding a smaller cost burden on each housing unit.
- **Meeting cost targets.** Costs must be tightly controlled to allow the project to be delivered to the market at a price that is obtainable while still yielding the return on investment that is required by the developer. Every increase in cost – even if it is to compensate for the reduction in revenue that would result from the inclusion of low- and moderate-income housing – reduces the number of potential buyers for the units; at some point, any cost increase makes the development infeasible.

- **Meeting schedule targets.** Time is also money: the longer it takes to bring a project to market, the higher the overall cost. The added cost resulting from each week of delay must be deducted from the developer's return or added to the cost of the housing units. At some point, the return will be reduced to a low enough level, or the prices increased to a high enough level, that the project will become infeasible.

D. The Potential for Gentrification

Gentrification may be defined as "the arrival of wealthier people in an existing urban district, a related increase in rents and property values, and changes in the district's character and culture," or, alternatively, as "the process of higher-income households moving into low-income neighborhoods and driving up the area's property values and rents, which then leads to the displacement of low-income residents to other more affordable neighborhoods."

The displacement impacts of gentrification may occur in different ways:

- **Direct displacement**: households are forced to move when their existing housing units on a project site are demolished to make way for new (typically, more expensive) development.
- **Indirect displacement**: households are forced to move when rents for their existing housing units in the vicinity of a project (but not on the project site itself) are increased beyond their ability to pay.
- **Exclusionary displacement**: households who would normally have been able to obtain housing in an area find that they can no longer afford to do so, and find that they must seek housing in other neighborhoods.

Gentrification creates both winners – e.g., property owners who realize and increase in value from the rise in values throughout the neighborhood – and losers – e.g., households who can no longer afford the rent asked, or who are displaced when owners withdraw rental units from the market in order to sell them to prospective owner-occupants.

Two previous studies – one prepared by Conley Consulting Group for the project sponsors; the other prepared by the Urban Strategies Council in opposition to the Wood Street Project – have discussed the potential impact of the project on the gentrification of West Oakland. At the bottom line, both describe vulnerability to gentrification (although they disagree about how many units are at risk). The Urban Strategies Council memo provides evidence that the gentrification of West Oakland began during the 1990s (before the Wood Street Project was proposed).

The Wood Street Project would not directly displace any households, because there is no existing housing on the project site, but it could lead to indirect and exclusionary displacement as it contributes to the gentrification of West Oakland. Recognizing that the City may strive toward the achievement of two goals – that is, both (1) the revitalization of West Oakland, which will exert pressure for gentrification, and (2) the maintenance of housing resources that are affordable to low- and moderate-income households – the remainder of this report focuses on the following question:

> ***What actions can the City take to maintain a supply of housing that is affordable to low- and moderate-income households?***

E. Housing Resources for Low- and Moderate-Income Households

The City of Oakland has committed, through its General Plan and Housing Policy, to provide housing for all income groups. Given this commitment, the preservation and enhancement of housing resources for low- and moderate-income households in the face of gentrification in West Oakland must address the following issues:

- **Location.** West Oakland currently has approximately 16 percent of all publicly-owned or –assisted low- and moderate-income housing units in the City of Oakland. This share is substantially higher than the area's six percent of all City population and housing units, indicating an overconcentration of such units in West Oakland. Should additional low- and moderate-income housing be located in West Oakland, or should it be dispersed throughout the City?
- **Strategies.** The City of Oakland has in place four programs to reduce housing prices; two programs to provide down payment assistance to first-time homebuyers; and several programs to maintain/preserve the supply of affordable housing. Additional policies and programs already in place are intended to assure a sufficient land supply for new housing so that the cost of sites is not forced higher by shortages, reduce the cost of approvals/processing, and reduce the price of housing (e.g., through the provision of affordable housing units or assistance with rental payments).
- **Obstacles.** Two key obstacles inhibit the City's ability to enhance its affordable housing resources: limited amounts of money for housing assistance programs and political opposition to new housing production in existing neighborhoods.

  The housing set-aside funds generated by the property tax increment paid not only by the Wood Street Project but also by new development in the rest of the Oakland Army Base Redevelopment Project area will provide substantial funding for housing assistance: estimates range from $96 to $106 million through the year 2030, including approximately $31 million from the proposed Project itself.

Recognizing these issues and the anticipated funding stream, this paper recommends that the housing set-aside funds be applied to existing City of Oakland programs to supply low- and moderate-income housing, with particular consideration of the following program enhancements:

- Revive the Affordable Site Acquisition Program (currently dormant because funding has been exhausted).
- Expand the Vacant Housing Acquisition and Rehabilitation Program: increase funding and consider expanding the program to allow low- and moderate-income households to purchase existing units that are not vacant but that are available at prices below the area median (or at some specified percent of the area median).
- Supplement the Section 8 Voucher Program with locally-generated funds.
- Expand the controls on the conversion of rental housing to homeownership: include West Oakland in the area that requires replacement of each rental unit converted to owner-occupancy; possibly limit this control to units for which the current rent is no greater than some defined limit (e.g., the fair market rent, the median rent, or the rent affordable to a household within certain income limits).

CHAPTER 1
OAKLAND'S POLICY CHOICE AND THIS FRAMEWORK PAPER

I. INTRODUCTION

The purpose of the Framework Paper is to assist the City of Oakland in making an objective, informed decision regarding the main issue that the Wood Street Project poses:

> ***Shall Oakland depart from its previous plan for non-residential use of this site (including particularly industrial and transportation uses) in favor of an alternative plan emphasizing residential development?***

This chapter provides an overview of the policy issue Oakland decisionmakers face in considering pending development proposals for West Oakland.

PART I of the chapter introduces the issue as a choice between approving a primarily residential project on the 29.2 acre Wood Street Project site in West Oakland, or reserving the site for industrial and transportation use, as provided in the Oakland General Plan.

PART II of the chapter summarizes the proposals that together make up the "Wood Street Project": a project that implies a redirection of private capital investment toward housing and away from the kinds of uses that have historically made up the project area land use mix.

PART III of this chapter summarizes key alternatives to the Wood Street Project that would retain the area's historic land use mix, emphasizing employment, transportation, and Port-related uses.

PART IV of this chapter completes the statement of purpose of the Framework Paper, first setting forth the perspective from which the preparation of the paper has proceeded, and then providing a sketch description of the study area in relation to West Oakland and the City's planning framework.

Chapters 2 through 5 of this Framework Paper fill out the sketch by reviewing the project's development context, its potential benefits and costs, the gentrification issue, and overall City housing policies and strategies. A subsequent background paper will focus on the project's fiscal effects.

This Framework Paper, supplemented by the fiscal report, is intended to help establish a foundation for Oakland's decision on the future of the Wood Street Project site.

II. THE WOOD STREET PROJECT

The Wood Street Project can be described, in summary form, as consisting of three sets of actions: changes in land use regulations required to allow approval of project sponsor

proposals, approval (and subsequent implementation of) project sponsor proposals for residential and non-residential development, and construction of public improvements to be financed by project sponsors.

These three types of actions would apply to the Wood Street project area – see Figure S-1 in the DEIR – which is a narrow band (one to two blocks wide) at the northwestern edge of the West Oakland community, itself bounded by I-880 on the south and west, West Grand Avenue on the north, and I-980 on the east.

A. Changes in Land Use Regulations

Changes in existing land use regulations, actions to approve projects, and issuance of permits for projects that may be required in order to implement the Wood Street Project are summarized in Table 1. City of Oakland discretionary actions are distinguished from those of other agencies.

Table 1
Discretionary Actions Involved in Implementation of Wood Street Project

Discretionary Action	City of Oakland	Other Public Agency[a]
General Plan Amendment	✓	
Zoning Code Amendment and Rezoning	✓	
Redevelopment Plan Amendment		Oakland Army Base Redevelopment Agency (ORA)
Bay Plan and Seaport Plan		SF Bay Conservation and Development Commission
Accommodation of Port Priority Use Designation Elsewhere	✓[b]	
Vesting Tentative Parcel Maps	✓	
Final Design Review	✓	
Preliminary and Final Development Plans	✓	
Tree Removal Permits	✓	

[a] Wood Street Project parcels 6, 7, and 8 (in total, 7.7 acres of the 29.2 acre site) are designated for "Port priority" uses in the BCDC Seaport Plan (the "Bay Plan") and the OARB Redevelopment Plan.

[b] "The City may consider whether the Port priority use designation should be accommodated in the remainder of the OARB Area Redevelopment Area or other appropriate sites." Wood Street Project EIR, p. 2-33.

Source: DEIR, Wood Street Project, September 21, 2004

B. New Development

The Wood Street Project's sponsors propose to develop housing, mixed-use, live-work, and commercial projects on 27.45 acres of the site (the balance of 1.75 acres is proposed to be dedicated to the City of Oakland). The DEIR Summary (Table S-1, p. S-9) describes two scenarios: "Maximum Residential" and "Maximum Commercial". A third scenario – "Maximum Trips" – is described in the DEIR main text. These three scenarios define the land use range for the Wood Street Project, as set forth in Table 2.

Table 2
New Development at the Wood Street Project Site under the Proposed Project

Project Scenario	Residential Dev't[a] (units)	Commercial Dev't[b] (sf)	Private Open Space (sf)	Public Open Space (sf)
Maximum Residential	1,570	27,847	122,925	60,670
Maximum Commercial	1,084	539,626	88,350	60,670
Maximum Trips	1,273	318,847	107,250	60,670

[a] There are no housing units on the Wood Street Project site at present. Therefore, no housing would be displaced, and the figures shown are both gross and net increases in the housing count. The figures include both conventional housing units and live/work units.

[b] Square footages represent new construction, rather than net additions, to the commercial square footage. In all three scenarios, the square footage of the rehabilitated Main Hall of the train station (14,800) is included as new development.

Net additions to commercial square footage could be calculated by deducting the square footage of existing commercial development on the site, which the DEIR (pp. 5-2 to 5-3) identifies as including a 18,276 sf warehouse on the NW corner of 14th and Wood rented to Lodi Trucking; a 7,519 sf commercial building on the SW corner of 16th and Wood, known as Bea's Hotel; a 126,301 sf building at 1111 Pine Street occupied by two commercial tenants, Ice House and Tilt UPS; and the (vacant) 94,479 sf Pacific Cannery at 1199 Pine Street. This detail sums to 246,575 sf, which falls short of the figure of 265,700 sf of existing commercial development the DEIR generally ascribes to the site (see, for example, p. 5-4). The source of the difference is unclear.

Appendix G of the DEIR gives a different figure for commercial square footage under the Maximum Trips Scenario: 532,600. The lower figure is presented in Table 2 because it is the figure used in the DEIR main text, including the transportation analysis project definition (p. 3.4-1).

Source: Wood Street Project DEIR, Table 3.1-1 (p. 3.1-3)

C. Public Improvements

Public improvements proposed to be provided in association with development are of two types: infrastructure and amenities. Infrastructure, as defined in the General Plan Land Use and Transportation Element/LUTE (p. 229), consists of "public services and facilities, such as roads and railroads, sewage disposal systems, water supply systems, and other utility systems." Site amenities are not discussed in the General Plan, but are assumed in this Framework Paper to include other investments in the site that serve public purposes, including public open space and historic preservation.

The project sponsors propose to finance an array of public improvements to upgrade infrastructure and to provide and/or enhance amenities to improve the environment of new development.

- **Infrastructure**. Offsite infrastructure elements include street reconstruction; street enhancements (lighting, trees, landscaping); water, storm drainage, and sanitary facilities; and joint trench. The Wood Street Project sponsors would pay for this improvements package from their development budget. The cost has been estimated as $9.031 million as of November 2004, but it could change; the sponsors' commitment is to pay for the improvements whatever the actual cost.

The requirement that payment for offsite infrastructure be made is a condition for granting of the Parcel Maps; therefore, the sponsors' paying the costs may be seen as required rather than voluntary on their part. If, however, the projects proposed for the site were the subject of multiple separate applications, it is possible that the identified set of infrastructure requirements might be less because the scale of each such project would be smaller. The sponsors' collaboration, therefore, may result in a higher cost to them for the offsite improvements, and the difference could be seen as a "voluntary" contribution in that sense, although the amount cannot be estimated.

- **Amenities**. There are two principal amenities in the proposed Wood Street Project: provision of open space and restoration of the 16th Street Train Station.
  - **Public and Private Open Space**. The Wood Street Project DEIR classifies open space in two categories, public (uses accessible to the general public) and private (land within the development areas that serves the needs of project residents and workers).

    Public Open Space under both scenarios would consist of five pocket parks and the 16th Street Plaza (the open area between Wood Street and the façade of the Main Hall of the train station): a total shown in Table 2 as approximately 1.39 acres (60,670 sf). The public parks would be paid for by the project sponsors, and the plaza in front of the train station would not call upon public funds.

    Private Open Space would consist of approximately 2.82 acres of (122,925 sf) under the Maximum Residential Scenario and approximately 2.03 acres (88,350 sf) under the Maximum Commercial Scenario.
  - **16th Street Train Station**. The Wood Street Project under both the Maximum Residential Scenario and the Maximum Commercial Scenario includes rehabilitation of the exterior and interior of the Main Hall of the 16th Street train station, and the signal tower to the northeast of the Main Hall, and a portion of the elevated tracks. It does not propose to fund restoration costs from the project budget. Instead, the sponsors would prepare a financing plan that incorporates foundation grants and other sources of cash to help cover the cost of the restoration, while relying on amendment of the Oakland Army Base (OARB) Area Redevelopment Plan to allow the Redevelopment Agency to provide up to $10 million in tax increment funds for the rehabilitation project.

III. THE WOOD STREET PROJECT SITE WITHOUT THE WOOD STREET PROJECT

Without the Wood Street Project, the project sponsors' housing projects – and associated expenditures for infrastructure and amenities – would not go forward. Instead, this part of the West Oakland community would remain available primarily for industrial and transportation use.

The Wood Street Project EIR distinguishes among three "no project" project alternatives that would not include the changes in land use regulations proposed for the project:

- No Project/No Action Alternative
- No Project/OARB Alternative
- No Project/General Plan Alternative

Characteristics of each of these alternatives are set forth below.

A. Changes in Land Use Regulations

1. No Project/No Action Alternative

Under this alternative, all existing structures would remain onsite in their current uses and locations. (See DEIR pp. 5-2 to 5-3.)

2. No Project/OARB Alternative

Under this alternative, the project site would be developed in a mix of uses intended to be consistent with the development analyzed in the OARB Area Redevelopment Plan EIR. (See DEIR pp. 5-3 to 5-4 for description and assumptions.) The development program assumes full buildout under existing zoning. While the Port-priority use designation on the parcels between the train station and West Grand Avenue (Wood Street Project parcels 6, 7, and 8) would be removed, uses on those parcels would be compatible with that designation (a departure from the OARB Area Redevelopment Plan EIR).

3. No Project/General Plan Alternative

Under this alternative, the project site would be built out entirely with Business Mix uses, as specified by the City of Oakland General Plan. (See DEIR p. 5-4 for description and assumptions.) Existing developed space would remain on the site, and an additional 534,300 sf would be added to the currently vacant development areas for a total of 800,000 sq. ft. Uses proposed for the parcels with a Port-priority use designation (Wood Street Project parcels 6, 7, and 8) would be compatible with that designation.

Table 3 summarizes the land use mix of these three alternatives in comparison with the existing land use pattern and the land use mix of the project under both of the scenarios set forth in Table 2.

B. New Development

Table 3 summarizes the development implications of three no project alternatives that would retain the non-residential character of land use at the project site.

Table 3
New Development at Wood Street Project Site under the Existing Condition, Key Alternatives, and Project Scenarios

	Residential Dev't (units)	Commercial Dev't (sf)	General Industrial Dev't (sf)	Light Industrial Dev't (sf)
Existing Condition	0	265,700[a]	0	0
Alternative				
No Project No Action Alternative	0	0	0	0
OARB Alternative	250 *live/work units (high-density residential-commercial uses)*	1,034,300[b] [*-265,700 existing space (removed); +1,300,000 new space*]	0	120,000 *+7.5 acres of container storage/ truck terminal uses*
General Plan Alternative	0	0	800,000[c] [*265,700 existing space (retained); +534,300 new space*]	0
Project				
Maximum Residential Scenario	1,570	27,800[d]	0	0
Maximum Commercial Scenario	1,084	539,600[d]	0	0

a See Table 2, footnote b.

b New commercial office, research and development (R&D), and (primarily local-serving) retail space totaling 1,300,000 sf would replace existing developed commercial space (265,700 sf) for a net commercial space gain of 1,034,300 sf. (DEIR p. 5-3)

c The land use designation is Business Mix (consisting of "flexible economic development uses that strive to accommodate older industries and anticipate newer technologies, including both commercial and industrial operations. High impact industrial uses . . . may be allowed . . . ".) "To distinguish this alternative from the No Project/OARB Alternative, this alternative assumes buildout of the Project Area with general industrial uses that are likely to be transportation related . . . [of which] 400,000 sf are assumed to be warehousing or similar uses, and 400,000 would be manufacturing." (DEIR p. 5-4) Existing developed commercial space (265,700 sf) would remain onsite so the net new commercial space would be 534,300 sf.

d These figures are not directly comparable to those for the three no project alternatives because existing commercial space (265,700 sf) has not been netted out. Under the Maximum Residential Scenario, there would be a reduction of 237,900 sf in total commercial space (265,700 less 27,800). Under the Maximum Commercial Scenario, there would be a net gain of 273,900 sf (539,600 less 265,700).

Source: Wood Street Project DEIR

1. No Project/No Action Alternative

The No Project/No Action Alternative assumes continuation of the existing condition into the future, with no change in the built space now on the site. Therefore, Table 3 shows no additional development.

2. No Project/OARB Alternative

The No Project/OARB Alternative is assumed in the Wood Street Project DEIR to involve the full redevelop the project site, replacing the existing 265,700 sf of commercial space with the land use mix shown in Table 3.

3. No Project/General Plan Alternative

The No Project/General Plan Alternative is assumed in the Wood Street Project DEIR (Chapter 5. Alternatives) to be built out entirely with Business Mix uses, with the existing 265,700 sf of commercial space remaining on the site; the net added space would be 534,300 sf in "general industrial uses that are likely to be transportation related . . . [of which] 400,000 sf are assumed to be warehousing or similar uses, and 400,000 would be manufacturing." (DEIR p. 5-4)

C. Public Improvements

As noted above, public improvements consist of infrastructure (e.g., roads and railroads, sewage disposal systems, water supply systems, and other utility systems) and amenities (other investments in the site that serve public purposes, including public open space and historic preservation).

- **Infrastructure**. Under the **No Project/No Action Alternative**, no improvements would be made to the circulation and infrastructure systems. (DEIR p. 5-3)

  Infrastructure improvements that may be needed for the **No Project/OARB** and the **No Project/General Plan Alternatives** are not addressed in the Wood Street Project DEIR. It is reasonable to assume, however, that infrastructure upgrades as needed would be provided as development occurs in the project area. The General Plan (Industry and Commerce Policy 1/C1.3) calls for supporting economic development expansion through public investment, and mentions "providing infrastructure improvements to serve key development locations or projects which are consistent with the goals and objectives of this Plan." Industry and Commerce Policy 1/C1.9 further directs that:

  > Adequate public infrastructure should be ensured within existing and proposed industrial and commercial areas to retain viable existing uses, improve the marketability of existing vacant or under utilized sites, and encourage future use and development of these areas with activities consistent with the goals of this Plan. (General Plan, p. 40)

  This direction, with its emphasis on using infrastructure provision as a tool to retain existing business and attract new business, implies that use of public funds (e.g., redevelopment tax increments) would be looked upon as a possible resource for infrastructure investment: General Plan policies support a view that at least some of that investment would be undertaken by one or more public agencies as an economic development incentive.

  If the foregoing description reflects an accurate understanding of how General Plan policy would be implemented, then these two No Project Alternatives differ from the proposed project in the source of funds for infrastructure finance. Under the Wood Street Project proposal, the sponsors would pay the costs of offsite infrastructure as

part of the development cost; for a development emphasizing employment uses, it seems more likely that the City and/or the Redevelopment Agency might finance some infrastructure improvements.

- **Amenities**. It is reasonable to assume that, under the **No Project/No Action Alternative**, no improved open space would be provided. Open space under the **No Project/OARB Alternative** is not specifically described in the Wood Street Project DEIR. Under the **No Project/General Plan Alternative**, a park of 0.75 acres would be developed in front of the train station (allowing, like the plaza in the Wood Street Project, visibility of the station from Wood Street). No financing information on this amenity has been provided.

