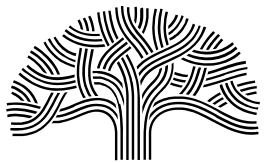


# Oakland's Affordable Housing Pathways

**March 28, 2024**

**6 PM – 7.30 PM**

Planning and Building Department

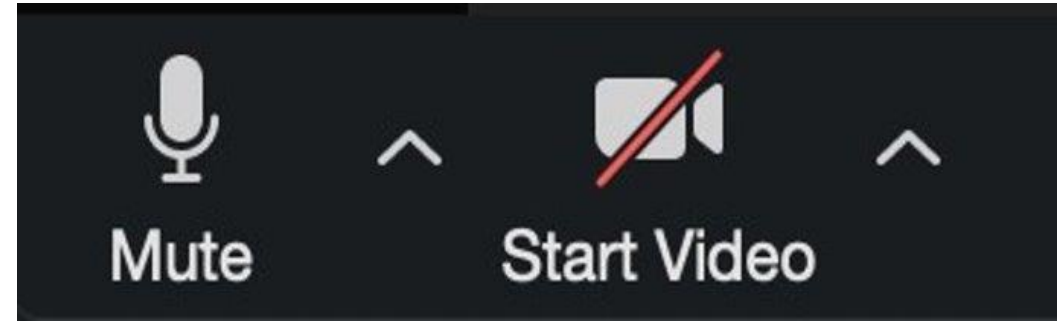


**CITY OF  
OAKLAND**



# Zoom Protocol and Ground Rules

1. Please mute yourself if you are not actively speaking
2. Please be respectful. There will be zero tolerance for inappropriate behavior or language
3. One Mic, One Speaker- Please allow one person to speak at a time
4. Challenge the idea, not the person
5. At this meeting, acknowledge existing conflict, assume good intentions and look for shared opportunities
6. Expect unfinished business- not everything will be or can be addressed in this meeting, but all feedback is noted
7. Focus on meeting topic. Other issues are important, and being addressed through different meetings/processes

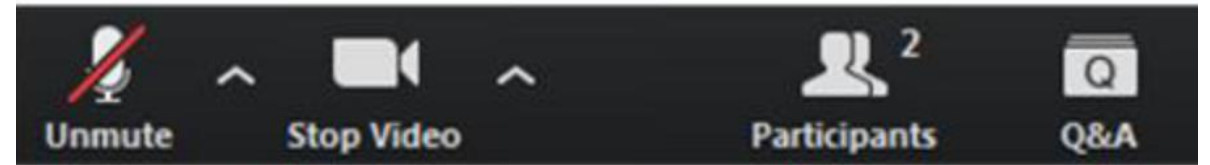


# Agenda and Objectives

- **Background**
  - Housing Element Action 3.3.7
  - Framework for 100% affordable housing production
  - Role of private market in affordable housing production
- **What is the Policy and Legal Context?**
  - On-site vs. Impact Fee
  - Local policies and density bonus incentives
- **Development Economics**
  - Trends in Mixed Income Development
- **Policy and Program Design Considerations**
- **Q&A**

