ECONOMIC FEASIBILITY STUDY FOR OAKLAND IMPACT FEE PROGRAM

Prepared for

CITY OF OAKLAND

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April 8, 2016

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EXECUTIVE SUMMARY

PURPOSE AND STUDY OBJECTIVE

This report presents the economic feasibility study undertaken to provide economic analysis to guide adoption of a city-wide development impact fee program in Oakland. The objective of the study is to describe the economic feasibility context for development in Oakland and then to assess the potential impacts of new impact fees on the feasibility of development. Analysis of economic feasibility is important so that the impact fee program can address the need to accommodate development impacts without creating a disincentive for real estate investment in Oakland.

ECONOMIC MARKET AND FEASIBILITY CONTEXT FOR DEVELOPMENT

"Base case" real estate feasibility models of new development are used to assess the current economic feasibility of different land uses and building types in different parts of Oakland. The analysis defined representative development prototypes for Oakland and developed associated real estate market revenue and cost data.

Increasing Potential But Limited Development Thus Far

There is growing demand for housing, commercial, and industrial/warehouse space in Oakland and increasing potentials for future development if the regional economy stays strong. Following the Great Recession, recovery lagged in Oakland and the East Bay relative to San Francisco, the Peninsula, and the South Bay. More recently, Oakland's real estate markets have seen increased occupancies of existing buildings, rapidly increasing rents and prices, and spill-over of demand from San Francisco and the Peninsula. Developer interest in Oakland is increasing, and there is a large pipeline of potential future projects.

Higher-Density, Multi-Family Housing and Office Developments Require Market Rents to Increase Relative to Costs

There has been limited market-rate, multi-family housing development and no office development in Oakland since the Great Recession because costs are high for these higher-density structures relative to market rents. There is also substantial risk associated with developing large projects. The base case analysis of economic feasibility indicates that multi-family housing developments are marginally feasible and office building developments are not feasible based on 2015 rents/prices and without the additional cost of new impact fees.

Furthermore, in Oakland, there are no existing "comparables" for recently successful higher-density projects. Successes "on the ground" prove the feasibility of higher-density developments and provide more certainty to developers, investors, and lenders often located outside the Bay Area who have historically perceived Oakland as being a high-risk location for development.

- ***Multi-family rental housing developments*** are marginally feasible based on 2015 rents and without new impact fees. Development feasibility could be much improved with increasing rents over the next two to four years. Projects being planned now and beginning to apply for building permits are based on higher future rents. Apartment rents in 2015 need to increase at least seven percent over and above increases in development costs to establish project feasibility.

- ***For-sale multi-family condominium development*** is not yet feasible. The costs and risks for condo development are higher than for rental housing. Sales prices in 2015 have to increase over and above development costs by at least nine percent for mid-rise development and at least 20 percent for high-rise development.

- ***Office building development*** is not yet feasible, despite growing demand for office space downtown. Office rents are increasing, and Uber's recent commitment to locating in downtown Oakland enhances potential for attracting other major tenants accustomed to paying higher rents in San Francisco and elsewhere. For feasible projects, developers need tenant commitments at high rents for major portions of new buildings. Rents for new office space in mid-2015 need to increase at least 30 percent over and above increases in costs to establish project feasibility downtown.

Lower-Density Development is Feasible in Oakland

There is single-family residential development underway, and there are recent retail and industrial/warehouse developments.

- Developments of ***single-family detached homes and townhouses*** are feasible today in most parts of Oakland. The prices, sizes, and quality of construction vary widely in different parts of the city. Single-family homes and townhomes can be developed incrementally, in phases, and are much less risky than the larger, more costly building types required for multi-family housing development.

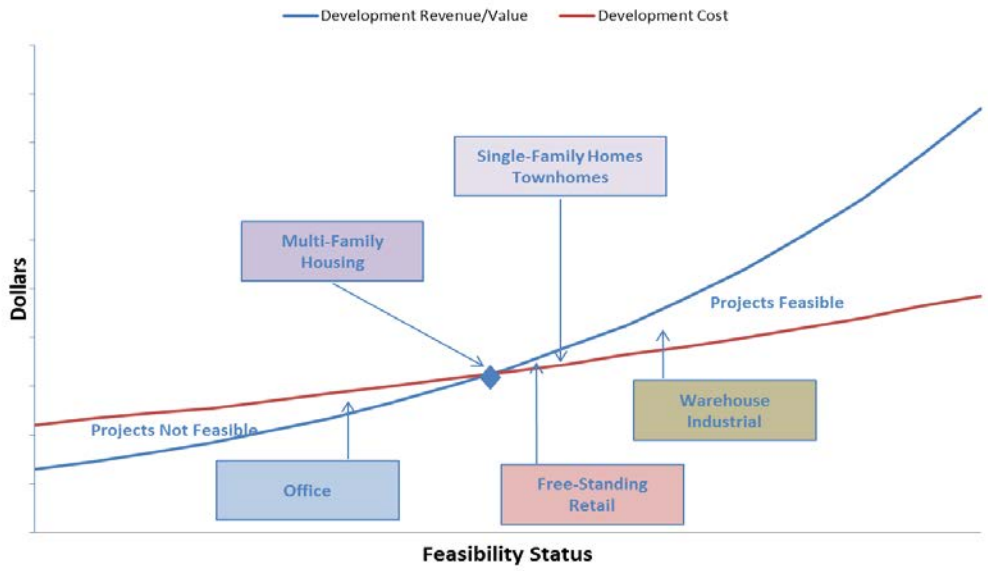
- Freestanding ***retail development***, including grocery stores and other larger stores, can be feasibly developed in various locations in Oakland, although such development can be sensitive to costs. Beyond grocery stores and convenience stores, however, Oakland has had trouble attracting retail development offering comparison goods shopping opportunities (clothing/accessories, home furnishings/appliances, specialty goods, electronics, and department/general merchandise stores).