  With respect to the train station, under the **No Project/No Action Alternative** it would remain in its current condition. Both the **No Project/OARB Alternative** and the **No Project/General Plan Alternative**, like the Wood Street Project, would preserve both the station and the signal tower (consistent with the Historic Preservation Element of the General Plan). Preservation does not necessarily imply restoration, however, and provisions for restoration and the financing of a restoration project are not discussed in the treatment of alternatives in the Wood Street Project DEIR.

Table 4 summarizes the improvements (infrastructure and amenities) associated with the Wood Street Project and principal alternatives.

Table 4
Improvements Associated with the No Project Alternatives and the Wood Street Project

Alternative	Infrastructure	Amenities
No Project/No Action	none	none
No Project/OARB	unknown; some investment by City likely	preserve train station and signal tower; source of funding not known
No Project/General Plan	unknown; some investment by City likely	preserve train station and signal tower; provide park in front of 16th Street train station; source of funding not known
Wood Street Project	project-sponsored package of offsite improvements (currently estimated to cost $9.031 million)	preserve and rehabilitate train station and signal tower partially via non-public funds; provide plaza in front of train station at project sponsor costs; provide 5 public open spaces at project sponsor cost

Source: Wood Street Project DEIR; Mundie & Associates

The restoration of the train station and the provision of open spaces would be definite enhancements to the (primarily residential) Wood Street Project. It is not likely that provision of such amenities would be as important to the non-residential uses proposed for the No Project/OARB and No Project/General Plan Alternatives, meaning (possibly) that an

effort to identify and enlist non-Redevelopment Agency funds in a restoration program – as is proposed for the project – would be less likely under these alternatives.

IV. PURPOSES OF THE FRAMEWORK PAPER

A. Provide Objective, Detached Perspective on the Project

The purpose of the Framework Paper is to assist the City of Oakland in making an objective, informed decision regarding the main issue that the Wood Street Project poses. The City of Oakland is being asked to approve a residential development project for a site on which:

(1) the historic land uses are employment-based,

(2) the General Plan calls for retaining such uses going forward, and

(3) proximity to the Port suggests Port-related uses for at least some parcels.

Ideally, the two choices – a primarily residential project or a primarily employment-based project – would be described in similar detail and their outcomes would be evaluated in similar terms. For each choice, costs and benefits would be analyzed in light of comparable information. For each choice, consequences would be evaluated for the major affected interests. For each choice, the evaluation would be undertaken from a detached and objective point of view.

Objective Point of View. The authors of this paper have committed to a detached and objective point of view, with the purpose of laying out a sound foundation for the City of Oakland's decision on the proposed Wood Street Project. Direction for this study has been provided solely by City staff. Funding for the preparation of this study has been provided by project sponsors with the understanding that guidance for the work would be fully provided by the Oakland City Planning Department under its Director, Claudia Cappio.

Interests of the Community. Interested publics – the City of Oakland, the Port of Oakland, and the West Oakland community – bring different priorities to decisions affecting the 29.2 acres for which land use change is proposed. The authors of this Framework Paper have attempted to identify those priorities as part of the background informing the City Council's decision.

Balanced Evaluation. A particularly challenging task has been to provide the same type, level, and quality of analysis for each of the two options. An analysis of the first option – approval of the proposed residentially-oriented projects – is available in the Wood Street Project DEIR (September 21, 2004) and related background studies, but the DEIR's analysis of the second option – the future without the Wood Street Project – is less extensive than its discussion of that project. This Framework Paper attempts to fill some of the gaps in the documentation of the project and alternatives, elaborating on the No Project Alternatives so that decisionmakers have a clearer idea of the range of outcomes of the two policy options.

Chapters 2 and 3 of the Framework Paper elaborate on the sketch provided below of the project site, context, related planning considerations, and potential socioeconomic effects.

Chapter 4 is devoted to the issue of gentrification; Chapter 5 to broader issues relating to City housing strategy.

A supplemental background paper is being prepared for later publication addressing project fiscal effects.

B. Characterize the Study Area

1. Site and Site Area

A summary description of the project site and site area is presented in the DEIR (pp. 2-1 to 2-3). Land uses within a half-mile radius of the site are described in greater detail in the DEIR (pp. 3.2-2 to 3.2-6), accompanied by an aerial photo of the site and the area to the east and south (DEIR Figure 3.2-1 following p. 3.2) on which principal uses are identified. In sum, the DEIR characterizes the project site as "generally undeveloped, except for some transportation and warehousing operations and small hotel uses." Land uses adjoining the project site:

- To the east, across Wood Street, are predominantly industrial uses, single-family residential development, and Raimondi Community Park.
- to the south, across 12th Street, is a recycling facility; across Wood Street are single-family residential uses and a church.
- to the west, across the significant physical barrier of I-880 and its frontage road, are mostly transportation-related uses, largely associated with the former Oakland Army Base and the Port of Oakland.

2. Basic Socioeconomic Characteristics

Oakland's Land Use and Transportation Element (LUTE) and the General Plan EIR note that "many blocks in West Oakland contain a mix of residential, industrial, and commercial uses."

Given this land use mix, a socioeconomic profile of the study area would include both population and employment. Table 5 provides a summary of population and employment information for 2000 and (projected) 2025 for the West Oakland study area in the absence of the Wood Street Project.[1] City figures provide a context for West Oakland's patterns.

Table 5 figures show that, under the General Plan, growth is expected in West Oakland study area over the planning horizon (to 2025) in every socioeconomic category. The community would experience a faster rate of growth than the City, so that by 2025, it is expected to constitute a higher proportion than it does today of all of Oakland's socioeconomic categories tabulated, both population and employment.

[1] The "absence of the Wood Street Project" is not the same as the No Project/No Action Alternative. The figures in Table 5 draw on ABAG projections and, therefore, represent City policy (since the input information ABAG uses in its projections series is supplied by the local jurisdictions). Thus, these data are more representative of the No Project/General Plan Alternative than of the No Project/No Action Alternative. Figures for the future condition have been developed by the Hausrath Economic Group for the cumulative analysis of the Wood Street Project. These figures are presented in Appendix C to the DEIR and clarified (with corrections) in Section 6 of the FEIR.

Table 5
Existing and Projected Population and Employment in West Oakland

Socioeconomic Characteristics	Existing 2000	Projected 2025	Growth 2000-2025	Percent Growth 2000-2025	West Oakland as % of Oakland	
					2000	2025
West Oakland						
Population	23,450	28,645	5,195	22.2	5.9%	6.5%
Households	8,040	10,200	2,160	26.9	5.3%	6.0%
Employed Residents	5,795	9,440	3,645	62.9	3.3%	4.1%
Total Jobs	18,993	29,209	10,216	53.8	10.3%	11.9%
Manufacturing	2,593	3,588	995	38.4	14.6%	18.4%
Retail	1,183	2,081	898	75.9	5.0%	6.7%
Service	4,332	9,095	4,763	109.9	6.2%	9.0%
Other	10,885	14,445	3,560	32.7	14.7%	15.6%
City of Oakland						
Population	399,480	443,170	43,690	10.9		
Households	150,790	169,390	18,600	12.3		
Employed Residents	174,740	225,670	50,930	29.1		
Total Jobs	185,160	244,370	59,210	32.0		
Manufacturing	17,790	19,520	1,730	9.7		
Retail	23,760	30,830	7,070	29.8		
Service	69,590	101,280	31,690	45.5		
Other	74,020	92,860	18,840	25.5		

Source: Wood Street DEIR, pp. 3.12-5 and 3.12-7 and Tables 3.12-1 and 3.12-2, as corrected in the Wood Street FEIR, Section 6. See footnote 1. The study area referred to as "West Oakland" in this analysis consists of both the West Oakland and Harbor areas of Oakland, an area bounded approximately by I-580, I-980, the Oakland Estuary, and the San Francisco Bay. Figures represent the Base Case without the Project. The Oakland jobs total in 2025 has been reduced by 120 consistent with the revised figures in Section 6 of the FEIR. Sector detail shown in this table sums to 120 more than the total job count.

This level of growth is credible for several reasons:

- The advantageous location of West Oakland, discussed in Chapter 2, Part I, will draw the interest of future developers, particularly as planning programs improve the investment climate.
- West Oakland is currently underdeveloped. That is true not only of the Wood Street Project site, but of many other sites in the community: vacant lots, buildings not occupied, and underdevelopment of sites.
- The General Plan outlines a program for strengthening West Oakland as a target for investment. (See more detailed discussion below under C. Review the Wood Street Project in Light of West Oakland Planning Policy.)

  Components of the General Plan's program for encouraging investment in West Oakland include identifying sites for new housing, intensifying housing densities along travel corridors,[2] and taking advantage of the many opportunities in the community for

[2] The West Oakland Transit Village, for example, has been designated an opportunity site that would accommodate 550 new housing units oriented around transit.

new and expanded commercial and industrial businesses. Oakland's LUTE identifies an array of programs designed to accomplish the concentration of investment – private and public – that will allow for and encourage the revitalization of West Oakland. (See LUTE pp. 190-192).

In other words, the disinvestment that characterized West Oakland for the second half of the 20th century is expected to change. This change is observable currently in the physical improvement of many West Oakland homes, the reported rise in area housing values, and the increase in developer interest in the area.

C. Review the Wood Street Project in Light of West Oakland Planning Policy

Oakland has updated multiple elements of General Plan in recent years. The policies, planning strategies, and implementation programs in these elements are intended to shape the future of West Oakland (as well as the rest of the City). Key directions from West Oakland's perspective are reviewed below. The focus here is on the Land Use and Transportation Element (LUTE). Other key General Plan elements are presented in summary form.

1. Land Use and Transportation Element (LUTE); adopted March, 1998

LUTE's concentration on five focus areas give a sense of its priorities: Industry and Commerce, Transportation and Transit-Oriented Development, Downtown, Waterfront, and Neighborhoods. While the concerns of residents are woven into the consideration of each of these focus areas, LUTE's concerns are primarily with economic development. The description of the Neighborhoods focus area (p. 4) observes that industries "provide much needed employment for Oakland residents." Similarly, the "Vision for Oakland" (p. 5) consists of six statements of which four are anchored in primarily non-residential concerns: a "dynamic economy," "a diverse and vibrant downtown," "an active and accessible waterfront," and "Oakland's primacy as a transportation hub." It is not that residents' interests are downplayed so much as that a key understanding behind LUTE is that economic vitality is essential to residents both directly – by providing jobs – and indirectly – by enhancing Oakland's ability to improve itself in every other area of General Plan concern.

For West Oakland specifically, LUTE's emphasis on economic concerns is shown in its attention to ways in which industry, existing or new, can co-exist with residential areas. LUTE seeks to protect residences from "persistent land use conflicts between residential and business uses." Where the two uses are intermingled, which is true of substantial areas of the community, mechanisms are identified to diminish conflicts and allow the uses to become "good neighbors." Specifically for industry and business uses, LUTE (p. 191) would "establish strategically located business centers, target economic development support, and create direct freeway access routes."

It is noteworthy that the mechanisms for commercial and industrial revitalization cited (p. 189) are (1) to separate heavier industry from residential areas, (2) to use mixed use designations that allow for the continued intermingling of residential and employment uses, and (3) to improve the community's existing and emerging commercial corridors (7th Street,

West Grand Avenue with its "commercial and housing potential," and Mandela Parkway with its transit village near the BART station). Each of these mechanisms accommodates residents' concerns, but does so while supporting continuation and/or expansion of employment-based uses. The perspective on the community that emerges from LUTE is that West Oakland continues to be seen as the rich mixture of employment and residential uses it has long been – but a mixture that, with implementation of the General Plan, will work better.

A key issue in evaluating the consistency of the Wood Street Project and alternatives with Oakland's land use and transportation policies is its contribution to Oakland's employment base. Support of Port of Oakland objectives is of interest, as well, since the project site lies within the Port planning area, and Wood Street parcels 6, 7, and 8 are designated for Port-priority uses. Other planning considerations are also discussed below.

a. Employment

Tables 4 and 5 above, on West Oakland's projected employment growth and on the land use patterns associated with key alternatives, suggest the focus on employment that has been envisioned for the future of West Oakland and for this project site in particular. Table 6 presents employment estimates for the project site under two project scenarios, and compares the outcome with that of the alternatives.

The estimates provided in Table 6 show that the project site would accommodate employment of 150 under the Maximum Residential Scenario and 1,201 under the Maximum Trips Scenario. Indirect and induced employment effects would add to that direct employment:

Maximum Residential:	Applying the retail multiplier yields 11 additional indirect jobs and 384 total jobs (including direct, indirect, and induced).
	Applying the office multiplier yields 83 additional indirect jobs and 1,404 total jobs (including direct, indirect, and induced).
Maximum Trips	Applying the retail multiplier yields 84 additional indirect jobs and 3,075 total jobs (including direct, indirect, and induced).
	Applying the office multiplier yields 661 additional indirect jobs and 11,241 total jobs (including direct, indirect, and induced).

The DEIR does not speculate about the locations of the offsite jobs, whether indirect or induced.

Table 6
Growth Attributable to the Wood Street Project and Alternatives

	Direct Employment Growth	Indirect and Total Empl. Growth				Population Growth
		Based on Retail Multiplier[a]		Based on Office Multiplier[a]		
Project Scenario						
Maximum Residential	150	Indirect[b]	11	Indirect[b]	83	3,414
		Total[c]	384	Total[c]	1,404	
Maximum Trips	1,201	Indirect[b]	84	Indirect[b]	661	2,759
		Total[c]	3,075	Total[c]	11,241	
No Project Alternatives	*Comparative Impacts:*					*Comparative Impacts:*
No Action Alternative	less (0)					less (0)
OARB Alternative	more jobs					less growth
General Plan Alternative	more jobs					less growth

[a] Multipliers are from ABAG (see DEIR, p. 4-4, footnotes 2 and 3).

[b] The indirect employment increase is calculated based on a Type I multiplier (which estimates direct plus indirect jobs added; total less direct equals indirect jobs). The Type I multiplier for retail jobs is 1.07; the Type I multiplier for office jobs is 1.55.

[c] The total employment increase is calculated based on a Type II multiplier (which estimates the full employment effects of a project, including direct, indirect, and induced employment increases). The Type II multiplier for retail jobs is 2.56; the Type II multiplier for office jobs is 9.36.

Source: Wood Street Project DEIR, 4-3 to 4-6

Table 7 puts project growth in the context of growth in West Oakland and Oakland.

Table 7
Project's Share of Projected Employment and Population Growth in West Oakland and in the City of Oakland, 2000 to 2025

	Estimated Growth in		Growth Associated with Project (Max. Res.)	Percent of Growth in		Growth Associated with Project (Max. Trips)	Percent of Growth in	
	West Oakland	Oakland		West Oakland	Oakland		West Oakland	Oakland
Employment	10,216	59,330	150	1.5%	0.3%	1,201	11.8%	2.0%
Population	5,195	43,690	3,414	65.7%	7.8%	2,759	53.1%	6.3%

Source: Mundie & Associates, based on figures in Tables 5 and 6, above

Likely project growth effects under the Wood Street Project are described in the DEIR (Appendix C, p. C-6) as follows:

> ***Business and Jobs***. The change in land use would reduce the supply of land for business use/development in Oakland. Potentially, there could be some shift of demand from the project area to development on other sites in Oakland; however, alternative comparable sites/locations are limited and generally include sites that are already assumed to be developed by 2025 in the cumulative scenario. Thus, business development and employment growth in Oakland would be lower [with the Wood Street Project] than would be the case without the land use change.
>
> ***Population and Housing***. The change in land use at the project site would increase the supply of residential land, increasing the amount of housing developed in Oakland. With project housing in the mid-level price/rent ranges, housing developed in the project areas is assumed to represent additional housing in Oakland over and above what would otherwise be built.

The DEIR (p. 4-6) notes that "the direct increase in jobs [under the project sponsors' proposal] would be minimal" but finds that increase "consistent with the City's General Plan that seeks to increase the number of jobs in the City." If the Plan's purpose is to encourage employment, an alternative scenario for development at the site would be more effective than the project. The need for a General Plan Amendment for the Wood Street Project is a formal recognition of the difference between a project scenario that is housing-oriented and one that is jobs-oriented.

b. Port of Oakland

The Port of Oakland is the Wood Street site's largest adjoining land use, occupying the full stretch of land west of the frontage road and I-880. The Port has at least a nominal interest in the Wood Street site, considering not only proximity but also the fact that three of the site parcels (6, 7, and 8, together about 7.7 acres) are designated for Port-priority uses, which (on Port lands west of the freeway), include terminals, rail facilities, and logistics.

The Issue of Port Priority Use. It is in logistics that an employment use at the site could contribute to the functions of the Port, if it accommodated firms in import/export or transportation-related uses. Looking back at Table 3, the OARB alternative would contribute by assigning to the Port-priority parcels more than 7.5 acres of container storage and/or truck terminal uses, while the General Plan alternative would contribute by accommodating general industrial uses, at least half of which (400,000 sq. ft.) "are likely to be transportation related" (warehousing). Some lands in the manufacturing category (another 400,000 sq. ft.), of course, might also be used for functions relating to Port activities. (It is important to bear in mind, if such employment uses are considered for the site, that they would be the source of additional truck traffic in the neighborhood – a community concern.)

Port Plans and Land Needs. The Port of Oakland is involved in a multi-year plan to expand its facilities and improve the efficiency of goods movement in and out of the Port. Strategies include: augmenting the rail network to better serve mass shipment needs; deepening channels and improving layout to maximize access nodes; and providing advantageous Port sites to large Port users. (These include major retail firms such as Wal-Mart and Target, much of whose retail stock consists of imported merchandise.) At present, the Port's

outbound shipping volume exceeds inbound. Improving Port access and efficiency of goods movement for major importers will increase overall Port volume, help balance outbound and inbound cargo movement, and enable the Port to strengthen its "first port of call" status for freight vessels.

While the Port's plans require land for expansion, the land most needed is land with access to the Bay. By extending and deepening channels and providing rail service to new piers, the Port can handle greater cargo volumes more efficiently. The transition of part of the Oakland Army Base to the Port of Oakland greatly adds to Port land resources and to the Port's options for further future facility expansion. With the availability of this additional land, Port growth needs for its long range planning period are met.[3]

Lands without dedicated access to the Port's shipping and rail facilities, while not useful to direct Port operations, are useful for a range of support activities, including non-rail goods movement. The Port intends to maximize rail use for incoming and outgoing freight, but there still will be a substantial role for trucks, and the volume of trucks serving the Port will increase. Therefore, activities including truck sales and/or repair; distribution; and corporate logistics will continue to need sites for their operations. In the past, West Oakland has accommodated such businesses – including independent haulers – and there will continue to be a demand for space to serve them. Alternative locations are available in other locations along I-880 and possibly on Oakland Army Base lands transitioning to the City of Oakland (between the Port and the Bay Bridge). West Oakland is not the only suitable location for such uses.

Consistency with the Bay Plan. The DEIR calls attention to the relationship between the Port and the Wood Street Project site by pointing out that the project would require discretionary action by the SF Bay Conservation and Development Commission (BCDC): that agency's Bay Plan reflects its responsibility to focus Bay lands on water-related uses, of which the Port is a prime example. (See discussion in the Wood Street Project DEIR, p. 3.2-22.) BCDC may look at the question of whether to retain the Port-priority use designation for part of the Wood Street Project site in light of whether there are other land resources available to the Port to serve what BCDC considers "priority uses": ports, water-related industry, airports, wildlife refuges, and water-related recreation.

West Oakland sites can serve uses that are tied to Port activities but do not require rail or water access. As noted above, West Oakland has accommodated such uses in the past and such activities can be expected to continue to look for appropriate sites in West Oakland. While the Wood Street Project site could be used for such activities, it represents a small fraction of possible sites for such uses, and is not vital to the Port, either directly or indirectly. A case can therefore readily be made for a change in the Bay Plan to accommodate non-Port use at the Wood Street Project site.

c. Other Planning Issues

In addition to economic and Port-related issues relating to determination of the appropriate long term use of the Wood Street Project site, there are also planning issues, as discussed below.

[3] Port of Oakland, January 7, 2005.

Land Use Compatibility. Over the long run, provision of a residential project at the project site raises questions of compatibility with other neighboring uses – particularly trucking and trucking-dependent uses – in the site area. Conflict between trucking activities and existing residential use in West Oakland is already a community issue. The proposed Wood Street Project would introduce to the site 3,414 new residents (Table 6) whose tolerance of heavy truck traffic and truck parking on neighborhood streets is unlikely to be greater than that of existing residents.