# Q&A Feature

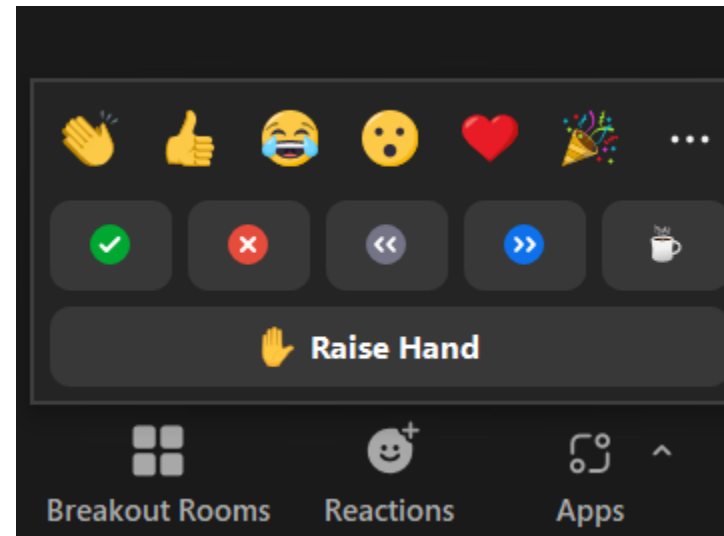
- Ask questions using the "Q&A" button at the bottom of your toolbar
- You can upvote questions using the "thumbs up" icon
- Some questions will be answered live
- We will have a short amount of time to take verbal questions and other feedback
- For verbal questions, use "Raise Hand" feature to indicate interest in speaking and the host will call on you



**John Peterson** 03:14 PM

How do I upgrade my plan?

👍 2



If on phone:  
\*6 to unmute  
\*9 to raise hand

# BACKGROUND

# Oakland 2023-2031 Housing Element Actions Target Need to Produce Mixed-Income Housing

## To address:

- Geographic inequities
- Racial segregation
- Disparities in housing opportunities and outcomes

## Examples:

- Zoning for missing-middle and multi-unit housing in single-family neighborhoods
- Affordable Housing Overlay
- **Study inclusionary housing requirements (Action 3.3.7)**
- Revise development standards and conditional use permit requirements for multi-unit housing
- Streamlining for mixed-income housing

# Action 3.3.7 of the Housing Element

- **Action 3.3.7: Study the targeted adoption of an inclusionary housing requirement**
  - Analysis of Inclusionary Affordable Housing and Affordable Housing Impact Fee Options to Evaluate Implications for Affordable Housing Production
  - Evaluation of and comparison to providing affordable housing units on-site vs. of the Affordable Housing Impact Fee
  - Overview context of inclusionary / on-site affordable housing policy vs. affordable housing impact fee policy

# Framework for 100% Affordable Housing: Oakland HCD Strategic Action Plan

- Average total cost = \$800,000 per unit
- Average city capital subsidy = \$150,000 per unit
- Average time to complete = 3 – 4 years **after receiving funding**
- Average operating subsidy for permanent supportive housing and extremely-low-income units = **\$200,000 per unit for approximately 15 years** (through multiple combined sources and operating funds from the City)
- These types of deeply affordable units are strategic priority but funding for operating subsidy is a constraint on the number of units that can be produced



# 100% Affordable Housing – Funding Sources Available to the City of Oakland

## Bond Sources

- HCD's local source of funding that is not on-going, continues until money run out
- Sources of revenue:
  - Measure KK - \$100 million, *entirely drawn down*
  - Alameda County Measure A1 – \$88.9 Million for Oakland, *entirely drawn down*
  - Measure U - \$350 million, *underway*

# 100% Affordable Housing – Funding Sources Available to the City of Oakland

## Affordable Housing Trust Fund

- HCD's primary local source of on-going capital funding
- Sources of revenue:
  - **Impact Fees**
    - Affordable Housing Impact Fee (AHIF) paid by developers of market rate housing: ***\$27.8 million collected from Sept. 2016 – June 2023***
    - Jobs/Housing Impact Fee paid by developers of new office and warehouse space
  - **"Boomerang funds"** - 25% allocation of former Redevelopment tax increment set-aside funds set aside for affordable housing

# Affordable Units – Who Produces Them and How?

## **100% affordable projects**

Not-for-profit housing developers

### **Process:**

- Oakland's Department of Housing & Community Development allocates local funding through NOFA
- Multiple sources of federal, state, and local public funds, plus Low-Income Housing Tax Credit equity investment
- Some units in larger project areas via negotiated development agreements

## **Mixed-income projects**

Private-sector market-rate developers

### **Process:**

- Affordable units on-site in-lieu of Affordable Housing Impact Fees and/or to satisfy requirements for Density Bonus incentives/concessions

# Income Categories Defined

INCOME CATEGORY	AREA MEDIAN INCOME (AMI)	AFFORDABLE RENT LIMIT
Extremely Low Income (ELI)	30% or less AMI	30% AMI
Very Low Income (VLI)	31 – 50% AMI	50% AMI
Low Income (LI)	51 – 80% AMI	60% AMI
Moderate Income (MI)	81 – 120% AMI	110% AMI
<b>2023 Median Income – Alameda County Family of Three</b>		<b>\$133,100</b>

# Total Number of Permitted Units by Affordability

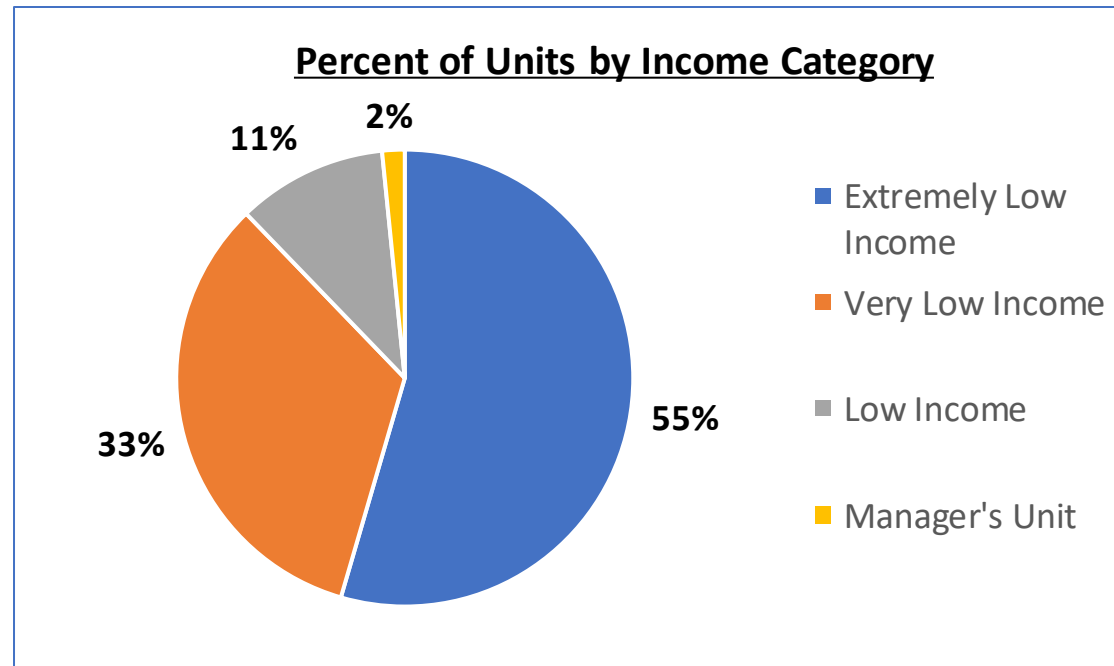
- **2,460 affordable units** were produced between 2015-2022

Number of Permitted Units by Affordability											
Income Level	RHNA*	2015	2016	2017	2018	2019	2020	2021	2022	Total Units	RHNA Due***
Very Low**	2,059	98	26	247	204	120	193	191	393	1,472	587
Low	2,075	30	13	66	85	307	40	125	166	832	1,243
Moderate	2,815	-	-	11	48	9	9	1	78	156	2,659
Market	7,816	643	2,082	4,019	4,280	1,727	865	1,350	1,272	16,238	-
<b>Total</b>	<b>14,765</b>	<b>771</b>	<b>2,121</b>	<b>4,343</b>	<b>4,617</b>	<b>2,163</b>	<b>1,107</b>	<b>1,667</b>	<b>1,909</b>	<b>18,698</b>	<b>-</b>

# AHIF Revenue for Affordable Housing

- **\$27.8 million** collected from developers of market rate housing between **September 2016 and June 2023**
- **\$25.1 million** of this awarded to **9** projects providing **565** affordable units.