On the other hand, an employment-based project at the Wood Street Project site would itself generate a significant level of truck traffic. While the City can regulate some aspects of truck traffic (times of day of deliveries, off-street loading, truck parking), such controls do not reduce the magnitude of truck traffic. LUTE lays out some programs for helping residential and nonresidential uses operate compatibly. As land use changes in the neighborhood occur, conflict situations that arise may have to be addressed on a project-by-project bases.

Adequacy of Long Term Supply of Employment Sites in Oakland. The City of Oakland is the steward of the land resources within its boundaries, and empowered by State planning law to manage and plan for those resources. Over the long term, one of the City's concerns is maintaining an adequate supply of sites in each land use category to meet its needs. At the present time, when housing is the most active component of the real estate development industry, it may seem far-fetched to imagine that at some future time conditions will alter in ways that make employment-based development more attractive, but one of the functions of a General Plan is to provide enough flexibility in the City's land use plan to accommodate future needs that may differ sharply from today's.

Given the content of LUTE, the direction of Oakland's General Plan is toward protecting the inventory of land suited for industry: near freeways, rail, and the Port, and not yet so encircled by concentrated residential development as to make industrial use inappropriate. The Wood Street Project site, because of its long western frontage along the transportation corridor, shares fewer boundaries with other land uses than would be the case with sites more centrally located in West Oakland. Therefore, it is a site that might be viewed as potentially appropriate for heavy industry: it is more "separate" from residential areas than other potential sites (see LUTE, p. 189).

The advantage of a residential project now, with the set of assets and features it offers, must be weighed against the advantage of preserving the site for a potential future use that maintains its employment character.

d. Summary

The diversion of 29.2 acres from industrial and transportation uses to primarily residential use – the Wood Street Project – is not inconsistent with an overall mixed use concept for the neighborhood, but its land uses would not strongly contribute to the employment emphasis underpinning General Plan direction for this community and, because those uses are primarily residential, its relationship to the Port of Oakland would not be as strong as would be likely with a land use package more oriented to employment.

2. Housing Element, January 1, 1999-June 30, 2006; adopted June 15, 2004

The Housing Element is addressed in Chapters 4 and 5 of this Framework Paper, particularly as it relates to (1) gentrification, (2) approaches available to Oakland to augment its housing supply, and (3) programs for assisting households unable to afford market housing.

3. Historic Preservation Element (HPE); adopted March 8, 1994; amended July 21, 1998

The general purpose of the Historic Preservation Element is to identify historic resources and "avoid or minimize adverse effects on the Character-Defining Elements of existing or Potential Designated Historic Properties." (Wood Street Project DEIR, p. 3.2-16). The DEIR identifies four designated historic properties at the project site: the Main Hall of the 16th Street train station and a portion of the elevated tracks; the station's attached baggage wing and its signal tower (a free-standing structure); Bea's Hotel; and the Pacific Coast Canning Company building. The DEIR notes (p. 2-18) that "renovation of 16th Street Train Station . . . the Signal Tower and the portion of the elevated tracks that would be preserved would conform with standards set forth in . . . the Oakland Planning Code concerning construction regulations for designated City landmarks, and the Secretary of the Interior's Standards for Rehabilitation of Historic Structures." However, portions of the station would be demolished, which does not realize policies to prohibit demolition or removal of City landmarks to the fullest extent possible (DEIR p. 3.2-29). Impacts on these resources and applicable mitigation measures are discussed in the DEIR, Section 3.7.

4. Open Space/Conservation/Recreation Element (OSCAR); adopted June, 1996

The DEIR finds that development of the project would achieve OSCAR objectives regarding improvement of parks and open spaces within West Oakland. Specific aspects of the project contributing to that assessment include provision for the development of approximately 60,670 square feet of public open space uses as part of the project, and the incorporation of common outdoor space into high intensity redevelopments. (See DEIR discussion pp. 3.2-28 to 3.2-29.)

CHAPTER 2
WEST OAKLAND: THE GEOGRAPHICAL, HISTORICAL, AND ECONOMIC SETTING

I. WEST OAKLAND'S CROSSROADS ROLE

A. Geography

Oakland's function as the hub of the Bay Area is particularly evident in West Oakland. San Francisco Bay is close by, and West Oakland is just inland of the Port of Oakland. West Oakland is traversed by major rail routes serving the Bay Area and beyond. It offers connections to several freeways and ready access (via the Bay Bridge) to downtown San Francisco. It is linked by other roadways both to downtown Oakland and to areas north, south, and east. Finally, the West Oakland station operates as a major transfer point for BART lines, thereby providing excellent access to regional transit to residents and workers in West Oakland.

This crossroads setting has affected West Oakland's land use patterns: its favorable access conditions have proved, over the years, particularly advantageous to industries and services that rely on movement of goods.

B. History[4]

Oakland was transformed in the second half of the 19th century from "marshlands and oak groves" to a major port town. In 1862, it became the western terminus of the transcontinental railroad. Both the port and the railroad are West Oakland features that have contributed importantly to the community's evolution over time.

As the Land Use and Transportation Element (LUTE) of the General Plan observes, "West Oakland boasts a rich and powerful history." One impetus for growth in West Oakland was the establishment of streetcar service between downtown Oakland and both the rail terminal and downtown San Francisco, links that stimulated commercial and residential development in West Oakland. A further impetus for residential growth in West Oakland was supplied by the founding of the Brotherhood of Sleeping Car Porters: as the end of the line, West Oakland drew residents from among the members of this all-Black union. West Oakland's population also grew as a consequence of the 1906 earthquake's displacement of many San Francisco residents.

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[4] Information on the history of Oakland and West Oakland is drawn from three sources:
(1) West Oakland Data Book, prepared by the 16th and Wood Train Station Coalition, Attachment 1 to comments on the Wood Street DEIR submitted by Jeremy Hays, Urban Strategies Council, Nov. 3, 2004;
(2) West Oakland Community Information Book, 2001, published by the Public Health Dept., Alameda County Health Care Services Agency, Community Assessment, Planning, and Education Unit; and
(3) Land Use and Transportation Element (LUTE), Oakland General Plan, pp. 185-192.

A diverse working-class population characterized the neighborhood in the early 20th century with the expansion of shipbuilding during World War I, and new residents were added again in the 1940s during World War II for similar reasons. At this time, African-Americans became the leading ethnic group. After the war, a decline in population began as shipbuilding diminished and rail service along Seventh Street ended.

In the 1950s and 1960s, projects associated with federal Urban Renewal and other programs resulted in construction of the Cypress Freeway (part of I-880), BART, the Acorn Housing project, and the new main post office. Consequences for West Oakland included a loss of housing units (including many Victorian residences), displacement of residents, division of the neighborhood by the Cypress Freeway, and diminished commercial activity on Seventh Street. The Loma Prieta earthquake in 1989 resulted not only in the collapse of the (old) Cypress Freeway but also in further loss of housing and consequent displacement of area residents. At the same time, the opportunity to relocate the freeway link contributed to a resurgence in community advocacy for West Oakland's renewal and the removal of the freeway restored the community's geographic integrity.

West Oakland's crossroads character has continued to be a factor in the evolution of the community up to the present. As in the past, many of the businesses and industries in West Oakland rely on the transportation network that serves the neighborhood, giving it unparalleled access to regional roadways. The crossroads setting also serves residents, who have superior access to regional freeways and transit (particularly with the West Oakland station operating as a BART "hub"). These transportation resources also contributes to the attractiveness of West Oakland for new residential development.

II. DEVELOPMENT CONTEXT FOR WEST OAKLAND PROJECTS

A. The New Geography

In the last ten to twenty years, there have been numerous efforts on the part of members of the West Oakland community to influence public decisions affecting the neighborhood's future. The most striking of these resulted in the relocation of the I-880/I-80 link following the 1989 Loma Prieta earthquake. While the Cypress Freeway was one of the most heavily traveled roadway links in the Bay Area at the time Loma Prieta caused its collapse, few people outside of the West Oakland community knew it by name, and fewer knew of the divisive effect its construction had caused in West Oakland.

1. West Oakland Divided by the Cypress Freeway

The Cypress Freeway, which imposed a geographic divide on West Oakland, can perhaps be seen as an example of how the transportation needs of the larger region took precedence over the preservation of the neighborhood's quality of life. The freeway divided West Oakland into eastern and western portions by imposing a massive elevated highway between them, with associated noise, air pollution, and loss of ground-level activity and attractiveness. By the time the earthquake devastated the freeway, the community was ready to fight any freeway reconstruction of the same type or in the same

corridor. Their interests, and recognition of their concerns by others, resulted in the replacement of the blighting overhead structure: this section of I-880 has been realigned on a route at the western edge of West Oakland while the corridor of the former Cypress Freeway has become the Mandela Parkway.

2. Community Geography with the Mandela Parkway

The Mandela Parkway, constructed on the former route of the Cypress Freeway, is a surface-level north/south boulevard enhanced by "an extensive beautification effort." The Parkway is an arterial street, with a full set of gridded cross streets that serve local traffic, "knit back together" the central areas of West Oakland, and restore the fabric of the neighborhood. At the same time, the Parkway improves regional links by linking at its north end to Hollis Street in Emeryville as well as retaining direct access to I-880. As a replacement for the former elevated freeway, the Mandela Parkway vastly improves neighborhood appearance and represents an actual, as well as a symbolic, force for further community enhancement.

B. Shifting Demand for Economic Base Uses in Older Cities

Throughout the development of West Oakland, as LUTE observes, "transportation in all its forms has been the dominant shaper of the landscape and the primary source of jobs and income for West Oakland residents and related businesses." This can be seen in the West Oakland project area in the array of businesses for which regional access is important location requirement: warehousing, distribution, trucking, and related enterprises.

While these transportation/distribution uses remain an important part of West Oakland's economy, the heavy industry base of both the neighborhood and the City has shrunk. The shipbuilding function so vital to the growth of West Oakland in the first half of the 20th century is gone. Numerous sites are vacant and some older industrial buildings (e.g., the former Pacific Cannery building) are unoccupied. This condition is typical of American cities of 100-150 years in age, because heavy industry has been in general decline throughout the U.S. and, while there has been much new economic growth, it has taken place in suburban and exurban locations, leaving inner cities with aging industrial buildings and few new industries to occupy them.

Recent development in Emeryville and the Bay areas of Berkeley are close-at-hand examples of how industrial sites and older industrial buildings can be recycled to meet contemporary needs of business firms. Chapter 1 (Part IV.C) includes a discussion of Oakland's interest in an adequate long term inventory of industrial sites and the General Plan's reflection of that interest.

C. Potential for New Housing Demand to Be Served in Oakland

As prices of housing have risen in the Bay Area in recent years, housing consumers have found that much of the least expensive new housing is being built in the outer reaches of Bay Area counties and beyond. Cost-conscious housing seekers might be attracted to housing closer to the heart of the Bay Area if the pricing were competitive with new housing in more remote locations. Oakland developments – if in the competitive price range – could

potentially satisfy some of the demand for housing in the region that is now going elsewhere, particularly among cost-conscious buyers and renters. Some of the influences on this potential are discussed below.

1. Widening of Region-wide Gap between Housing Demand and Supply

On a regional basis, a "mismatch" between jobs and housing in the nine Bay Area counties has been observed by planning and transportation professionals, as well as by workers who are unable to find housing they can afford that is located near their jobs. Two of the factors involved in this "housing gap" are discussed below.

a. Shortfall of New Housing Region-wide

The Bay Area as a whole lacks an adequate housing supply to meet the needs of its economic growth now and for the foreseeable future. The region has seen a period of fairly steady economic expansion over 25+ years and the housing stock has simply not kept pace. While at one time, the region had a net out-commute, it now has had a net in-commute for many years, and both the level of in-commuting and the radius of the "commute-shed" have continued to expand.

The increasing in-commute to the nine Bay Area counties from areas beyond was the subject of a recent *San Francisco Chronicle* article[5] on traffic congestion. While Bay Area congestion overall is declining, congestion on key in-commute routes from the San Joaquin Valley has become much worse. The article noted in particular conditions on I-580 east of Livermore, which jumped from 105th most-congested stretch of roadway in the Bay Area to 10th in just one year: "free flow to gridlocked," according to MTC spokesperson John Goodwin, who was further quoted as observing, "It is mostly commuters coming into the Bay Area from San Joaquin County."

If the region were building enough housing to accommodate its employment expansion, the magnitude of change in commuting patterns would have been much lower. But for many reasons housing provision on a region-wide basis has not been taking place at the same rate as regional job growth, and housing that has been provided has often not been priced at levels that workers can afford. The appeal of Tracy, Manteca, or Dixon is not the long commute, but housing prices that Bay Area workers find more affordable than either existing or new units closer to their jobs.

b. Increasing Remoteness of Threshold Housing for Purchase

Threshold housing – the lowest priced new housing available on the market – is difficult to build in the Inner Bay Area because of higher costs for land, construction, infrastructure, and fees. Land is expensive for several reasons: easy-to-develop sites have already been developed; re-use sites in built-out communities come with costs for clearance of previous uses and, frequently, costs for mitigation of environmental conditions; and demand in excess of supply has had the predictable effect of raising prices.

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[5] "I-580 home to 3 of the Bay Area's worst traffic bottlenecks; East Bay gridlock fueled by growth in San Joaquin Valley," Leslie Fulbright, *Chronicle* staff writer, Friday, January 7, 2005.

Construction of both housing and infrastructure in the Inner Bay Area can be more expensive than in outlying areas (1) because carving developable sites out of already developed areas is costly, (2) because Inner Bay Area cities assign an array of costs to new development (that may be partially defrayed by public agencies in newer communities); and (3) because generally labor costs are higher. More remote locations can have lower housing prices because demand is less spatially concentrated, "new" sites have fewer development costs of the kind associated with either re-use or environmental factors, and production costs are somewhat lower.

Table 8 provides data on recent sales of newly-constructed housing units in seven counties that might be seen as Oakland's "commute-shed." Six of the seven counties produced new sale units numbering in the thousands, with the highest contributions from San Joaquin and Contra Costa. Median prices were higher in the three Inner Bay Area Counties of Alameda, Contra Costa, and Santa Clara: in all of these the median price of new units sold exceeded $500,000 (in Santa Clara, the median exceeded $600,000). In contrast, the four outlying counties had markedly lower median prices, with three of them lower than $400,000. These data corroborate the general observation that distance from the Bay is associated with lower housing costs.

Considering units sold in the lowest price range for which data were tabulated – units that sold for $275,000 or less – the picture is generally the same, with the outlying counties again showing lower medians than the Inner Bay Area counties: the range among them is only $6,250 and the overall median for the seven counties falls within the range. While the four outlying counties supplied a little more than half of all new units, they supplied more than three-fourths of the new units in the lowest price range. Two of these four counties were powerhouses in provision of threshold housing: San Joaquin and Stanislaus between them accounted for more than 70 percent of units sold in the lowest price range.

Units in the lowest price range show a pattern similar to that of all units – lower-priced units in the outlying counties and higher priced units in the inner counties – but there are two departures from this pattern. Both Alameda and Contra Costa Counties have lower median prices in this lower cost category than any of the other counties. Contra Costa shows relatively few sales in this price category: its 53 units accounted for only 1 percent of the seven-county total. However, Alameda County had more than 10 percent of the sales in this price category, and its median ($216,700) was the lowest of the seven counties. The reasons for this anomaly are not known, but could include (1) higher proportion of condos vs. single family detached units, (2) inclusion of some subsidized units in the count, and/or (3) one or more large projects in which unusual circumstances resulted in atypically low production costs.

The larger picture presented by Table 8 is the shortage of new sale units everywhere at the lowest price range.

Table 8
New Construction Housing Units in Seven-County Region:
Units Sold and Median Prices,
December 2003 to November 2004

	New Housing Units Sold			Prices of New Units Sold	
	All Price Ranges, Number	Lowest Price Range, Number	Lowest Price Range, Percent	All Price Ranges, Median Price	Lowest Price Range[a], Median Price
Inner Counties					
Alameda	3,356	341	10.2%	$512,500	$216,750
Contra Costa	4,286	53	1.2%	$525,000	$240,000
Santa Clara	2,627	117	4.5%	$629,500	$253,000
Outlying Counties					
San Joaquin	5,383	850	15.8%	$358,000	$250,000
Solano	1,816	149	8.2%	$453,250	$244,000
Stanislaus	3,286	795	24.2%	$321,500	$243,500
Yolo	759	31	4.1%	$366,000	$243,750
Seven County Total	21,513	2,336	10.9%	$422,500	$245,000
Outlying Counties as % of Total	52.3%	78.1%			

[a] Unit sales price of $275,000 or lower

Source: DataQuick Information Systems, January 11, 2005, and Mundie & Associates

2. New Patterns of Demand

a. Resurgence in Market Appeal of Housing in Established Urban Centers

Both land use planning and the lifestyle strategies of Americans went through major changes in the 20th century, from a pattern in which places of employment were distributed among settled areas such that many people lived close to work, to a pattern in which places of employment were segregated from residential areas, increasing the home-to-work distance and virtually mandating commutes by automobile except in the handful of cities that maintained efficient public transportation systems.

In the last two decades, planners and many members of the public have come full circle on this issue, seeing advantages in much closer proximity between jobs and housing. As a consequence, use boundaries have become less rigid, residential areas are planned with more flexible access to employment areas, and various mixed-use land use categories have been implemented as a conscious strategy to reduce the home-to-work distance.

As a result of this re-thinking of urban form, finding housing near places of employment is more possible for many workers than it was 25 years ago. However, the type of housing near an employment concentration may be different from that in a more remote area: a long-range commuter who lives in a five-bedroom house on a half acre will find that housing

close to the office or R&D center or other place of work may be a two- or three-bedroom townhouse, or a condominium on a platform over parking, or any number of a variety of housing choices at considerably higher density than new detached single-family units in outlying suburbs. There is a tradeoff between distance and the amount of "house" that is available; many people are willing to make that tradeoff, which for them is a quality of life issue.

One aspect of the renewed interest living nearer to employment is the resurgence of demand for housing in the downtowns of American cities. From Boston to San Diego and from Seattle to Miami, the last decade has seen a takeoff in construction of new housing in cities' central neighborhoods. The new population in these reviving areas includes:

- downtown workers
- households that prefer a housing option that does not require the upkeep of a suburban home with its own land
- a population of both young and mature residents – often without children – who value convenient access to the amenities downtowns offer: civic, cultural, and entertainment
- people seeking a richer social network and greater population diversity

Some of those in the market for central-area urban housing fall into several of the above groups. As awareness of this demand segment has grown, interest in responding to the demand has increased in the development community, and higher density, more urban housing types have been built in many arrangements and locations.

The San Francisco Bay Area has numerous examples of new urban housing. Some of San Francisco's larger examples are visible along the Embarcadero, near PacBell Park, and in Mission Bay. In Emeryville and Berkeley, some new urban housing has been built on former industrial sites and in former industrial buildings. On the Peninsula, there has been a particular interest in providing new, urban-density housing near transportation nodes. San Mateo and Mountain View are among the cities that have multiple new downtown projects within walking distance of train stations, and San Jose has a fully developed strategy for encouraging higher density development at transit nodes. These are just a few examples of a great many.

Oakland's efforts in new transit-oriented development are discussed in the next section.

b. Oakland's Response to New Demand Patterns

Traffic congestion and life-style preferences are among the many factors contributing to the expanding demand for housing in urban centers in recent years: a demand to which Oakland is responding.

Renewed Appeal of Existing Housing Resources. The change in the market – the emergence, not just of hardy urban homesteaders but of a group of housing demanders seeking urban activities and amenities – makes possible the reevaluation of existing inner city housing stock throughout Bay Area cities. Oakland has a significant stock of such housing, from 19th century homes valued, like the more famous San Francisco Victorians, for their

history, to the smaller houses of the first half of the 20th century: liveable, vernacular architecture. These existing units, as well as a sizable number of units in new projects, provide those looking for housing in or near downtown with an array of choices in housing type and neighborhood.

City's Support of Transit-Oriented Development. Oakland's expanding supply of recently-constructed housing in its urban center is in part the outcome of the City's efforts to encourage transit-oriented development. The General Plan Land Use and Transportation Element (LUTE) articulates this policy direction, calling for integrating land use and transportation in mixed-use districts programmed for Oakland's eight BART stations and Eastmont Town Center (which is served by multiple bus lines). LUTE observes (p. 8) that these locations offer significant opportunities for compact mixed use development, in which transit may be linked with higher density housing types, with the opportunities varying by location. The Fruitvale "Transit Village" – "a fine grain of moderate-density residential uses" complemented by a new commercial core – is already in place. The Mandela Gateway at the West Oakland BART station (planned for 550 transit-oriented housing units) is under way. At the Coliseum BART station, a concept plan for the Coliseum Gardens transit-oriented project has been put forth by the City, and a similar concept for the MacArthur BART station is in the planning stage.