Household Income Category	
Extremely Low Income	308
Very Low Income	188
Low Income	60
Manager's Unit	9
	<b>565</b>



# Previous Impact Fee Investments



## 7<sup>th</sup> & Campbell (79 units)

AMI Level	Unit Count
ELI - 20%	17
ELI - 30%	61
Manager	1



## Longfellow Corner (77 units)

AMI Level	Unit Count
ELI - 20%	30
ELI - 30%	4
VLI - 50%	36
Manager	1

# Previous Impact Fee Investments



## Friendship Senior Housing (50 units)

AMI Level	Unit Count
ELI - 20%	10
ELI - 30%	5
VLI - 40%	34
Manager	1



## Nova Apartments

- 57 units of Permanent Supportive Housing for the Homeless (20% AMI - ELI)
- Received \$1.6 million in affordable housing impact fees
- Complete and currently in operation



# Role of Market Rate Development in Affordable Housing Production

- Development agreements for larger projects (examples: Brooklyn Basin, Oak Knoll, BART station area plans—Lake Merritt, MacArthur, West Oakland)
- **Affordable Housing Impact Fee (AHIF) paid by private developer based on amount of market rate housing in a development project**
- **On-site affordable units instead of (in lieu of) the AHIF**
- **On-site affordable units to satisfy Density Bonus requirements and AHIF**

# POLICY AND LEGAL CONTEXT

# Policy and Legal Context

- Public and Private Sector Both Have a Role
- Long history of policy support for private development role in affordable housing production
- Rationale: There is a strong public interest in “providing for housing needs for **ALL** economic segments of the community”
- Communities that provide housing across a broad range of household incomes are more diverse and economically integrated.

# Two Paths to Generate Affordable Housing

## INCLUSIONARY PROGRAMS (sometimes called INCLUSIONARY ZONING)

- Require market rate development to make *some units in the project* affordable to low- and moderate-income households.
- Authority is the *local government police power*—the same authority that allows local governments to regulate the size and use of buildings and to require open space.

## IMPACT FEES

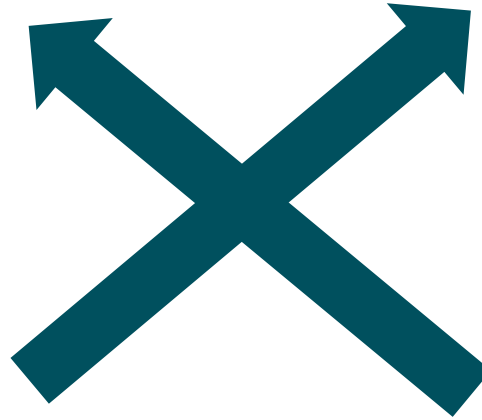
- Assessed based on amount of market-rate development
- Generate funding for affordable housing elsewhere in the city
- Like other impact fees, are governed in California by the *Mitigation Fee Act*
- *Nexus analysis* to establish relationships and proportional impact

# Two Paths – Same Set of Options

## Alternative Means of Compliance

**Inclusionary Program with On-Site Percentage of Affordable Housing**

**Affordable Housing Impact Fee based on Amount of Market Rate Development**



- **Can pay a Fee instead of building on site** based on amount of market-rate development
- Off-site compliance

- Specified percentage of **affordable units on-site**
- Off-site compliance

# Legal Context – Background for Oakland's Current Program

- Originally, inclusionary programs requiring percentage of affordable units on-site in market rate projects applied to rental and for-sale projects
- A 2009 legal decision found the requirements on rental housing violated state law related to rent control
- Required re-design of on-site requirements in favor of impact fees on market-rate rental housing
- This legal context **in effect from 2015-2016 when Oakland adopted the Affordable Housing Impact Fee (with on-site option)**

# Oakland's Affordable Housing Impact Fee

- In effect since **September 2016 – Oakland Municipal Code Section 15.72.100**
- Applies citywide
- Three types of residential development
  - Single-Family, Townhome, Multifamily
- No minimum size threshold
- Fees assessed per unit
- Different fees for **three impact fee zones**
- Phased in: July 2020 reached full adopted amount
- July 2021: Annual increase per construction cost inflation
- Cumulative **35% increase** since September 2021 (***15% increase in 2023***)

# Oakland's Affordable Housing Impact Fee: Fee Amounts

<b>Fee Per Housing Unit by Housing Use Type and Impact Fee Zone, Effective 7/1/23</b>			
<b><u>Housing Use Type</u></b>	<b><u>Impact Fee Zones</u></b>		
	<b><u>Zone 1</u></b>	<b><u>Zone 2</u></b>	<b><u>Zone 3</u></b>
<b>Multifamily</b>	\$29,658	\$23,929	\$16,177
<b>Townhome</b>	\$26,962	\$19,210	\$10,785
<b>Single Family</b>	\$31,006	\$22,244	\$10,785



# Oakland's Affordable Housing Impact Fee: Alternative Compliance

- On-site or off-site options allow developers to reduce or eliminate need to pay impact fees
  - **5%** of total proposed units *affordable to very-low-income households*
  - **10%** of total proposed units *affordable to low- or moderate-income households*
- Mixed compliance: if fewer units provided, developer pays proportionately lower AHIF
- These on-site percentages are also minimum required to take advantage of Density Bonus incentives

# Legal Authority for On-Site Requirement on Rental Housing

- **AB 1505** adopted by California Legislature in 2017 reinstated right to impose inclusionary on-site requirements on rental housing.
- Requires **alternative means of compliance** such as in-lieu fees, off-site requirements, or land dedication.

# DEVELOPMENT ECONOMICS

# State and Local Policies Encourage Mixed-Income Housing Production

- Density bonus (state law and local ordinance) is primary vehicle
- Rationale: incentivizing the private market to produce affordable housing reduces the need for public subsidies
- Benefits: **affordable units are built at the same time as the market rate units and in neighborhoods that might not otherwise have affordable units built**
- Incentives:
  - More market rate units than otherwise allowed
  - Concessions and waivers to reduce project costs, offsetting the cost of making some units affordable to low- and moderate-income households.

# Development Economics Influence Developer Choices

## **Affordable Housing Impact Fee**

- Predictable, published
- Easily incorporated in pro forma
- Payment satisfies obligation

## **On-site Affordable Units**

- More complicated project-specific financial calculation
- Implementation challenges: deed restrictions; on-going monitoring
- Density Bonus program offers cost offsets

# Trends in Mixed-Income Development Projects

- **Density bonus projects** represent an increasing share of the total projects and units in the multifamily pipeline
  - Offers developers a means to offset the cost of providing affordable units on-site
  - Concessions and waivers reduce overall project construction costs, improving project feasibility
- **AHIF increases tied to construction cost index have resulted in large percentage increase** in AHIF since 2021

# POLICY AND PROGRAM DESIGN CONSIDERATIONS

# Policy and Program Design Considerations

## AHIF vs. On-Site Affordable Units

- Private market vs. Public subsidy
- Value of leveraging non-local public funding
- Timing: how fast are units provided
- Maximizing affordable housing production
- Depth of affordability: ability to meet highest priority housing needs
- Alignment with development economics of building types and locations
- Mixed-income buildings vs. 100% affordable buildings
- Opportunities for lower income households to live in high-resource neighborhoods



## Project Website

<https://www.oaklandca.gov/projects/5-year-impact-fee-review-and-update-reports>

# Q&A