The 10K Initiative. The goal of this major initiative, launched by Mayor Brown in 1999, is to attract 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. Oakland's Community and Economic Development Agency (CEDA) reported in fall 2004 that this development goal was well on the way to being met: 1,624 units in 16 projects completed, 239 units in 5 projects in construction, 1,580 units in 13 projects approved, and 1,691 units in 6 projects in the planning process. In sum – 5,134 units at various stages of development – the projects to date come close to realizing the 6,000-unit objective of the 10K initiative. CEDA's report points to strategies that have aided the 10K effort, including streamlined development and permitting processes, identification of key opportunity sites, and creation of incentives on a case-by-case basis where necessary.

Positive Response to Oakland Opportunities by the Development Community. Oakland to date has been seen by the development community as a jurisdiction that welcomes new urban residential development. Numerous developers have stepped in to serve this demand segment in Oakland, and they are finding considerable success. Multiple elements contribute to that success, including:

- The skill of developers in acquiring the kinds of sites, and building the kinds of units and projects, that gain a positive market response.
- A supply of land that includes lower land prices (than in some other central urban areas), an abundance of vacant and underutilized sites, and in-place infrastructure.
- The market itself: individual home buyers and renters looking for developments more attuned to their preferences than suburban, single-family detached units.
- Oakland's positive stance toward new housing development, as evidenced by the efforts devoted to the 10K initiative.

c. Wood Street Project "Fit"

As the foregoing discussion suggests, Oakland's historic central areas are in an excellent position to attract substantial new housing development as long as the favorable supply and demand conditions currently in evidence continue.

The Wood Street Project is itself an example of the kind of development Oakland has been attracting. The Project would potentially be a significant contributor to Oakland's surge in new market-rate housing, and it is noteworthy that its projected unit prices would reach toward the price level of threshold housing. According to an analysis of the project prepared by the Conley Consulting Group for BUILD West Oakland[6], the Wood Street Project could include 700+ new sale units (averaging 1,000 sq. ft.) valued at the $305,000 level, and 425 new rental units (averaging 950 sq. ft.).

Comparisons between the values of sale units in the Wood Street Project and the range of threshold prices of for-sale housing in Oakland's seven-county commute-shed (see Table 8 above) can only be approximate. The Table 8 data do not include details on unit size, for example: the lowest-priced units may be smaller than the sizes assumed in the CCG analysis, and the value estimates in the CCG analysis are likely to change before any Wood Street Project units actually go on the market. Still, it is impressive that, at a time when the median price of new units in Alameda County is over $500,000, a new Oakland project with excellent access to transit and transportation can put on the market units that would be affordable to a great many households for whom the median-priced unit is simply out of reach. More recent information from the project sponsors suggest an initial price range starting at $275,000 at the lower end and averaging between $400,000 and $500,000 at the upper end: still a significant number of for-sale units (in fact, up to 100 percent) coming in below the Alameda County median price for new homes.

The Wood Street Project can "reach" toward the purchasing ability of moderate income households because the sponsors are building on a particular site in a particular market at a favorable time. As noted in the concluding section of Chapter 3, if these conditions change, the Wood Street Project might still be a valuable housing resource for Oakland, but fewer of its units would be in the threshold range.

[6] Conley Consulting Group (CCG), Summary of Preliminary Findings, Central Station, prepared for BUILD West Oakland Inc. (one of the sponsors of the Wood Street Project), February 4, 2004.

CHAPTER 3
PERSPECTIVES ON THE WOOD STREET PROJECT

I. INTRODUCTION

Chapters 1 and 2 establish a context for the consideration of the Wood Street Project: Chapter 1 describes the land uses changes the proposed project would bring about and the framework of planning policies that must be applied in evaluating the merits of the project, and Chapter 2 considers the recent and anticipated development trends regionally and locally that shape project opportunities and influence potential success.

This chapter considers two key aspects of the Wood Street Project itself. First, it describes the benefits that the project could create for the City of Oakland if it is approved and implemented. These benefits are organized into three categories:

- Quantifiable benefits. These benefits also have quantifiable offsetting costs, and both the benefits and the costs must be considered in evaluating the proposed project.
- Non-quantifiable benefits that are created by quantifiable investments. These benefits typically result from infrastructure expenditures that improve neighborhood facilities and amenities.
- Non-quantifiable benefits that are created by the presence of the project. These benefits may have offsetting costs that are also not quantifiable. This category is complicated by the fact that changes – e.g., in the character of the neighborhood – may be considered by some observers to be benefits but by others to be costs.

Following the discussion of benefits that may result from the project, this chapter identifies the dynamics that must be present for the project to succeed:

- Establishing a critical mass of new development.
- Meeting production cost targets.
- Meeting production schedule targets.

II. BENEFITS OF THE PROJECT

Benefits that may derive from the Wood Street Project may be assigned to one of three categories. These categories are discussed below in turn.

A. Quantifiable Benefits: Increased Revenue to the City of Oakland

The magnitude of some benefits that the proposed project brings to the City of Oakland may be quantified. Most apparent of these is the contribution of new revenues (for example, property taxes, sales taxes, user fees, transfers from the state and federal governments that are based on population). These fiscal benefits would necessarily be offset by the costs of providing public services to the new development (for example, police and fire protection,

parks and recreation, public works (street maintenance), and general government). These costs are also subject to quantification, and the net fiscal benefit of the project to the City of Oakland may be estimated by subtracting the projected costs from the projected revenues.

The evaluation of public revenues and public service costs is called fiscal analysis. If the revenues exceed the costs, a fiscal benefit is generated; if the costs exceed the revenues, then a net fiscal cost results.

Fiscal benefit is not guaranteed by a project of this nature: in general, more expensive housing units are more likely to generate fiscal benefits than less expensive ones. Nevertheless, it is important for the City to know whether to expect to collect net revenue or incur net cost as a result of this project.

A fiscal analysis for the Wood Street Project, to be provided in a separate document, would provide a reasonable planning-level estimate of the impacts of the proposed project, useful for anticipating whether the project will pay its own way, generate surplus revenues that can be used by the City of Oakland to improve services, or generate deficits that will require the City to reduce services or find offsetting sources of funds.

B. Non-Quantifiable Benefits that Result from Quantifiable Investments

Investments in infrastructure and public amenities will improve the livability of the West Oakland area, and that improvement will benefit both the households who live in the project and the households in the surrounding area.

The benefit that derives from these improvements cannot, however, reasonably be quantified. Over time, a portion of increases in land and property values may be attributed to these improvements in combination with the new private development. (These are the gentrification effects that are addressed in more detail in Chapter 4.) Beyond the changes in land and property values, however, the public improvements will enhance the aesthetics and livability of the West Oakland area.

1. Estimates of Expenditures

a. Infrastructure

"Infrastructure" refers, in this report, to capital public service facilities located in the public right-of-way. These facilities include utilities, roads, street lights and street trees.

The developers of the Wood Street Project intend to fund infrastructure improvements associated with the project privately: no City expenditures would be sought or required. The developers' required investment in infrastructure is currently estimated at approximately $9.0 million, including:

- $1.9 million for soils removal.
- $1.5 million for "joint trench" (trench required to carry all utilities).
- $3.3 million for paving.

- $1.5 million for water lines, sanitary sewer lines, and storm drains.
- $0.8 million for trees, other street-related landscaping, and street lights.

b. Public Amenities

"Public amenities" in this report are the public facilities that are not required to provide basic services (such as roads, water, and sewer) but that nevertheless are required – or, at least, desirable – to improve the ambience of a neighborhood. In the Wood Street Project, the public amenities include several public parks,[7] the 16th Street Plaza (in front of the railroad station), and the restored train station.

Only general estimates of the costs of providing the public amenities are available as yet. The project, as defined in the Wood Street Project DEIR, would include 60,670 square feet of public open space.

- Parks. Of the total public open space, 28,000 square feet (0.64 acres) would be in pocket parks. Assuming a cost of $25 per square foot to improve these parks, the total cost would be $700,000. This cost would be borne by the developers.
- Plaza. The 16th Street Plaza would encompass the remaining 32,670 square feet of public open space. Again assuming an improvement cost of $25 per square foot, the total cost for the plaza would be nearly $820,000. This cost would also be borne by the developers.
- Restored Train Station. The historic 16th Street Train Station would be restored. According to the DEIR (p. 2-18):

  > BUILD West Oakland plans to use tax increment funds created by surrounding development to rehabilitate, seismically stabilize, and renovate the Main Hall and the 16th Street Signal Tower. Reuse of the Main Hall would incorporate exhibit space commemorating the site as the end of the Trans-continental Railroad and the gateway arrival point in the West, and its historical significance to the organization of the Brotherhood of Sleeping Car Porters, the first Black workers' union in the United States. The exhibit space could also serve as a venue for private and public events. . . .

  The renovated train station will not only provide an aesthetic amenity and focal point for neighborhood identity to this area of West Oakland, but may also serve as an activity node – in the building itself and in the public plaza – that can become a location for community events.

  A preliminary estimate of the cost of renovating the train station has been set at approximately $10 million. This estimate includes rehabilitation of the main hall (interior and exterior), a portion of the elevated tracks, and the signal tower consistent with the standards set by the Secretary of the Interior. It does not include site work on the land surrounding the station.

[7] Private open space, which would encompass 88,350 square feet (2.03 acres) in the Maximum Commercial Scenario and 122,925 square feet (2.82 acres) in the Maximum Residential Scenario, is not considered to be a public amenity.

c. Total Estimated Cost of Infrastructure and Public Amenities

Together, the estimated investment in infrastructure and public amenities totals of $20.5 million, as shown in Table 9.

Table 9
Quantifiable Cost of Non-Quantifiable Benefits

Item	Cost
Infrastructure (see Part III.B.1.a)	$9.0 million
Public Amenities (see Part III.B.2.b)	
Parks	0.7 million
Plaza	0.8 million
Train Station	10.0 million
Total	$20.5 million

Source: HFH, Ltd.; Mundie & Associates

b. Obtaining Infrastructure/Amenity Investments from Large Projects and Small Projects

The Wood Street Project is a collection of projects: three owners control the entire site, and nine development proposals would encompass the entire 29 acres. A project of this size requires substantial investments in infrastructure to adapt its site to new uses: whereas large blocks with minimal improvements were suitable for the prior industrial and rail-related uses, smaller blocks with landscaping, parks, and pedestrian amenities are required to bring a substantially residential project to market.

In this type of situation – when an aggregation of projects, proposed and considered at the same time, requires subdivision of blocks or substantial upgrades of the streets and streetscape – the need for infrastructure improvements is more obvious than it is for a larger number of smaller projects that are proposed and considered one at a time. It is also more easily achieved:

- With a large project, the City becomes aware of an impending cumulative change in the neighborhood at an early date, and consequently is equipped to require that infrastructure be planned for the projects collectively and that the developer(s) provide the needed infrastructure improvements.
- With a large project, the expenditure required for infrastructure improvements is more easily secured and the coordination of a series of improvements more easily accomplished.

At the same time, the large project does not necessarily differ greatly from a series of smaller ones in observable neighborhood impact in terms of population growth and change of character (except for the infrastructure investments): because the market can absorb only a certain number of new housing units per year, the large project is built out over time, creating gradual change in relatively small increments.

In this light, the main difference between a large project (or, as in the case of Wood Street, a small number of such projects moving forward in a planned and coordinated manner) and a series of smaller, uncoordinated projects is that the larger project is more likely to be completed at a steady pace (market permitting), while the pace of a series of smaller projects is unpredictable because it depends on a greater number of variables.

C. Non-Quantifiable Benefits Created by the Presence of the Project

A major investment in West Oakland will have additional, intangible benefits to the City and the area. These are benefits the dollar values of which (as in the preceding section) cannot be quantified, and (unlike in the preceding section) the costs of which also cannot be quantified. For example:

- The increase in the population of the area could enable it to attract new local-serving retail outlets, such as supermarkets and drug stores.
- The success of a 100 percent private market investment in West Oakland housing and commercial space would demonstrate to capital markets and institutional investors that investment in West Oakland can generate acceptable returns, and that the area is a reasonable location for further development projects.
- The development of a significant number of market-rate housing units into an area that suffered disinvestment for decades will contribute to the gentrification of the area. Gentrification is briefly defined here as the growth in equity that accrues to current property owners as a result of the infusion of private investment dollars into an area.

  The concurrent cost of gentrification is exclusion: the loss of housing supply in the price range affordable to very low-, low-, and moderate-income households, consequently reducing housing opportunities for households with those incomes, whether those households currently live in West Oakland or elsewhere. This cost is discussed in detail in Chapter 4 of this paper.

Neither the benefits of these types of changes nor their associated costs can be reasonably quantified. To estimate the amount of investment that would be required for future development projects (the cost side) and trace through the amount of new property value and other benefits that investment could create would require assumptions of heroic proportions, and would invite challenges that would distract decisionmakers from the real issues at hand: primarily,

(1) whether the City of Oakland should shift the land use designation of the project site from industrial to residential (Chapter 1);

(2) whether the project would be, on the whole, beneficial or detrimental to the City of Oakland in general and to West Oakland in particular (Chapter 3); and

(3) if the project is approved and contributes to the gentrification of West Oakland (Chapter 4), what actions the City of Oakland might take to preserve and strengthen its affordable housing resources (Chapter 5).

III. PROPOSED WOOD STREET PROJECT: DYNAMICS NEEDED FOR SUCCESS

As discussed in Chapter 2, the Wood Street Project has been proposed at an advantageous moment from the perspective of its development context:

- West Oakland sites are relatively inexpensive;
- Oakland City government has implemented an initiative to encourage new housing development;
- The timing is right to capture a demand group that considers urban central area housing favorably; and
- It is possible – for a project targeted in that direction – to bring units to market in price ranges that are competitive with threshold housing prices in outlying counties remote from the Inner Bay Area jobs that provide a livelihood for Oakland (and other Inner Bay Area) residents.

These conditions, taken together, are assets to the project, contributing to its likelihood of success.

At the same time, if the project is to be actively pursued by its sponsors, some basic development conditions – having to do with project size, cost, and timing – must be met. These conditions cannot be specified as single quantitative points (they are somewhat interactive), but it is important to recognize that, if the project satisfies City policy and attracts support, putting in place the conditions that will allow it to proceed is in the interest of the public as well as the project sponsors.

A. Critical Mass

The scale of the project is an important element of the project's feasibility, for several reasons.

- **Establishing an Identity.** The scale of a project is important from a marketing point of view, particularly in a market that might be considered untried or risky. West Oakland's current development pattern contains much that is appealing (e.g., old Victorians) and attractive (relatively low prices), but it is not a neighborhood that, at present, is considered prime ground for new market development, and the Wood Street Project's success depends critically on its ability to attract a new market segment to the area. The scale of the project (at 29 acres and nearly 1,600 housing units) is an important element in its own likelihood of success: it would in itself constitute a critical mass and – because its character (higher density) and its development pattern (private open spaces) would be distinct from the existing pattern – establish a "new" location. If it is successful, the Wood Street Project's scale is large enough to spark a change the market perception of the neighborhood: a sizable infusion of new units and new residents can demonstrate the timeliness and appropriateness of the project sponsor's concept, and encourage other (major) developers to follow suit.

Considering the Wood Street Project – which is really a composite of separate individual projects proposed by separate project sponsors grouped by the City for the purpose of evaluating the merits and potential impacts of the projects collectively – as a single project contributes to the vision of a new location in West Oakland. This vision is supported by the distinct character and site plan of the Project as proposed (notwithstanding the fact that neighborhood streets would extend into the Project site area).

This vision is likely to reduce the developers' respective risks in attracting households to an area that has not had significant amounts of reinvestment in recent years. At the same time, it creates a focal point for community opposition to the project. (A number of smaller residential projects, consisting of individual two- to four-unit buildings, have been developed in West Oakland, but they have not attracted significant opposition.)

- **Cost Sharing and Unit Price.** Each unit in a residential project is an economic entity to which costs (land, construction, etc.) are charged and from which returns (revenues, profits) are received. For a project in the size range proposed, many project costs (e.g., design, approval process,) vary only slightly with size.

  Because these costs are relatively inelastic, it becomes important to maintain a certain minimum number of units. Otherwise, the relatively-fixed cost must be borne by a smaller number of units; as a result, each unit will not pay its costs (unless sales prices/rents are increased), and the project will be abandoned by its sponsors.

B. Meeting Cost Targets

The ability of the sponsors to make the Wood Street Project "pencil out" will depend on keeping costs down to a level supportable by a sales price schedule that is aiming for an acceptable return on investment. In other words, to keep the prices of market units low – reaching for that "threshold" level discussed above – costs have to be kept on a leash.

The sponsors have a grasp of some of their costs, of course: the costs relating to development expense, site preparation, and so forth.

Other, less predictable costs may be imposed on a project during the public review and approval process. These additional costs may include (but would not be limited to), for example, additional infrastructure requirements, mitigation of adverse environmental impacts identified during the CEQA process, and inclusionary housing requirements.

If or when such additional costs are imposed, they may reduce the developer's profit. If the profit is reduced below a critical level, either of two responses may be expected: the developer will either abandon the project or, if possible given market conditions, raise the prices at which units are offered for sale or rent to a level that covers the (new) cost burden. (This point is also discussed in conjunction with Housing Action 2.4.2, in Chapter 5, Part III.B.2.b.)

Because every increase in cost – even if it is to compensate for the reduction in revenue that would result from the inclusion of low- and moderate-income housing – reduces the number of potential buyers for the units, at some point a cost increase makes the development infeasible: the (higher) cost pushes the asking prices of the new units beyond the obtainable market prices for the area, and the project becomes infeasible and is abandoned.

C. Meeting Schedule Targets

Time is also money: the longer it takes to bring a project to market, the higher the overall cost. This cost is associated with "carrying" the project site – that is, the costs of financing, taxes, and insurance – as well as the incremental cost of time to respond to the demands of the approval process.

Just as with the cost target generally, meeting the production timeline is important to the pricing schedule of the units. The added cost resulting from each week of delay must be deducted from the developer's return or added to the cost of the housing units. At some point, the return will be reduced to a low enough level, or the prices increased to a high enough level, that the project will become infeasible.

CHAPTER 4
GENTRIFICATION

I. PROJECT DESCRIPTION

The proposed Wood Street Project would introduce between 1,084 and 1,570 new market-rate housing units to West Oakland.[8] Of these, between 914 and 947 units would be offered for sale, at prices ranging from $305,000 and $378,000 (in 2003 dollars).[9] The remaining 417 to 450 units would be offered for rent (at prices not yet known).

Additional information about the proposed project is provided in Chapter 1, Part II.

II. PERSPECTIVES ON GENTRIFICATION

A. Background

1. What is Gentrification?

Gentrification may be defined as "the arrival of wealthier people in an existing urban district, a related increase in rents and property values, and changes in the district's character and culture."[10] A similar definition, from the West Oakland Data Book,[11] characterizes gentrification as "the process of higher-income households moving into low-income neighborhoods and driving up the area's property values and rents, which then leads to the displacement of low-income residents to other more affordable neighborhoods."

Displacement impacts of gentrification may occur in different ways:

- **Direct displacement**: households are forced to move when their existing housing units on a project site are demolished to make way for new (typically, more expensive) development.

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8 The DEIR on the Wood Street Project shows this total of 1,570 units for the Maximum Residential Scenario in Table S-1 (p. S-9), but notes (footnote d to that table) that this figure overcounts the most current plan (as of the date of DEIR publication) by 13 units.

9 Prices are shown in 2003 dollars for several reasons: (1) evolving pro forma information supplied by the developers indicates that the range of target prices has broadened, with some housing products currently expected to start at prices below the level shown while some are expected to start above (estimate as of January, 2005 is a range of $275,000 to $499,000), and (2) the tax increment analysis, used in Chapter 5, assumes the 2003 prices.

10 This definition and following description from Benjamin Grant at http://www.pbs.org/pov/pov2003/flagwars/special_gentrification.html (web page about "Flag Wars," a PBS broadcast about change in the Old Towne East community of Columbus, OH that premiered on June 17, 2003).

11 Prepared for the 16th and Wood Train Station Coalition by InfoOakland, October 20, 2004. Submitted as a comment on the Wood Street Project DEIR.

- **Indirect displacement**: households are forced to move when rents for their existing housing units in the vicinity of a new project (but not on the project site itself) are increased beyond their ability to pay.
- **Exclusionary displacement**: households who would normally have been able to obtain housing in an area find that they can no longer afford to do so, and find that they must seek housing in other neighborhoods.

2. Can "Winners" and "Losers" be Identified?

Gentrification in a community affects different people and interests in different ways.

"Winners" may include:

- People who move into the new housing units. These people benefit from the increase in the housing supply offered at prices they can afford.
- People who find the gentrifying neighborhood more appealing in its new condition than in its condition prior to gentrification, and who are able to buy housing there that they cannot afford in other, more conventionally-acceptable neighborhoods.
- Current residents who find that improved infrastructure and public amenities have improved the livability of the neighborhood.
- Property owners who find they can sell their property in the gentrifying neighborhood for higher prices than were previously obtainable.

"Losers" may include:

- Households currently occupying market-rate rental units in West Oakland,[12] who may face rent increases that make their units too expensive for them.
- Households holding Section 8 certificates, who find that landlords are less willing to accept those certificates as market rents rise.
- Renters who find that previously-acceptable or tolerated behaviors have become grounds for eviction.
- Renters who are evicted pursuant to the Ellis Act, which allows property owners to withdraw their properties from the rental market. "Ellis Acted" units are typically put on the market for sale to prospective owner-occupants.
- Households who can no longer afford market-rate housing in the neighborhood, because prices/rents have risen beyond their affordability limits. These households may already live in the area and need to change their place of residence (e.g., because their household size or other housing requirements have changed), or they may live elsewhere and be looking for a new place to live that is attainable given their housing budget.

[12] In Oakland, units built after 1983 are not covered by the City's rent control law.

3. Can Gentrification be Quantified and Forecast?

The short answer is "yes": gentrification can be quantified. The most telling quantitative indicators are those that compare changes in the immediate area (in this case, West Oakland) to changes in the larger geographic area of which it is a part (in this case, the City of Oakland).

Quantitative indicators of gentrification may include:[13]

- **Demographics:** for example, increase in median income, increase in the proportion of residents with college and graduate school degrees, reduction in household size/number of children, as low-income families are replaced by young singles and couples.
- **Real Estate Markets:** for example, increases in rents and home prices, increases in the value of mortgages, increases in the number of evictions, conversion of rental units to ownership (condominiums).
- **Land Use:** for example, decline in industrial uses, increase in office or multimedia uses, the development of live-work "lofts" and high-end housing, retail, and restaurants.
- **Culture and Character:** for example, new ideas about what is desirable and attractive including standards (either informal or legal) for architecture, landscaping, public behavior, noise, and nuisance.

Although some of these indicators of gentrification may be quantified, others – such as changes in ideas about the acceptable character of development and behavior – are not.

Even those indicators that are subject to quantification are more accurately used to observe/characterize past trends than to predict future changes. The degree of gentrification that occurs in response to a project (or proposed project) depends on a variety of factors, many of which are regional in nature and beyond the control of the local jurisdiction. These factors may include, for example:

- The existence and, assuming existence, locations of alternative neighborhoods with affordable housing supplies.
- The availability of alternative (previously undeveloped) locations for new development.
- The rate of regional employment growth and population growth.
- The strength of the local and national economies.
- Mortgage interest rates.
- The availability of capital, and the willingness of lenders to invest in the area.

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[13] http://www.pbs.org/pov/pov2003/flagwars/special_gentrification.html, The West Oakland Data Book, prepared for the 16th and Wood Train Station Coalition by InfoOakland, October 20, 2004, and Jeremy Hays, Urban Strategies Council, memorandum re: West Oakland Vulnerability to Gentrification – The Conley Consulting Group Report, dated November 12, 2004 (submitted as a comment on the Wood Street Project DEIR). In the examples that follow, the comparison phrase is omitted but should be inferred; e.g., increases in median household income in West Oakland greater than the increase in the City of Oakland as a whole.

4. How Do Oakland City Policies Relate to Gentrification?

The Housing Element of the General Plan contains policies that would help reduce the extent of gentrification (when it is anticipated as a possible consequence of significant new market investment in housing) and/or reduce the economic impacts on households potentially affected by gentrification. Two goals in particular address the provision of housing for low- and moderate-income households (Goal 2) and the preservation of affordable rental housing (Goal 5). Supporting policies that are relevant to the issue of gentrification are:[14]

GOAL 2: PROMOTE THE DEVELOPMENT OF ADEQUATE HOUSING FOR LOW-AND MODERATE-INCOME HOUSEHOLDS

- **POLICY 2.2 AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES**
  Develop and promote programs and mechanisms to expand opportunities for lower-income households to become homeowners.

- **POLICY 2.5 PERMANENTLY AFFORDABLE HOMEOWNERSHIP**
  Develop mechanisms for ensuring that assisted homeownership developments remain permanently affordable to lower-income households to promote a mix of incomes.

- **POLICY 2.9 RENTAL ASSISTANCE**
  Increase the availability of rental assistance for very low-income households.

- **POLICY 2.11 PROMOTE AN EQUITABLE DISTRIBUTION OF AFFORDABLE HOUSING THROUGHOUT THE COMMUNITY**
  The City will undertake a number of efforts to distribute assisted housing widely throughout the community and avoid the over-concentration of assisted housing in any particular neighborhood, in order to provide a more equitable distribution of households by income and by race and ethnicity.

GOAL 5: PRESERVE AFFORDABLE RENTAL HOUSING

- **POLICY 5.1 PRESERVATION OF AT-RISK HOUSING**
  Seek to preserve the affordability of subsidized rental housing for lower income households that may be at-risk of converting to market rate housing.

- **POLICY 5.2 SUPPORT FOR ASSISTED PROJECTS WITH CAPITAL NEEDS**
  Work with owners of assisted projects that have substantial needs for capital improvements to maintain the use of the properties as decent affordable housing.

- **POLICY 5.3 RENT ADJUSTMENT PROGRAM**
  Continue to administer programs to protect existing tenants from unreasonable rent increases.

[14] Policies cited here apply specifically to preserving the existing supply of affordable housing and/or the affordability of the existing housing supply to low- and moderate-income households. They do not include policies that would apply to new development projects (such as the production of new affordable units).

- **POLICY 5.4 PRESERVATION OF SINGLE ROOM OCCUPANCY HOTELS**

  Seek mechanisms for protecting and improving the existing stock of residential hotels, which provide housing of last resort for extremely low income households.

- **POLICY 5.5 LIMITATIONS ON CONVERSION OF RESIDENTIAL PROPERTY TO NON-RESIDENTIAL USE**

  Continue to use regulatory controls to limit the loss of housing units due to their conversion to non-residential use.

These policies are discussed further, as applicable, in Part III of this chapter ("Maintaining an Affordable Housing Resource").

B. Considering Gentrification in West Oakland

1. Gentrification and CEQA

CEQA (the California Environmental Quality Act) focuses on physical changes in the environment. This Framework Paper addresses some of the housing issues beyond the scope of the DEIR on the Wood Street Project, in order to assist City decisionmakers in evaluating the desirability and appropriateness of the proposed project. More specifically, this paper discusses how the proposed project fits within the overall supply of new housing in the Bay region (Chapter 2, Part II.C) and identifies types of actions Oakland can pursue to advance its own housing goals (this chapter, Part III).

2. Gentrification and the Wood Street Project

Gentrification is not a CEQA issue, but it is a socioeconomic and political issue that has been raised as a matter of concern with respect to the Wood Street Project. Simply put, the construction of 1,100 to 1,600 market-rate housing units on the project site would establish a critical mass of new development that would change the character of the neighborhood, making it a more attractive place for middle-income households. As the project becomes fully occupied, additional households may become willing to buy or rent housing in the blocks nearby. This increased demand for existing West Oakland housing will drive up the prices of units that are not price-controlled, leading to indirect and exclusionary displacement.

3. Previous Analyses of West Oakland's Vulnerability to Gentrification

Two papers addressing West Oakland's vulnerability to gentrification have been prepared:

- "West Oakland Vulnerability to Gentrification," by Conley Consulting Group (CCG), was prepared for HFH, Ltd. (one of the project sponsors) in May 2004.
- "West Oakland Vulnerability to Gentrification – Conley Consulting Group Report," a memorandum by Jeremy Hays of the Urban Strategies Council dated November 12, 2004, was submitted as a comment on the DEIR on the Wood Street Project.

Table 10 summarizes and compares the points made by the two reports.

Table 10
Summary Comparison of the CCG and Hays Analyses of West Oakland's Vulnerability to Gentrification

Topic	CCG Analysis	Hays Analysis
Direct Displacement (see p. 33 for definition)	Not applicable; no discussion.	Not applicable; no discussion.
Indirect Displacement (see p. 33 for definition)	1,915 rental units are "market rate units," and are vulnerable to rising market rents. These units represent 20% of the 9,369 units in West Oakland and about 25% of the 7,557 rental units.	Units vulnerable to rising market rents include not only the 1,915 market-rate units but also 3,259 rent controlled units, for which rent protections are weak.
Impact on Renters: Rent Protection	More than 70% of West Oakland renters are protected from rent increases that result from market forces:	At least 68% of rental units are vulnerable to market force rent increases, because:
	▪ 1,254 units are protected by existing Section 8 contracts.	▪ Section 8 units are not rent-protected, but rather are rent-subsidized. They should not be counted as a separate category; instead, they should be grouped with the rent-controlled units.[a]
	▪ 544 units are managed by the Oakland Housing Authority.	▪ 544 units are managed by the Oakland Housing Authority; rent protection is STRONG.
	▪ 1,560 units are publicly funded affordable housing, with affordability guaranteed for a period of 30 to 55 years after construction. 168 units were to be added in 2004.	▪ 1,560 units are publicly-funded affordable housing as described by CCG; rent protection is MODERATE.[b]
	▪ 2,005 units are covered by rent control.	▪ 3,239 units are covered by rent control (this number includes Section 8 units). Rent protection is WEAK because annual rent increases (estimated at 4.5% per year) are permitted. These units should be included in the supply that is vulnerable to market force rent increases.

<table>
<tr><th>Topic</th><th>CCG Analysis</th><th>Hays Analysis</th></tr>
<tr><td>Impact on Renters: Potential for Eviction</td><td>Notes that turnover rates in West Oakland between 1990 and 2000 were lower than in the City of Oakland as a whole:<table><tr><th></th><th>West Oakland</th><th>Oakland</th></tr><tr><td colspan="3">Owners: % moved in 1990-2000</td></tr><tr><td></td><td>40%</td><td>47%</td></tr><tr><td colspan="3">Renters: % moved in 1995-2000</td></tr><tr><td></td><td>64%</td><td>70%</td></tr></table>Finds turnover data inconclusive in evaluating vulnerability to gentrification.</td><td>Current renters may be involuntarily displaced not only by rising rents but also by evictions. Three types of evictions have been known to increase dramatically as gentrification begins to affect a neighborhood:
owner move-in (OMI) evictions
Ellis Act evictions (units are removed from the rental market for at least 3 years; sometimes they are converted to owner occupancy)
Just Cause evictions (renters are evicted for behaviors that would have been overlooked in weaker housing markets)</td></tr>
<tr><td>Exclusionary Displacement</td><td>Exclusionary impacts become a primary concern if one accepts the conclusions of Freeman and Braconi that (1) low income households are less likely to move from gentrifying neighborhoods and (2) improving housing and neighborhood conditions appear to encourage the housing stability of low income households.[c]

If current homeowners who voluntarily sell their homes cannot afford to relocate within the area in the future, they are subject to exclusionary displacement.

Notes the need for further efforts to identify and quantify exclusionary pressures.</td><td>75% of West Oakland's housing stock is susceptible to market rate price increases that could "quickly lead to exclusionary displacement and increased gentrification."

75% includes:<table><tr><td>Owner-occupied</td><td>19.3%</td></tr><tr><td>Market rent</td><td>20.4%</td></tr><tr><td>Rent controlled</td><td>34.8%</td></tr><tr><td>Total</td><td>74.5%</td></tr></table>and excludes:<table><tr><td>Public funds contract</td><td>16.7%</td></tr><tr><td>OHA Public Housing</td><td>5.8%</td></tr><tr><td>Unknown status</td><td>3.0%</td></tr><tr><td>Total</td><td>25.5%</td></tr></table></td></tr>
<tr><td>Benefits to Current West Oakland Residents</td><td>Current neighborhood residents may benefit from:
improved neighborhood conditions often associated with gentrification.
any improvements associated with a more economically diverse community.</td><td>[No discussion of benefits.]</td></tr>
</table>

Topic	CCG Analysis	Hays Analysis
	West Oakland owner-occupants (1,812 households) have the ability to increase their equity positions. Under California law, rising market values will not trigger increased property taxes for current homeowners. A majority of non-resident owners of West Oakland residential properties reside in West Oakland; therefore, the benefits of increased property values will remain with local residents. Increasing the supply of housing affordable to a range of income levels (i.e., the proposed Wood Street Project) would mitigate some of the potential displacement and exclusionary impacts of rising market values and rents.	
Additional Information		Gentrification is already well under way in West Oakland, as indicated by the changes between 1990 and 2000 in average household income, value of owner-occupied housing, increase in people with college and graduate school degrees, decline in percentage of households with children, increase in average value of mortgages, and increase in average income of borrowers.

[a] Both reports agree that Section 8 certificates are less likely to be accepted by landlords when housing vacancy rates are low, because units will bring higher rents on the open market than might be permitted under Section 8 contracts.

[b] Protection is considered moderate rather than strong because affordability contracts expire after 30 years, and nearly 2/3 of these units are 24 years or older. Because most are owned by non-profits, however, affordability contracts are expected to be extended; therefore, protection is considered moderate instead of weak.

[c] Freeman and Braconi, *Gentrification and Displacement*, cited in CCG, p. 32.

Source: Mundie & Associates, based on Conley Consulting Group, West Oakland Vulnerability to Gentrification, prepared for H.F.H. Ltd, revised May 2004 and Jeremy Hays, Program Coordinator, Urban Strategies Council, memorandum to: City of Oakland Planning Commissioners, City Council Members, and Planning Director re: West Oakland Vulnerability to Gentrification – The Conley Consulting Group Report, November 12, 2004.

At the bottom line, both the CCG report and the Hays memo describe vulnerability to gentrification in West Oakland. CCG places more emphasis on existing rent protections and the potential benefits of gentrification to low- and moderate-income households who currently live in West Oakland; Hays places more emphasis on vulnerability to rent increases and exclusionary displacement.

The disagreements between the CCG study and the Hays memo have primarily to do with (1) the degree to which the project may exert upward pressure on rents and housing prices and (2) the impacts of that pressure on both low- and moderate-income households and the supply of housing that is affordable to those households.

4. Likelihood of Continuing Gentrification in West Oakland

West Oakland has a dynamic housing market in which gentrification appears to have begun even before the Wood Street Project (or its predecessor Central Station Project) was proposed.[15] Indicators of this trend, cited in the Hays memo, include changes between 1990 and 2000 in average household income, value of owner-occupied housing, increase in people with college and graduate school degrees, decline in percentage of households with children, increase in average value of mortgages, and increase in average income of borrowers.

This process is likely to continue with the implementation of the West Oakland Redevelopment Plan, which was adopted in November, 2003. The area covered by this plan lies adjacent to the Wood Street Project. As with all redevelopment plans, the West Oakland plan relies on an increase in property values to pay for the improvements it specifies. These improvements include, for example, providing assistance with new construction, rehabilitation, and conservation of living units; improvement of infrastructure, transportation, and public facilities; improvement of street configuration on main arterials and their relationship to the surrounding neighborhoods streetscape improvements (such as center dividers, bulb-outs, tree planting, and landscape improvements), utility undergrounding, open space, and community facilities; restoration of blighted properties; encouragement of and assistance with the rehabilitation of historically significant properties; and relocation of displaced residents or businesses, whenever possible and feasible and with their consent, within the Project Area.

The observed market pressures in West Oakland, reinforced by the West Oakland Redevelopment Plan, virtually assure that housing prices in the area will continue to rise. In light of these forces, coming to a consensus about the number of units at risk of becoming unattainable by low- and moderate-income is a task that would not repay the effort invested, given the challenge of identifying assumptions, data, and analytical approaches that are acceptable to all interested parties. Instead, the critical need is to recognize the fact that the affordable housing resource is threatened and to take steps to protect and strengthen that resource.

[15] See Hays memo, pp. 9-10, citing evidence of gentrification in the area during the 1990s.

C. The Bigger Issue: How To Maintain an Affordable Housing Resource in Oakland?

Redevelopment of urban areas pursuant to state redevelopment law has the express purpose of reducing or eliminating blight. The Wood Street Project, if approved, would be located within the adopted Oakland Army Base Redevelopment Project Area, and must be consistent with the goals of the Redevelopment Plan for that area. Among those goals are "elimination of physical and economic blighting influences in the OARB Redevelopment Project Area" and "the expansion, improvement, and preservation of the City's supply of housing available to low- and moderate-income persons and families."

At the same time, the displacement of low- and moderate-income households that is often a consequence of redevelopment – whether by direct displacement, indirect displacement, or exclusionary displacement – is not one of the purposes of redevelopment. The Wood Street Project would not directly displace any households, because there is no existing housing on the project site, but it could lead to indirect and exclusionary displacement as it contributes to the gentrification of West Oakland.

Recognizing that the City may strive toward the achievement of two goals – that is, both (1) the revitalization of West Oakland, which will exert pressure for gentrification, and (2) the maintenance of housing resources that are affordable to low- and moderate-income households – the remainder of this report focuses on the following question:

> ***What actions can the City take to maintain a supply of housing that is affordable to low- and moderate-income households?***

To address this question, this paper turns in Chapter 5 to consideration of a strategy for protecting and strengthening Oakland's supply of low- and moderate-income housing.

CHAPTER 5
PROVIDING AND PROTECTING OAKLAND'S AFFORDABLE HOUSING RESOURCES

I. POLICY FRAMEWORK

A. City Plans and Policies

The Housing Element of the Oakland General Plan establishes the broadest framework for the City's housing policies and programs.[16] Goals of the Housing Element are:

1. Provide Adequate Sites Suitable for Housing for All Income Groups
2. Promote the Development of Adequate Housing for Low-and Moderate-Income Households
3. Remove Constraints to the Availability and Affordability of Housing for All Income Groups
4. Conserve and Improve Housing in Older Neighborhoods
5. Preserve Affordable Rental Housing
6. Promote Equal Housing Opportunity
7. Promote Sustainable Development and Smart Growth
8. Increase Public Access to Information Through Technology

Goals 1 through 7 are relevant to the issue of preserving/strengthening the City's low- and moderate-income housing resources. Additional information about these goals, and their supporting policies and action programs, is provided throughout the remainder of this paper as appropriate.

The City of Oakland has also adopted a Housing Policy.[17] This policy states:

> The City of Oakland is committed to making decent affordable housing available to all of its citizens. While it is recognized that most state and federal housing programs are targeted primarily to very low income persons, it is the intention of the City of Oakland to include persons with other income levels in its housing programs and developments as well.

The policy includes 10 more specific policy statements, a number of which are directly concerned with the provision of housing that is affordable to low- and moderate-income households. The City of Oakland Housing Policy is appended to this paper for convenient reference.

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[16] Policies cited in Chapter 4 (pp. 40-41) focus on how the City intends to address the issue of gentrification. This section is more broadly focused to provide a framework for the consideration of how and where the City should protect and provide affordable housing resources.

[17] City Council Resolution Number 69661, January 26, 1993.

B. State Redevelopment Law

To compensate for the potential for direct, indirect, and exclusionary displacement of low- and moderate-income households and housing supplies that may result from redevelopment in adopted project areas, state redevelopment law requires:

- The replacement of units that are removed from a project site.

  Because no housing units are currently located on the site of the Wood Street Project, this requirement does not apply and is not discussed here.

- Allocation of 20 percent of the property tax increment revenue generated by a redevelopment area "for the purposes of increasing, improving, and preserving the community's supply of low- and moderate-income housing available at affordable housing cost,[18] regardless of whether any housing would be removed from the project site (Oakland has increased this set-aside to 25 percent).[19] Housing set-aside funds may be spent within or beyond the boundaries of the Redevelopment Project Area.

  The Wood Street Project will generate property tax increments – that is, increases in property tax revenue above the amount paid when the Redevelopment Project Area was adopted in 2000 (see Part III.E.2 of this chapter, below, for an estimate of the increment) as new development is completed. The housing set-aside funds will be available for housing production and assistance programs in the City of Oakland.

The Oakland Army Base Redevelopment Plan, within which the Wood Street Project site is located, also contains inclusionary housing requirements that apply to projects within the project area:

- At least 30 percent of all new or rehabilitated housing units built by the Redevelopment Agency in the Project Area must be affordable to households of low or moderate income, with not less than 50 percent of those affordable units available at costs affordable to very low income households.
- At least 15 percent of all new or rehabilitated housing units developed onsite by private entities or public entities other than the Redevelopment Agency in the Project Area must be affordable to households of low or moderate income, with not less than 40 percent of those affordable units available at costs affordable to very low income households. (If the units are located outside the redevelopment project area, then twice the required number of affordable units must be provided.)

These inclusionary production requirements apply in the aggregate, and not to each individual project.

[18] California Health & Safety Code §33334.2.

[19] City of Oakland Programs, Policies and New Initiatives for Housing. From the web at http://www.oaklandnet.com/government/hcd/policy/docs/Programs_strategies.pdf

II. LOCATION: WHERE SHOULD NEW AFFORDABLE HOUSING BE LOCATED?

Both the Housing Element of the General Plan and the City of Oakland Housing Policy direct the City to avoid the concentration of housing for any single income group in one location. The Housing Element contains Policy 2.11:

> PROMOTE AN EQUITABLE DISTRIBUTION OF AFFORDABLE HOUSING THROUGHOUT THE COMMUNITY
>
> The City will undertake a number of efforts to distribute assisted housing widely throughout the community and avoid the over-concentration of assisted housing in any particular neighborhood, in order to provide a more equitable distribution of households by income and by race and ethnicity.

The Housing Policy contains the following statement:

> (3) In the use of City and/or Redevelopment Agency money and/or regulatory authority, it is the City's policy to avoid concentration of housing for any single income group in a neighborhood, distributed equitably among all Council Districts.[20]

These policies clearly call for the dispersal of Oakland's affordable housing resources. This call should not be construed as supporting of the "urban removal" policies of the past, but rather as attempting to avoid adding to the concentration of low- and moderate-income housing units in neighborhoods that already have a high proportion of such units.

According to the CCG analysis, West Oakland currently has 1,560 publicly-assisted rental units – updated City data show 1,727 – and 544 public housing units. Table 11 compares the numbers of units in West Oakland to the numbers throughout the City.

Table 11
Publicly-Assisted Housing Units and Public Housing Units in Oakland and West Oakland

Unit Type	West Oakland	Oakland	West Oakland as % of Oakland
Privately-owned, publicly-assisted*	1,727	7,248	23.8%
Disabled/Special Needs	*10*	*139*	*7.2%*
Family	*1,031*	*2,447*	*42.1%*
Senior	*537*	*3,876*	*13.9%*
SRO	*149*	*696*	*21.4%*
Transitional Housing	*1*	*90*	*1.1%*
Publicly-owned (Housing Authority)	544	3,308	16.4%

* These figures include only the subsidized units in projects that may include some market-rate projects. Corresponding figures for total units in the privately-owned, publicly-assisted projects included in this table are 1,861 units in West Oakland and 7,591 units throughout the City.

Source: City of Oakland, Community and Economic Development Agency

[20] City of Oakland Housing Policy, adopted by City Council Resolution Number 69661, January 26, 1993.

For comparison, the 2000 Census reported that West Oakland had approximately six percent of the City's population and housing units.

The figures in Table 11 indicate that West Oakland has more than its "fair share" of low- and moderate-income housing. It would be reasonable, therefore, based on adopted City policies, to look not only within West Oakland but also beyond the neighborhood's boundaries to provide affordable housing units that would replace units that may be lost to low- and moderate-income households as the area becomes gentrified.

The Housing Element (Appendix C, Table C-10) provides a detailed inventory of "housing opportunity sites." The inventory includes a total of 107 sites capable of accommodating between 8,420 and 10,490 additional housing units.

> [T]he City has identified "housing opportunity sites" capable of accommodating approximately 8,420 to 10,490 additional units. Most of these sites are zoned for multi-family development along major corridors, in the downtown, and in transit village areas, and thus could accommodate a range of income types depending only on the availability of adequate financial subsidies to make possible the development of units for very low and low income households.[21]

In discussing these opportunity sites further, the Housing Element states:

> This is not an exhaustive inventory and focused only on strategic areas in which the City is actively promoting development or assessing development capacity. These studies have focused almost entirely on sites with the capacity for medium and high-density multi-family developments, and therefore again do not include scattered site single-family sites.[22]

Of the 107 housing opportunity sites, nine are in the West Oakland Transit Village area (generally along 7th Street between Kirkham and Campbell, and at the intersection of 5th Street and Mandela Parkway). These sites could accommodate approximately 550 units, or between 5.2 and 6.5 percent of the units on all of the identified opportunity sites. Table 12 compares the capacities of opportunity sites in the various Oakland neighborhoods.

III. STRATEGIES: HOW TO CREATE/MAINTAIN AFFORDABLE HOUSING RESOURCES?

A. Theoretical Approaches

Gentrification is an issue in West Oakland because housing prices are too high: according to the Hays memo (p. 7), only 23 percent of West Oakland households are able to afford the median-priced rental unit in Oakland, and only 10 percent are able to afford the median-priced Oakland for-sale unit.

[21] Housing Element, Executive Summary, p. 2. Additional text on pp. 4-4–4.5 and pp. 4-20–4-24.

[22] Housing Element, Executive Summary, p. 14.

Housing prices may be too high for a number of reasons. For example, the supply may be constrained by physical conditions or by public policy (zoning controls, growth limits, political opposition, etc.), or production costs may be too high, or the number of households seeking units may be growing more rapidly than the number of units. Some of these conditions are beyond the control of local governments.

Table 12
Distribution of Additional Housing Capacity on Identified Housing Opportunity Sites

Neighborhood	Units		% of Total	
	Low Estimate	High Estimate	Low Estimate	High Estimate
East Oakland	850	1,251	10.1%	11.9%
Fruitvale Transit Village	200	200	2.4%	1.9%
Coliseum Transit Village	300	300	3.6%	2.9%
West Oakland Transit Village	547	547	6.5%	5.2%
North Oakland	56	56	0.7%	0.5%
MacArthur Transit Village	820	820	9.7%	7.8%
Downtown	5,093	6,761	60.3%	64.3%
Oak Knoll	577	577	6.8%	5.5%
Total	8,443	10,512	100.0%	100.0%

Source: City of Oakland Housing Element, Table C-10.

Strategies to create and maintain a supply of affordable housing may focus on any of these conditions. This section of Chapter 4 describes some conceptual approaches to creating/maintaining affordable housing resources; subsequent sections focus on specific programs that reflect those approaches.

1. Creating Affordable Housing Resources

Housing prices are set at a level that reflects a combination of (1) production costs and (2) what the market will bear. At their minimums, prices of for-sale units must cover the costs of land (the project site), approvals/processing, financing, construction materials and labor, marketing, and a return on the developer's (or investor's) investment in the project (that is, a profit). At times and in places when the demand for housing exceeds the supply, consumers may bid up the price of housing, and the profit can become quite large.

a. Reducing Housing Prices

Reducing housing prices is one way to make more housing affordable to more households. Strategies to reduce prices may include:

- **Reducing the price of land.** Land prices are influenced to some degree by the supply of sites, which is in turn influenced by both physical and regulatory conditions.
    - Indirect strategies to reduce land prices include, for example, expanding the supply of land planned and zoned for residential use, increasing the density of devel-

opment permitted (may increase the price per acre but decreases the price per housing unit), or allowing the construction of second units on developed parcels in single family residential districts.

  - Direct strategies to reduce land prices include, for example, subsidizing the land purchase ("writing down" the cost of a site) or acquiring the site and leasing it to the housing development at little or no cost.

- **Reducing the cost of approvals/processing.** Public agencies typically attempt to reduce these costs by:

  - Preparing specific plans, master environmental impact reports, and other documents that would be required for project processing. Advance preparation of these documents reduces both the amount of time required for consideration of a project and the cost to the developer (assuming that the public agency bears the cost).

  - Expediting project consideration and processing. Shorter processing times translate into lower carrying costs on the land, and those lower costs can be reflected in the housing price.

- **Reducing the cost of housing production.** These reductions are difficult to achieve, but effective strategies may include:

  - Forgiveness or reduction of some permit or connection fees.

  - Construction of needed offsite improvements (e.g., infrastructure) at no cost to the project.

  - Subsidized interest on the construction loan.

  - Reductions in parking requirements (where appropriate).

- **Reducing the price of housing.** Instead of reducing production costs, a public agency may be able to reduce the price of housing to the consumer. Strategies include, for example:

  - Providing assistance with a down payment; e.g., by taking a "silent second mortgage" (payable when the unit is resold) or lending a portion of the down payment at a reduced interest rate.

  - Subsidizing the mortgage interest rate, which effectively reduces the monthly mortgage payment.

Any of the approaches described above apply to both ownership and rental housing. The case of ownership (for-sale) housing is more straightforward, perhaps, because each cost or price reduction is theoretically passed directly along to the purchaser. In the case of rental housing, the reductions in production costs ultimately translate into less debt on the property; less debt, in turn, enables the owner to operate a project with lower rents than would otherwise be required to cover mortgage payments.

b. Enhancing Demand

The demand for housing is enhanced when households' ability to pay for housing is strengthened; that is, when housing budgets are increased. Strategies that are available to increase housing budgets are limited, but one good example is Section 8 vouchers for rental

units. These certificates supplement household incomes by making up the difference between 30 percent of income (the amount a household is expected to pay for rent) and the fair market rent of a housing unit.

2. Preserving/Maintaining Existing Affordable Housing Resources

Subsidies to both ownership and rental projects are usually conditioned on the preservation of affordability, at a certain income level (e.g., moderate income, low income, or very low income) for a certain period of time. Nevertheless, the preservation of an affordable housing resource may be threatened in various ways:

(1) Conversion of existing affordable units to market-rate units because the affordability contract period expires. The CCG and Hays reports cited in Chapter 4 identify 1,560 privately-owned, publicly-assisted units in West Oakland, most of which are under 30-year affordability contracts; according to the Hays memo, two-thirds of those units are under contracts that expire within approximately six years.

(2) For ownership units, conversion of affordable units to market-rate units because the affordability contract is not enforced when the unit is sold. This lack of enforcement often occurs because the contract is not recorded on the deed, or is not recorded in a way that lenders and title companies recognize easily.

(3) Wear and tear on the unit(s) that leads to deterioration and, ultimately, dilapidation and uninhabitability.

For units that are threatened by conversion or deterioration, the following strategies may be applied:

- Extending affordability contracts.
- Identifying and implementing more effective ways to recapture affordable units that are subject to affordability contract conditions when those units are sold.
- Providing financial assistance for home maintenance and repair expenditures to owner-occupants who could not otherwise afford them.
- Acquiring (or assisting private entities in acquiring) and rehabilitating existing housing units in the lower price ranges; if the City (or one of its agencies) acquires and rehabilitates the unit, reselling it at an affordable price.

Gentrification, which is the stimulus for this chapter, is a factor for units that are not controlled by affordability contracts.

B. Existing Programs in Oakland

Chapter 7 of the Housing Element further describes the City's Affordable Housing Strategy, recapping the features of the Consolidated Plan for Housing and Community Development.[23] Key components of the strategy[24] are:

[23] The Housing Element (pp. 7-4–7.6) summarizes the Consolidated Plan adopted in May, 2000; the most recent plan, available on the City's web site, was adopted in 2004. The summary that follows relies on the Housing Element for text but updates dollar figures and program information to reflect the current plan.

- **Preservation and expansion of the supply of affordable housing.** This component relies on the federal HOME program and the City's site acquisition and predevelopment loan programs (described in Part III.C.2.a of this chapter, below).
- **Creation of new opportunities for home ownership.** This component relies on the City's two first-time homebuyer programs (described in Part III.C.2.a of this chapter, below).
- **Expansion of rental assistance for very low income households.** Recognizing that production subsidies alone cannot bring housing prices within the reach of very low income households (especially those with less than 30 percent of the median income,[25] the City actively supports efforts by the Oakland Housing Authority to obtain additional Section 8 vouchers and to find new ways to make those vouchers more effective (including project-based assistance; in other words, reducing production costs). The Housing Element notes, however (p. 9), that the waiting list for Section 8 vouchers is three to five years, and the 2004 Consolidated Plan indicates that the City does not anticipate receiving any new Section 8 vouchers this year.[26]
- **Conservation and rehabilitation of the existing housing stock.** This component relies on six programs identified in Appendix D (described in Part III.C.2.b of this chapter, below). Four are for repairs to existing buildings and two are for improvements to existing buildings (removal of barriers to access and removal of lead-based paint).

More detail about the specific housing programs that comprise Oakland's affordable housing strategy follows.

1. Programs to Reduce Housing Prices

Appendix D of the Housing Element identifies four housing development programs. These programs, which are intended to reduce housing development costs – and, consequently, housing prices – are:

- **Reducing the cost of land: Affordable Housing Site Acquisition Program.** If a developer of affordable housing cannot afford to purchase the site for a proposed project, the City purchases the site. The developer repays the purchase price and holding costs (insurance, property taxes, and maintenance) with interest within three years or when project construction starts, whichever comes first.

  Proposed projects are eligible for this program if they contain at least 10 units, with at least 25 percent of the units affordable to low income households (households with no more than 80 percent of the median income). Eligible sites include vacant land and vacant buildings that are suitable for residential development; some sites with retail uses may be eligible as well.

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[24] This summary excludes components that address the housing needs of homeless families/individuals, seniors, and people with disabilities and programs to "promote fair housing and expanded housing choices" because they are more focused on population than on the housing stock.

[25] In 2004, 30 percent of median income for a four-person household was $24,850 per year; for a two-person household, it was $19,850 per year.

[26] See, for example, p. 27 of the 2004 Consolidated Plan.

Developers are eligible for this program if they meet the City's minimum developer qualifications, including successful prior development of at least three affordable housing projects.

This program is currently not operational because the available funding has been exhausted.

- **Reducing the cost of approvals/processing: Predevelopment Loan Program.** The City lends money – up to $35,000 – to nonprofit organizations seeking to develop housing projects that have at least 20 percent of the units earmarked for lower income persons. These loans are intended to cover predevelopment costs, such as for feasibility analyses, loan applications, and preparation for syndication. Loans are made at an interest rate of six percent; they are repayable at the end of 18 months or when project financing is obtained, whichever comes first.

  To be eligible for this program, developers must secure funding from other, non-City sources for an amount equal to one-half the requested loan amount.

- **Reducing the cost of production: Housing Development Program.** The City will lend eligible housing developers up to 40 percent of total development costs for new construction and substantial rehabilitation projects. Loans are for 30 to 55 years and carry an interest rate of three percent; payments are due if cash flow permits.

  Proposed projects are eligible for this program if they contain at least 10 units. Rents and tenant incomes (for rental properties) and buyer incomes (for ownership properties) are restricted through regulatory agreements.

  This program is used in part to extend the affordability restriction period for publicly-assisted affordable housing projects.

  Developers are eligible for this program if they meet the City's minimum standards for experience and qualifications.

- **Reducing the cost of production: Vacant Housing Acquisition and Rehabilitation Program.** The City lends money – up to $100,000 per unit – for the acquisition and rehabilitation of housing units that have been vacant for at least six months. These loans are intended to serve as "gap financing" and may not exceed 40 percent of the total development cost for the affordable units.

  For rental properties, the loan carries an interest rate of 3 percent and a term of 30 years, but if the cash flow is insufficient to make the payments, they may be deferred for the life of the loan.

  For homeownership projects, the loan carries an interest rate of 0 percent if the units are sold to households with incomes no greater than 80 percent of the areawide median, and 10 percent if the units are sold to households with incomes between 81 percent and 120 percent of the median. Loans are repayable in 24 months or when the unit is sold, whichever comes first.

  At least 40 percent of the units in rental projects must remain affordable for 55 years, and at least 40 percent of the units in homeownership projects must remain affordable for 45 years.

  Eligible properties are vacant lots, single family homes, and multi-family residential buildings with up to 20 units that are blighted and have been vacant for at least six

months prior to application. Scattered sites with up to 30 units may be assembled into one "project" to streamline the development process.

Eligible renters of affordable housing units in this program have incomes no greater than 80 percent of median. Eligible first-time homebuyers of affordable housing units have incomes no greater than 120 percent of median.

Eligible developers are non-profit and for-profit developers, contractors, and current property owners.

Appendix D of the Housing Element also includes two programs that provide assistance with down payments for owner-occupied units. These programs reduce the price of housing directly by providing subsidies to households:

- **Reducing the price of housing: First-time Homebuyers Mortgage Assistance Program (MAP).** The City lends up to $50,000 to low-income households (households with no more than 80 percent of the median income) to purchase single family homes in the City of Oakland.

  No repayment is required as long as the borrower occupies the unit that was purchased with this loan. If the borrower sells, refinances, or rents the property, then the entire amount must be repaid with interest (three percent simple interest).

- **Reducing the price of housing: Public Safety Employee and OUSD Teachers Down Payment Assistance Program.** The City lends up to $20,000 to households of City public safety officials (sworn police officers, police dispatchers, sworn firefighters) and Oakland Unified School District certified K-12 teachers whose household incomes do not exceed 120 percent of the median income to purchase homes in the City of Oakland.

  Eligible units include single-family homes, condominiums, townhomes, live/work units, and manufactured housing.

  Loans are made for a term of 10 years. No payments are due during the first five years. Monthly payments of principal and interest (at a rate of six percent) must be made in years six through 10. Because the payments are based on a 30-year amortization schedule, there is a remaining balance at the end of year 10, which must be paid then (or earlier, if the home is sold or refinanced before year 10).

Appendix D includes a number of programs intended to maintain/preserve the existing supply of affordable housing:

- **Maintaining existing affordable housing units: HMIP Amortized Loan Program.** The City lends up to $40,000 for a single-family unit plus $5,000 for each additional unit up to four units to pay for rehabilitation of owner-occupied low- and moderate-income housing.

  Eligible units are located in one of the seven Community Development Districts, which include West Oakland. The primary purpose of the loans is to correct code violations, but they may also be used for other maintenance needs.

  Eligible borrowers are low- and moderate-income households meeting the program's income guidelines and demonstrating an ability to make the payments on the loan.

  Loans are made for a term of up to 20 years, at a fixed interest rate of six percent.

- **Maintaining existing affordable housing units: HMIP Deferred Payment Loan Program.** The City lends up to $40,000 for a single-family unit to pay for rehabilitation of owner-occupied low- and moderate-income housing.

  Eligible units are located in one of the seven Community Development Districts. The only purpose of these loans is to correct code violations or repair major systems in danger of failure.

  Eligible borrowers are low-income homeowners meeting the program's income guidelines.

  Loans are made for an indefinite term: they are due and payable when the house is sold or title is transferred. For borrowers younger than 62 years of age, income is assessed every three years to determine ability to pay. No interest is charged, and no monthly payments are required.

- **Maintaining existing affordable housing units: Minor Home Repair Program.** Alameda County grants up to $1,500 to pay for emergency repairs to owner-occupied housing units.

  Eligible units are located in one of the seven Community Development Districts.

  Eligible grantees are at least 62 years old or disabled, and meet program income guidelines.

- **Maintaining existing affordable housing units: Emergency Home Repair Program.** The City lends up to $7,500 to pay for major emergency repairs – such as roof repairs, sewer repairs, or major mechanical systems – to owner-occupied housing units.

  Eligible units are located in one of the seven Community Development Districts.

  Eligible borrowers are owner-occupants and meet program income guidelines (income not exceeding 50 percent of area median income).

  Loans carry no interest and require no monthly payments; they must be repaid when the home is sold or refinanced.

- **Maintaining existing affordable housing units: Other Programs.** The City of Oakland has two additional programs in this category: the Access Improvement Program and the Lead Safe Homes Program. These two programs are designed to improve conditions in existing units:

  - The **Access Improvement Program** provides grants of up to $15,000 to remove architectural barriers, or grants of up to $4,000 to construct new accessible units in buildings of three or fewer units. Owner-occupant grantees must agree to continue to live in the unit; owners of rental properties must agree to rent the property to a disabled tenant for five years. Eligible units are located in one of the seven Community Development Districts.

  - The **Lead Safe Homes Program** provides grants to address lead paint hazards and code violations for deteriorated exterior paint on owner-occupied homes. The amount of the grant depends on the property. Eligible units are located in one of the seven Community Development Districts; eligible borrowers must meet program income guidelines (income not exceeding 80 percent of area median income).

Goal 5 of the Housing Element is the preservation of affordable rental housing. The supporting policies and actions include a variety of efforts to monitor the status of federally assisted projects and assist the owners of those projects in applying for funding to extend the affordability period. There are no programs focused on extending affordability contracts, although the Housing Development Program may be used for this purpose.

2. Other City Programs

The Housing Element (Chapter 7) also includes a variety of action programs to implement the City's housing goals and policies. Because these programs are more policy-based than project-based, they are described in more general terms than the programs detailed in Appendix D. Action programs relevant to the creation and maintenance/preservation of affordable housing supplies are summarized below, sorted (1) by whether they affect housing resources directly or indirectly and (2) by the mechanisms they employ to reducing housing costs or prices (based on the list above, in Part C.1.a of this chapter).[27]

a. Programs with Indirect Effects on Housing Supply or Price

- **Programs to reduce the cost of land**: for example, make sites owned by the Redevelopment Agency available for residential development projects; increase allowable residential densities in strategic locations; make additional areas available live/work or residential mixed use projects; ease regulations governing second units in single-family zones; provide density bonuses for projects that provide threshold numbers of low- and/or moderate-income or senior units; develop a community land trust program to provide sites; and review property development standards for small infill lots and mixed-use areas.
- **Programs to reduce the cost of approvals/processing**: for example, provide for expedited and/or streamlined environmental review of certain major housing development projects in selected locations (e.g., downtown); allow multi-family housing as of right (no conditional use permit required) in specified residential zones, and by conditional use permit in specified commercial zones; (continue to) use objective and explicit approval criteria in the discretionary permit process for multifamily residential projects; implement a one-stop permit process for residential development applications; expedite review of affordable housing projects; and use Planned Unit Development zoning if necessary to enhance development feasibility;
- **Programs to reduce the cost of housing production**: for example, allow mobile homes and manufactured housing in single family residential districts consistent with adopted City regulations; allow the conversion of existing industrial and commercial buildings to joint work/live units in specific locations; allow the conversion of nonresidential downtown buildings to residentially-oriented joint living and working quarters; use flexible parking standards and open space standards in selected areas to enhance project feasibility; and require only those site improvements necessary to meet the needs of residential projects and to mitigate offsite environmental impacts.

[27] This list omits action programs that are implemented by one or more of the programs listed in Appendix D. For example, Action 1.1.2, Assist Developers with Site Assembly, is implemented by the Site Acquisition Program and the Predevelopment Loan Program.

- **Programs to reduce the price of housing**: for example, continue to operate a lease-purchase program (through the East Bay/Delta Housing and Finance Agency) to assist renters to transition to homeownership; work with the Oakland Housing Authority to develop an effective program to use Section 8 assistance for homeownership; seek voluntary agreements with developers to include affordable units in redevelopment areas and other large market-rate housing developments; and control the resale prices of units in assisted projects to assure that those units remain affordable.

b. Programs with Direct Effects on Housing Supply or Price

The following programs, which would increase the supply of affordable housing through production of new units or maintain the existing supply of publicly-assisted affordable units, are considered in more detail:

- **Action 2.3.1: Density Bonus Ordinance**

  The housing element provides for projects to obtain a density bonuses if threshold percentages of the units they provide are affordable to low- or moderate-income income households. The specific threshold percentages of units are no longer in compliance with State law (Government Code Section 65915), and must be brought into conformity. State law specifies that a bonus must be granted if the developer agrees to include 10 percent of units affordable to low-income households, or five percent affordable to very low income households, or 10 percent of units in a condominium project affordable to moderate-income households, or 100 percent of units are designated for senior households. The density bonus is at least 20 percent, but may be increased (up to 35 percent) if the proportion of affordable housing units is increased above the threshold percentages.

  The density bonus program effectively reduces the cost of land per housing unit, because it provides free land for the bonus units.

  Whether this program is attractive to housing developers depends on a variety of factors, including, for example (1) whether the cost of building the additional housing units increases the cost of the project disproportionately (e.g., moves the project to a different type of construction with higher costs); (2) whether the cost of producing the additional units is lower than the affordable purchase price or value of the rental unit; (3) whether the market will consume housing at the higher density; and (4) whether the higher-density project will face increased political opposition.

- **Action 2.4.2 Case-by-Case Negotiation**

  The City can seek voluntary agreements with individual developers to include affordable units in redevelopment areas and other large market-rate housing developments.

  This program reduces the price of housing to the consumer directly: no subsidies that would reduce production costs are involved.

This program would seem to be directly applicable to the Wood Street Project; in fact, some commenters on the DEIR have called for an inclusionary requirement for the project.[28]

Absent a density bonus as provided by Action 2.3.1, this program would shift the cost burden of the affordable units (that is, the difference between the obtainable market price of a unit and the price affordable to a low- or moderate-income household) to either (1) the landowner, assuming that the land is owned by a party other than the developer, or (2) the purchasers of market-rate units, or (3) the developer.

- For projects where the land purchase price has not been set, the City may have some ability to negotiate the inclusion of affordable units, because the developer can still try to pass the cost of those units (that is, the foregone revenue) on to the landowner in the form of a reduced purchase price. In this case, the landowner effectively subsidizes the affordable units.
- For projects where the land has already been purchased, the City may have some ability to negotiate *if* the prices of the market rate units can be increased to cover all or most of the cost (foregone revenue) of the affordable units. In this case, it is the purchasers of the market-rate units who subsidize the affordable units.
- For projects where the land has been purchased and the prices of the market-rate units cannot be increased – either because of a goal to provide housing at a relatively low price or because production costs dictate a price at or near the top of the market – the City has little ability to negotiate for affordable units. The cost of affordable units would translate into a reduction in the developer's profit (or the financing entity's return on investment); if this reduction is too great, then the developer or financer will abandon the project.

c. Programs that Would Provide Funding for Housing Subsidies

Programs that would directly affect the production of new affordable housing or reduce the price of that housing rely critically on the availability of funding. The Housing Element contains a number of actions intended to increase funding:

- **Programs to generate funding for housing programs**: for example, increasing the proportion of tax increment revenue collected in redevelopment project areas that is set aside for housing projects/programs; adopting a jobs/housing impact fee, to be imposed on nonresidential development (this "linkage fee," which applies to office and warehouse/distribution development, goes into effect on July 1, 2005).

C. Federal and State Programs Used by the City of Oakland

The City of Oakland relies on several federal and state housing programs to help fund production assistance for low- and moderate-income housing. In general, these programs are used to fund the City of Oakland housing programs described in Appendix D of the Housing Element.

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[28] See, for example, comments from Margaretta Lin, Director of Community Economic Development, East Bay Community Law Center, October 21, 2004; Just Cause Oakland, Coalition for West Oakland Revitalization; East Bay Community Law Center, and Wilson Sonsini Goodrich and Rosati, November 15, 2004, p. 10-11 and 12; Oakland Tenants Union, November 5, 2004; Urban Ecology, November 12, 2004.

D. Existing Programs in Other Cities

A brief query of planning professionals yielded the following program information:

- **Maintaining existing affordable housing units: Affordable Housing Preservation Program**: This program focuses on the preservation of existing affordable housing developments that are at risk of converting to market rate complexes within the next 5 to 10 years. The City considers providing financial assistance to assist with the acquisition and rehabilitation of units in exchange for the property owner's commitment to maintain the units at prices that are affordable to low-income households for a minimum of 55 years. In addition, the City cooperates with the developer to obtain bond or other low-interest financing as needed to make the project economically feasible.[29]

  Although it has no program called by this name, the City of Oakland carries out similar activities as part of its Housing Development Program.

- **Maintaining existing affordable housing units: Controls on the Loss of Rental Housing.** The City of Palo Alto approves projects (proposed subdivisions or condominiums) that would cause a loss of rental housing only if at least two of the following three circumstances exist:

  - The project will produce at least a 100 percent increase in the number of units currently on the site and will comply with the City's Below Market Rate (BMR) program (described elsewhere in that city's Housing Element); and/or
  - The number of rental units to be provided on the site is at least equal to the number of existing rental units; and/or
  - No less than 25 percent of the units will comply with the City's BMR program.

  The Palo Alto Housing Element (Program H-29) notes:

  > Many existing developments in Palo Alto contain units that are smaller and more affordable than those that would be built today. This program limits the removal of such units unless there is a significant net gain of housing or a replacement of rental units or affordable units. The program applies to the most recent number of rental units on the site whether or not they have been demolished. All units after the first unit are considered rentals.

  The City of Oakland has an existing program based on the same concept that restricts the conversion of rental housing in structures of five units or more, or in all structures in certain areas of the City.[30]

  Housing advocates disagree on the value of this type of program. Those who support restrictions on the conversion of multi-family rental housing to condominiums argue that these conversions reduce the supply of housing that is affordable to low- and moderate-income households and, therefore, conversions should not be allowed. Those who oppose restrictions assert that these units provide entry-level homeownership opportunities to households that would be unable to afford new construction or existing single-family units.

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[29] Described by Sharon Cohen, City of Walnut Creek, e-mail to Naphtali Knox, December 29, 2004.

[30] Municipal Code §16.36.070.

The requirement that rental units converted to condominiums be replaced by new rental units is an attempt to bridge this difference of perspective and priority.

E. Other Program Possibilities

- **Reducing the cost of housing production: Infrastructure Subsidies.** Another strategy to reduce housing production costs (noted in Part III.A.1.a of this chapter, above), not explicitly covered by any of the housing programs listed in this chapter, is to pay for infrastructure improvements needed to serve a proposed project. This subsidy liberates private sector money that would have been required to pay for the improvements. The private money may then be used to reduce the prices for some housing units to the affordable range.

  The use of public funds to subsidize a residential development project may trigger a requirement that the project set aside a designated proportion of units for low- and moderate income households. If the anticipated cost of providing those units – e.g., the difference in sales revenues between a project that is 100 percent market-priced and a project that has the required number of affordable units – is greater than the cost of the infrastructure, this type of subsidy is unlikely to be attractive to private developers.

  Public agencies considering this strategy should also consider whether this indirect approach to increasing the supply of affordable housing is as cost-effective as providing subsidies directly to housing construction/rehabilitation projects. The answer probably lies in the same comparison suggested in the preceding paragraph: that is, whether the anticipated expenditure on infrastructure is greater or less than the anticipated expenditure on housing. One factor that must be incorporated into this comparison is the requirement that public projects pay prevailing wages. This requirement applies equally to infrastructure and residential construction; unless the differential between prevailing wage and private market wages differs between the two types of construction, this factor is probably not significant.

F. Obstacles to Providing/Maintaining Affordable Housing

City of Oakland housing programs currently in place apply the conceptual tools identified in Part III.A of this chapter to preserving and expanding the City's supply of affordable housing. reducing land costs, reducing processing/approval costs, reducing production costs, and reducing housing prices.

Why, then, do Oakland's affordable housing resources remain inadequate to accommodate the need for low- and moderate income housing? Some of the reasons have to do with the very market forces that are expected to gentrify West Oakland. These market forces arise from the insufficiency of housing supply across all income ranges to meet housing demand/need. This insufficiency, in turn, derives from a variety of factors, including:

- Insufficient amount of land designated for residential development.
- Zoning that restricts housing density, limiting the number of units that can be built on the available sites.
- Development standards (e.g., parking requirements) that affect the cost of housing.
- Political opposition to new housing in or adjacent to established neighborhoods.

- Construction costs.
- Costs of construction loans and mortgage loans; in particular, interest rates.

These constraints are not limited to Oakland: the affordability of housing throughout the Bay Area is a problem that has been well documented for a number of years. Some of these conditions, such as construction costs and financing costs, are beyond the City's control. Other conditions, such as the supply of sites, the density of development, and development standards, are addressed by policies and programs that have been adopted by the City and are identified in this chapter. (Even these conditions, however, are only partially controlled by the City: Oakland is a small part of the metropolitan area that borders San Francisco Bay. To the extent that other jurisdictions within the metropolitan area regulate land and development to limit housing development opportunities, the unmet need is redistributed within the region, with some landing in Oakland.)

Beyond these market factors, however, are two key constraints – also not limited to Oakland – that effectively limit the production and preservation of affordable housing resources: money and political opposition:

- **Money** – that is, the amount of funding available for housing programs – is limited by conditions that affect all aspects of municipal revenue collection plus the ongoing reductions in assistance available from the federal and state governments. At the same time, providing or retaining affordable housing in one of the most expensive housing markets in the United States requires large amounts of funds.

  This paper does not include a pro forma analysis that would provide information about the amount of subsidy required per affordable unit in the City of Oakland. The Housing Element of the Oakland General Plan (Table 6-2) estimates that the subsidies required for land acquisition for housing of different densities range from $13,900 per unit for moderate-density multi-family housing (45 units/acre) to $70,400 per unit for detached single family housing (15 units/acre).

  The Housing Element further estimates production costs for affordable housing in Oakland in 2001. Total costs – including construction, "soft costs,"[31] land acquisition and site-related costs – ranged from $173,220 per unit for moderate density multi-family housing (45 units/acre) to $274,460 per unit for detached single family housing (15 units/acre).

  Table 13 compares estimated costs to produce affordable housing, based on the figures in the Housing Element (updated to 2004 costs), to the cost that low- and moderate-income households can afford (based on 2004 income limits) to derive a required subsidy per unit.

  The table suggests that subsidies would not be required for moderate-income households to purchase loft-type units that could be sold for $239,000 (the estimated production cost, including profit) or, indeed, for any price less than $242,000. At the same time, a low-income household looking to purchase the same unit priced at $239,000 would require a subsidy of nearly $137,000.

[31] Architecture and engineering, planning and approval, fees and permits, taxes, insurance, financing and carrying costs, and marketing.

Table 13
Estimated Housing Costs and Affordability

	Ownership Units			Rental Units	
	Multifamily Residential Stacked Flats & Lofts		Single-Family Detached Ownership Housing	Multifamily Residential Rental Apartments for Families	Multifamily Residential Rental Apartments for Families
Housing Characteristics					
Density (Units/Acre)[a]		146	15	45	30
Sq. Ft./Unit[a]		1,352	1,374	936	981
Appropriate Household Size (#persons)[b]	2	4	4	4	4
Housing Production Cost per unit[c]					
2001 Estimate		$206,520	$274,460	$173,220	$243,210
2004 Estimate		$216,917	$288,278	$181,941	$255,454
Estimated Housing Price[d]		$238,609	$317,105		
Estimated Rent[e]				$1,884	$2,645
Fair Market Rent[f]				*$1,002*	*$1,002*
Affordable Housing Price/Rent[g] if Income is:					
120% of Median	$242,418	$303,100	$303,100	$1,726	$1,726
80% of Median	$162,841	$203,552	$203,552	$1,159	$1,159
50% of Median	$101,699	$127,201	$127,201	$725	$725
Subsidy Required if Income is:					
120% of Median	$0	$0	$14,005	$158	$919
80% of Median	$75,768	$35,057	$113,554	$725	$1,486
50% of Median	$136,910	$111,408	$189,905	$1,160	$1,921

a Based on Housing Element, Tables 6-2 and 6-3.
b Estimated number of bedrooms plus one.
c Adjustment from 2001 to 2004 based on change in the consumer price index for all urban consumers, San Francisco-Oakland-San Jose, for the first half of each year (2001=188.7; 2004=198.2).
d Assumes 10% profit. Note that in general, housing price is dictated by what the market will bear. This calculation is based on Table 6-3 of the Housing Element, which is concerned with affordable housing costs. To the extent that market prices are higher than the prices shown in this line of the table, the subsidies required would be commensurately greater than shown in the last section of this table.
e Based on the following assumptions (derived from Housing Element, p. 3-39): mortgage = 90 percent of production cost; mortgage loan is for 30 years at 6 percent interest; debt coverage ratio = 1.1; operating expenses = 35 percent of gross income excluding vacancies; vacancy allowance is 3 percent.
f Data from Community Housing Network (http://www.communityhousingnetwork.org/housingresources/affordable/fairmarketrent.htm. Rent figure assumes a 3-bedroom unit.
g Affordable purchase price assumes 30 percent of income is available for housing; 70 percent of housing budget is available for mortgage payment; mortgage is for 95 percent of purchase price at an interest rate of 6 percent for a term of 30 years. Affordable rent assumes 30 percent of income is available for housing and 70 percent of housing budget is available for rent.

Sources: As noted in footnotes to the table.

For renter households, monthly subsidies ranging from $158 per month (moderate-income household, more-dense housing) to $1,921 per month (very low-income household, less-dense housing) are estimated. Note, however that the rent required to cover the production cost of the units in Table 13. is significantly greater than the area fair market rent, which is the upper limit of the rental range that a Section 8 certificate will consider.

- **Political opposition** to new affordable housing units may arise in any neighborhood under any set of conditions:

> Affordable housing has been demonized in the public mind. It is largely associated with and saddled with a series of negatives – crime, distressed neighborhoods and declining property values. These public images persist even though many empirical studies have refuted these negative claims and even after the federal government has taken major efforts to demolish the most troubled public housing developments and stimulate the development of economically integrated communities. Affordable housing is associated exclusively with the very poor. That means most Americans assume, wrongly, that the issue has nothing to do with them. It also means that the issue has a weak base from which to build majoritarian coalitions that can spur political and policy action.[32]

Although opposition from residents of middle- and upper-class neighborhoods often gets more publicity, many people who live in less-well-off areas also are known to object to the placement of subsidized housing near them. Some reasons for the objections of people in any location are:[33]

- The addition of housing brings additional population, which means more traffic and more demand on public facilities schools and parks. (This objection is not limited to affordable housing projects.)
- The addition of affordable units will inhibit gentrification of existing housing in the neighborhood, so homeowners will never be able to profit from housing price increases, while people in better-off neighborhoods are able to capture those increases as a matter of course.
- The addition of affordable units in a neighborhood that already has a disproportionate share of such units (the situation in West Oakland, as shown in Table 11) is less beneficial for the residents of that housing than it would be in more diverse neighborhoods, and is not beneficial for residents of the surrounding neighborhood.

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[32] Katz, Bruce, director of the Brookings Institution Center on Urban and Metropolitan Policy, "Increasing Housing Opportunities in Metro Kansas City" at www.brookings.org/dybdocroot/es/urban/speeches/kcaffordable.pdf (text of a speech to the Kansas City Forum in Kansas City, MO, cited in Stuart Meck, FAICP; Rebecca Retzlaff, AICP; and James Schwab, AICP, *Regional Approaches to Affordable Housing,* Planning Advisory Service Report 513/514 (2003).

[33] The citation of these examples of opposition is not intended to suggest that they are justified, and this footnote is not intended to suggest that they are not justified.

G. A Candidate Strategy for the Production and Preservation of Affordable Housing

The foregoing review of housing programs indicates that Oakland's "housing tool box" already contains all of the conceptual tools to produce and preserve affordable housing. As is the case with many problems, affordable housing goals could be solved with the application of enough money.

Assuming that additional funds were available – e.g., the housing set-aside funds and perhaps other tax increment revenues that will be generated by the Wood Street Project – how should they best be used?

Consistent with the approaches identified in Part C.1 of this chapter (Theoretical Approaches), the candidate strategy considers three primary approaches: (1) reduction in housing production (or preservation) costs, (2) reduction in housing prices, and (3) extending (geographically) the City's controls on the conversion of rental units to condominiums. These approaches are not mutually exclusive.

The following paragraphs describe the advantages and disadvantages of each strategy and recommend some tools that the City of Oakland does not currently have in place.

- **Programs that reduce housing production costs: Capital Contributions.** With a capital contribution, the City (or one of its agencies) makes a one-time contribution to each housing unit, and that contribution reduces the cost of housing. This contribution, if made in the form of a loan, is repaid at an appropriate time; if made in the form of a grant, is never repaid. Typically, a capital contribution carries a requirement that the housing produced with the funds loaned or granted remain affordable for a specified period of time.

  Contributing capital (money) to reduce housing production costs is the mechanism behind many existing Oakland programs, including the Affordable Housing Site Acquisition Program, the Housing Development Program, the Predevelopment Loan Program, the Vacant Housing Acquisition and Rehabilitation Program, the various home rehabilitation and repair programs, and the two first-time homebuyer programs.

  Capital contribution programs are attractive because they occur as a one-time event for each housing unit; therefore, the amount of money required per housing unit produced or rehabilitated is defined. At the same time, capital contributions require greater amounts of money at one time than do ongoing subsidies, so the agency making the contribution needs access to a substantial funding source to be able to make a difference.

  To preserve and maintain the supply of affordable housing in Oakland, the following capital applications of funds (as they become available) are recommended:

  - **Revive the Affordable Housing Site Acquisition Program.** At present, this program is dormant because the supply of funds has been exhausted. An infusion of funds would enable the City or its agencies to assist developers of affordable housing in acquiring land for the construction of new units.

- **Expand the Vacant Housing Acquisition and Rehabilitation Program.** In addition to increasing the funding available to this program, consider expanding the program to allow low- and moderate-income households to purchase existing units that are not vacant but that are available at prices below the area median (or at some specified percent of the area median). This modification to the program would enable these households to acquire older units that currently are part of the affordable housing supply and rehabilitate them to provide acceptable living conditions. It would also allow the program to include units that have not been vacant for at least six months, with the effect of arresting the decline in physical condition that is likely to occur during the vacancy period and, consequently, reducing the likely cost of rehabilitation.

- **Programs that reduce housing prices: Operating Contributions.** With operating contributions, the City (or one of its agencies) makes periodic subsidy payments either to the owner of rental housing, to help defray operating costs, or to the renter, to help defray the monthly cost of housing occupancy (including rent, utilities, etc.). Typically, operating subsidies are never repaid.

  The Section 8 voucher program is an example of an operating subsidy program: each month, the federal government pays the difference between the approved rent for a housing unit and portion of that rent paid by the renting household (typically, 30 to 40 percent of household income).

  Operating contribution programs differ from capital contributions in that they are recurring expenditures, requiring the application of funds repeatedly over an indefinite period of time. During that time, the amount of the periodic contribution required is likely to increase (e.g., as a result of inflation).

  The main advantage of ongoing contribution programs is that they provide a means to deliver housing subsidies directly to renter households, enabling them to seek housing units in more locations than would be possible if the subsidy were tied to a particular set of housing units.

  To preserve and maintain the supply of affordable housing in Oakland, the following operating application of funds (as they become available) is recommended:

  - **Supplement the Section 8 Voucher Program.** As indicated earlier in this chapter (Part C.2), the Housing Element estimates the current wait for Section 8 vouchers at three to five years, and the Consolidated Plan did not anticipate any new vouchers this year. If the City (or one of its agencies) were able to implement a program parallel to the Section 8 program but funded with local resources, the waiting time could be reduced, and the number of households served could be increased.

    As was indicated in footnote a to Table 5.1, analysts agree that Section 8 vouchers are less effective in a tight housing market than they are in a loose market, because landlords in a tight market have less incentive to accept rents at the "fair market" level defined by the U.S. Department of Housing and Urban Development. This dynamic would limit the effectiveness of this strategy at some times in the economic cycle.

- **Program that limits the loss of (affordable) rental units: Conditions on Conversion to Ownership.** In an attempt to preserve its supply of rental housing, the City of Palo Alto imposes conditions on the conversion of rental housing to condominiums. These conditions, at least two of which must be met, include an increase in the number of units on the project site, maintenance or increase of the number of rental units on the site, and inclusion of below-market-rate units (see Part C.4 of this chapter, above, for specifics).

  The City of Oakland restricts the conversion of rental units to condominiums in buildings of five units or more, and in all buildings in certain areas of the city (see Municipal Code §16.36.070). The broader restriction on all buildings does not currently apply in the West Oakland area. Neither form of the restriction currently in effect in Oakland considers the affordability level of either the units that would be removed from the rental housing supply or the replacement units that would be provided.

  The City could consider modifying this provision of the Municipal Code in two ways:

  - Extend the applicability of the broader restriction – that is, the restriction on conversion of all properties, no matter how many units they contain – to the West Oakland census tracts.
  - Modify the conversion restriction (whether throughout the City or only in West Oakland) to apply only to units for which the current rent is no greater than some defined limit (e.g., the fair market rent, the median rent, or the rent affordable to a household within certain income limits). Incorporating an affordability test could, but is not guaranteed to, address some concerns of people who oppose limits on conversions.

IV. ESTIMATED COST OF RECOMMENDED STRATEGIES

Given the magnitude of the subsidies required, as estimated in Table 13, it is apparent that substantial funding is required to stimulate the production of significant numbers of affordable housing units. Table 14 calculates the number of units that could be assisted per $1 million in funding for the affordable Housing Site Acquisition Program, given the subsidy levels estimated in Table 6-2 of the Housing Element. The figures indicate that for every $1 million invested in this program, as many as 14 single family homes or as many as 77 moderate-density multifamily units (45 units per acre) could be assisted. (These numbers would, of course, be critically affected by land prices.)

Table 15 calculates how many units at various price/rent levels could be produced per $1 million of investment in capital contributions. These figures indicate that the number of units assisted would depend on the targeted household income level and the type of unit (density and renter vs. owner).

Table 14
Number of Units Subsidized by Contribution of $1 Million to the Affordable Housing Site Acquisition Program

	Multifamily Residential, Higher Density	Multifamily Residential, Moderate Density	Multifamily Residential, Moderate Density	Single Family Detached Residential
Density (units/acre)	146	45	30	15
Land Acquisition Cost/Unit[a]	$19,800	$13,000	$19,167	$70,400
# Units[b]	51	77	52	14

b From Housing Element, Table 6-2. Does not account for inflation over time.
a Assumes contribution = 100 percent of site acquisition cost; does not include holding costs (financing, insurance, property taxes).

Source: Oakland General Plan, Housing Element, Table 6-2 (p. 6-13); Mundie & Associates.

Table 15
Number of Units Subsidized by Capital Contributions of $1 Million

		Ownership Units			Rental Units[a]	
		Multifamily Residential Stacked Flats & Lofts		Single-Family Detached Ownership Housing	Multifamily Residential Rental Apartments for Families	Multifamily Residential Rental Apartments for Families
Housing Characteristics						
Density (Units/Acre)[a]		146		15	45	30
Sq. Ft./Unit[b]		977		1,374	936	981
Appropriate HH Size (#persons)[b]		2	4	4	4	4
Household Income and Subsidy Calculations						
120% of Median	Subsidy/Unit	$0	$0	$14,005	$16,752	$97,617
	# Units	-	-	71	60	10
80% of Median	Subsidy/Unit	$75,768	$35,057	$113,554	$76,981	$157,846
	# Units	13	29	9	13	6
50% of Median	Subsidy/Unit	$136,910	$111,408	$189,905	$123,175	$204,040
	# Units	7	9	5	8	5

Note: Subsidy estimates are critically affected by housing prices, interest rates, down payment assumptions, and income limits. The estimates in this table reflect the assumptions outlined in the footnotes to Table 13.

a Based on Housing Element, Tables 6-2 and 6-3.
b Subsidy per unit calculated based on the reduction in value required to reduce the monthly rental payment to the affordable level (but not the fair market level) shown in Table 13. Estimated number of units assisted does not account for inflation over time.

Source: Mundie & Associates

Given the estimates shown in Table 15, it appears that the most effective use of capital contribution funds for housing production would be:

- For moderate-income households, production of single family detached housing at a density of 15 units per acre. Note, however, that – given the assumptions used in this analysis – the production of high-density housing (146 units per acre) affordable to moderate income households may be achievable with no subsidy.
- For low-income households and very-low income households, high density housing (146 units per acre) offered for sale, particularly in configurations that would accommodate larger households (in this example, a household of four, which requires three bedrooms).
- The production of rental units at a density of 45 units per acre is slightly more cost-effective than rental units at a density of 30 units per acre.

Table 16 calculates the number of households that could be assisted by operating contributions totaling $1 million. Because operating contributions recur periodically – typically, monthly – this calculation requires a limit on the amount of time that such contributions would be made. Two cases are presented: assistance for 5 years and assistance for 10 years.

Table 16
Number of Households Subsidized by Operating Contributions of $1 Million

	5 years		10 years	
	Multifamily 45 units/acre	**Multifamily 30 units/acre**	**Multifamily 45 units/acre**	**Multifamily 30 units/acre**
Moderate Income (120% of Median)				
Subsidy/Unit/Month	$158	$919	$158	$919
Total/Unit With 3% Annual Inflation	$10,047	$58,547	$10,847	$63,210
# Households	100	17	92	16
Low Income (80% of Median)				
Subsidy/Unit/Month	$725	$1,486	$725	$1,486
Total/Unit With 3% Annual Inflation	$46,170	$94,670	$49,847	$102,210
# Households	22	11	20	10
Very Low Income (50% of Median)				
Subsidy/Unit/Month	$1,160	$1,921	$1,160	$1,921
Total/Unit With 3% Annual Inflation	$73,876	$122,376	$79,759	$132,122
# Households	14	8	13	8

Source: Mundie & Associates

The calculations indicate that a fund of $1 million could subsidize up to 100 moderate-income households for five years or 92 moderate income households for 10 years, or 14 very low income households for five years or 13 for 10 years. (As in all of the cases presented in this chapter, higher interest rates would reduce the number of households that could be assisted with a defined amount of funding.)

V. FUNDING SOURCES AND UNITS ASSISTED

A. Existing Sources of Housing Assistance Funds

The City of Oakland and its agencies that assist housing affordability currently receive funds from a variety of state and federal programs. These funds are fully committed to existing program activities. It is not reasonable to second-guess professional staff by suggesting that these funds be redirected to other activities.

B. Property Tax Increment

1. Housing Set-Aside Funds from the Wood Street Project

While Oakland's existing funds earmarked for housing are fully committed, additional funds will become available if the proposed Wood Street Project – which is the stimulus for this paper – is approved and developed.

According to an analysis of the project prepared by the Conley Consulting Group for BUILD West Oakland (one of the project sponsors), the Wood Street Project will generate an estimated $27.7 million in housing set-aside funds between 2004 and 2028. This stream of funds may be used on a pay-as-you-go basis, or may be leveraged (that is, bonds may be issued and repaid with this funding stream) to provide more housing assistance buying power in the early years. CCG estimates that the Housing Set-Aside funds from the Wood Street Project would support $11.2 million in bond proceeds through 2013, and would then generate an additional $13.7 million in pay-as-you-go money between 2013 and 2028.

The CCG tax increment analysis hypothesizes that the Housing Set-Aside funds could be used for down payment assistance, with an average "silent second" of $98,000 per down payment.[34] On this basis, the report calculates that the City could use the funds generated by the proposed project to help low-income households purchase 99 of the units in the Wood Street Project. If this strategy were used, the 99 low-income units would comprise about nine percent of the units in the project in the Maximum Commercial Scenario and just over six percent of the units in the Maximum Residential Scenario.

Table 17 summarizes the numbers of units and percent of all units in the project that could be assisted in this manner for households in different income ranges. It indicates that the housing funds could be stretched to subsidize up to 2,100 households with incomes as high as 120 percent of the areawide median (that is, moderate-income households), or 65 households with incomes as low as 60 percent of the areawide median (low-income households eligible for the federal HOME program).

[34] See p. 52 for the definition of "silent second." The average of $98,000 is based on cost, price and income limit calculations for a variety of housing types included in the proposed project, with prices ranging from $305,000 to $378,000 (the same price range used for the tax increment calculation), and a low-income (80 percent of median) household with three people.

Table 17
Estimated Housing Assistance Available from Wood Street Project Set-Aside Funds to Households of Different Income Levels: Assistance via "Silent Seconds"[a]

Income Level (% of Median)	120%	100%	80%	60%
Household Size	3	3	3	3
Household Income	$86,520	$72,100	$57,600	$43,260
Average Subsidy Required	$4,600	$43,100	$98,400	$149,500
# Households Subsidized	2,118	227	99	65

a A "silent second" is a second mortgage that carries no interest and no repayment obligation until the unit is sold.

Source: Conley Consulting Group; Mundie & Associates

Alternative calculations of the number of units or households that could be provided using alternative assistance strategies is provided in Tables 5.9 through 5.12.

Table 18 considers the number of housing units that could be assisted if the tax increment housing set-aside funds (as calculated by CCG) were used only for site acquisition assistance. Given the subsidy per unit estimated in the Housing Element, the same amount of funding that would assist between 65 and 2,118 households with downpayment assistance (Table 17) would assist in site acquisition for between 130 and 706 housing units through the year 2012, depending on the density of development.

Table 18
Estimated Housing Assistance Available from Wood Street Project Set-Aside Funds to Housing Units at Different Densities: Assistance via Site Acquisition

	Multifamily Residential, Higher Density	Multifamily Residential, Moderate Density	Multifamily Residential, Moderate Density	Single Family Detached Residential
Density (units/acre)	146	45	30	15
Subsidy per Unit (in 2001 Dollars)[a]	$19,800	$13,000	$19,167	$70,400
Units Assisted through 2012	464	706	479	130

a From Table 14. This number is provided for reference. To calculate the number of units assisted, the subsidy for unit is increased at the assumed inflation rate of three percent per year.

Source: Mundie & Associates

Table 19 considers the number of for-sale units that could be assisted by applying the tax increment housing set-aside funds to programs that reduce housing production costs. In this strategy, the funding stream is estimated to provide potential assistance to between 53 and 716 units through the year 2012.

A parallel analysis for (rental) apartments is presented in Table 20. If the housing set-aside funds were applied to cost reductions for rental housing, then they could assist in the production of between 49 and 599 units through the year 2012, depending on the density of development and the target household income (rent) level.

Finally, Table 21 estimates the number of households that could be assisted if the housing set-aside revenue stream were applied to rent subsidies on the model of Section 8 vouchers. In this case, all funds are assumed to be used on a pay-as-you-go basis (no bonds are issued). The table indicates that, through the year 2012, a total of between 42 and 506 households could be assisted. These figures mask an annual increase in the number of households that could be included in a subsidy program: for example, if all assistance were to be given to moderate-income two-person households, it could cover 22 households in 2004, increasing to 24 in 2005, 25 in 2006, 220 in 2008, 334 in 2010, and 506 in 2012 as the tax increment grows.

Table 19
Estimated Housing Assistance Available from Wood Street Project Set-Aside Funds to Housing Units at Different Densities for Different Income Levels: Assistance via Capital Contribution to Housing Production Cost (Ownership Units)

	Multifamily Residential Stacked Flats & Lofts		Single-Family Detached Ownership Housing
Housing Characteristics			
Density (Units/Acre)	146		15
Appropriate HH Size (#persons)	2	4	4
Subsidies and Units Assisted			
Moderate-Income Households (120% of Median Income)			
Subsidy per Unit (in 2004 Dollars)[a]	n.a.	n.a.	$14,005
Units Assisted Through 2012	n.a.	n.a.	716
Low-Income Households (80% of Median Income)			
Subsidy per Unit (in 2004 Dollars)[a]	$75,768	$35,057	$113,554
Units Assisted through 2012	132	286	88
Very Low-Income Households (50% of Median Income)			
Subsidy per Unit (in 2004 Dollars)[a]	$136,910	$111,408	$189,905
Units Assisted through 2012	73	90	53

a From Table 15. This number is provided for reference. To calculate the number of units assisted, the subsidy for unit is increased at the assumed inflation rate of three percent per year after 2004.

Source: Mundie & Associates

Table 20
Estimated Housing Assistance Available from Wood Street Project Set-Aside Funds to Housing Units for Different Income Levels: Assistance via Capital Contribution to Housing Production Cost (Rental Units)

	Multifamily Residential Rental Apartments for Families	
Housing Characteristics		
Density (Units/Acre)	45	30
Appropriate HH Size (#persons)	4	4
Subsidies and Units Assisted		
Moderate-Income Households (120% of Median Income)		
Subsidy per Unit (in 2004 Dollars)[a]	$16,752	$97,617
Units Assisted Through 2012	599	103
Low-Income Households (80% of Median Income)		
Subsidy per Unit (in 2004 Dollars)[a]	$76,981	$157,846
Units Assisted through 2012	130	64
Very Low-Income Households (50% of Median Income)		
Subsidy per Unit (in 2004 Dollars)[a]	$123,175	$204,040
Units Assisted through 2012	81	49

a From Table 15. This number is provided for reference. To calculate the number of units assisted, the subsidy for unit is increased at the assumed inflation rate of three percent per year after 2004.

Source: Mundie & Associates

2. Housing Set-Aside Funds from the Remainder of the Oakland Army Base Redevelopment Project

In addition to the housing set-aside funds generated by the Wood Street Project itself, the Oakland Redevelopment Agency will also have at its disposal tax increments – and, in particular, housing set-aside funds – generated by redevelopment in the remainder of the Oakland Army Base Redevelopment Area. These funds from the remainder of the area are projected to total between $65 million and $75 million over the life of the redevelopment project, equal to about twice as much as the amount expected from the Wood Street Project.[35] These funds could be applied to the same uses as those shown in Tables 17 through 21 for the housing set-aside funds generated by the project, and would consequently triple the numbers of housing units or households assisted.

[35] Conley Consulting Group, memorandum to BUILD West Oakland, Inc. re: Housing Set-Aside Projection, October 4, 2004.

Table 21
Estimated Housing Assistance Available from Wood Street Project Set-Aside Funds to Households of Different Income Levels: Assistance via Operating Contribution to Households (Rental Units)

	Multifamily Residential Rental Apartments for Families	
Housing Characteristics		
Density (Units/Acre)	45	30
Appropriate HH Size (#persons)	4	4
Subsidies and Units Assisted		
Moderate-Income Households (120% of Median Income)		
Subsidy/Unit/Year (in 2004 Dollars)[a]	$1,896	$11,028
Units Assisted Through 2012	506	87
Low-Income Households (80% of Median Income)		
Subsidy/Unit/Year (in 2004 Dollars)[a]	$8,700	$17,832
Units Assisted through 2012	110	54
Very Low-Income Households (50% of Median Income)		
Subsidy/Unit/Year (in 2004 Dollars)[a]	$13,920	$23,052
Units Assisted through 2012	69	42

a From Table 16. This number is provided for reference. To calculate the number of units assisted, the subsidy for unit is increased at the assumed inflation rate of three percent per year after 2004.

Source: Mundie & Associates

VI. CONCLUSION

The City of Oakland has in place a broad array of tools for preserving and expanding its supply of affordable housing resources. These tools address the points in the housing production and pricing where the City may intervene to improve the affordability of new housing supplies and to preserve the affordability of existing housing units, even in the face of gentrification. They include, for example, assistance with site acquisition (when funding is available); assistance with acquisition and rehabilitation of existing (vacant) housing; and assistance with housing production via capital subsidies.

Several additional tools could be added to the City's inventory. These include:

- Reviving the Affordable Housing Site Acquisition Program.
- Expanding the Vacant Housing Acquisition and Rehabilitation Program.
- Supplementing the Section 8 voucher program.
- Expanding/modifying current restrictions on the conversion of rental units to condominiums.

The City's ability to apply the existing and proposed additional tools, however, is impeded by a shortage of funds. The Wood Street Project will generate a substantial revenue stream for housing assistance. The City's challenge will be to use this revenue stream strategically to maximize the number of affordable housing units in Oakland.

Appendix A
CITY OF OAKLAND HOUSING POLICY
(Adopted by City Council Resolution Number 69661, January 26, 1993)

The City of Oakland is committed to making decent affordable housing available to all of its citizens. While it is recognized that most state and federal housing programs are targeted primarily to very low income persons, it is the intention of the City of Oakland to include persons with other income levels in its housing programs and developments as well. The following general policies have been adopted as a framework for new housing programs and projects:

(1) The City of Oakland is committed to improving neighborhoods by providing quality housing that is affordable, attractive and well designed and will become an integral part of the surrounding neighborhoods by focusing community pride and integrating other factors that enhance neighborhood livability, such as improved streetscapes and programs that improve safety and education.

(2) The City of Oakland will encourage homeownership to the fullest extent feasible while also continuing to encourage the development of a variety of types of housing opportunities for persons not able to attain, or not interested in attaining, traditional homeownership, including rental, work/live housing, cooperative homeownership, and mutual housing.

(3) In the use of City and/or Redevelopment Agency money and/or regulatory authority, it is the City's policy to avoid concentration of housing for any single income group in a neighborhood, distributed equitably among all Council Districts.

(4) The City of Oakland will apply for all available state and federal funding sources that will further the availability of decent affordable housing for citizens and will lobby for increased state and federal assistance to ease Oakland's affordable housing crisis.

(5) The City of Oakland is committed to working to maximize access to private capital investments in housing.

(6) The City of Oakland is committed to encouraging all jurisdictions in the region to take actions to provide their "fair Share" of regional housing needs for all income groups, especially lower income persons.

(7) The City of Oakland is committed to addressing effectively the many issues of homelessness, including the provision, to the fullest extent feasible, of emergency shelter and transitional housing for homeless persons and permanent housing which is service-enriched for formerly homeless persons.

(8) The City of Oakland is committed to simplifying and expediting housing development processes.

(9) The City of Oakland will dedicate available resources to eradicate and prevent blighting conditions and maintain standards to safeguard and preserve the neighborhoods through code compliance.

(10) The City of Oakland will implement programs that result in the preservation and enhancement of existing housing resources, for livability, affordability and historical continuity.