- ***Warehouse development*** is feasible in Oakland, and future development is dependent on the availability of sites as there is demand for new warehouse facilities. ***Industrial development*** for custom manufacturing and light industrial uses including artisans appears to be feasible although tenants are sensitive to space costs.

Summary of Feasibility Related to New Impact Fees

The simplified diagram below summarizes the results of the base case feasibility analysis by placing major development types on the economic feasibility graph. Projects to the right of the break-even point at the center, where the lines for development cost and revenue cross, are feasible, with increasing ability to pay new impact fees the more revenues exceed development costs as shown by moving further to the right side of the graph. Projects on the left side of the breakeven point are not yet feasible, and those near the center are marginally feasible. Neither could pay new impact fees currently.

Relationship between Development Cost and Revenue:
Feasibility of Development in 2015



Implications of Current Project Feasibility for Impact Fee Program

The results of the base case feasibility analysis have implications for adopting an impact fee program.

- **Adoption of New Impact Fees Can Make a Difference in the Feasibility and Timing of Development**

  Real estate feasibility is at a pivotal point right now, and adopting new impact fees (adding to development costs) can make a difference in the feasibility and timing of development, and could affect the momentum that has been building. This is particularly the case for multi-family residential development and office development which together represent the large majority of development anticipated in Oakland.

- **The Timeframe Over Which New Impact Fees Are Phased-In Is Important**

  Phasing-in new impact fees consistent with improving development feasibility both enhances potentials for new development and increases ability to pay impact fees. Phasing also allows time for the market to adjust to higher impact fees, for developers to plan future developments with knowledge of the magnitude of new impact fees, and for land owners to adjust over time to lower land values in the future as a result of the new impact fees.

- **Differences in Feasibility Support Impact Fee Zones for Residential Development**

  There are significant differences among parts of Oakland in the rents and prices of existing housing, in the extent and types of new housing being built and proposed, and in the feasibility of market-rate development in the near future. The economic feasibility assessment provides the basis for differentiating impact fees for residential development among areas of Oakland consistent with development feasibility and ability to pay new impact fees.

- **Feasible Impact Fees Are Below the Maximum Legal Fees Identified**

  The results of the impact fee nexus analyses identify the maximum legal impact fees that could be charged on new development in Oakland. Legally, the City Council can adopt impact fees at or below the maximum legal amounts identified. The findings of the economic feasibility analysis show that the levels of impact fees that could be absorbed by new development in the near future are substantially below the maximum legal impact fees identified. Similar results occur in most communities. Typically impact fee programs seek to balance the need for impact fee revenues with the ability of development to pay the impact fees without affecting the pace and amount of development.

POTENTIAL ECONOMIC IMPACTS OF NEW IMPACT FEES IN OAKLAND AND FINDINGS RELEVANT TO PROGRAM ADOPTION

The new impact fees were integrated into the base case real estate feasibility models to test potential impacts on project feasibility and consider implications for development in Oakland. There are three new impact fees identified by zone for residential development (affordable housing, transportation, and capital improvements impact fees), and two new impact fees for non-residential development (transportation and capital improvements impact fees). (The City already imposes a jobs/housing impact fee on office and warehouse development to provide affordable housing funding.)

Impact Assessment of New Impact Fees on Residential Development

The new impact fees are aggressive for development that is just at the threshold of feasibility in Oakland, particularly multi-family residential development whose feasibility is described above.

Attaining feasibility and paying the new impact fees depends on continuing real increases in new housing rents and prices over and above increases in development costs.

Key Implications of Analysis for the Current Impact Fee Program

With continuing real growth of new housing rents and prices and the phasing-in of new impact fees, the analysis finds that the new impact fees are likely to be absorbed in most cases without adversely affecting residential development. Thus, in most cases development would still proceed.

Although it is reasonable to anticipate that rents and prices will continue to increase if the regional economy stays strong, there is risk in adopting new impact fees based on anticipated future conditions. There is the chance that those conditions may not occur. There also is risk in imposing new impact fees prior to completion of larger, multi-family housing projects that provide "successes on the ground" that establish the ability to capture higher rents in Oakland and offer more certainty to investors and lenders considering new projects.

The new impact fees for residential development are at about the maximum level possible without having adverse effects on the pace and amount of development. The feasibility analysis indicates two areas of particular concern.

- There remains risk that the impact fees could get ahead of the market and slow the pace of development. Scenarios evaluated in this analysis indicate that the new impact fees are ahead of the necessary revenue increases to support them, particularly for multi-family housing development and for projects in impact fee zones 1 and 2 where the target impact fee amounts are reached in less than two years.

- There also is risk that land sales could slow for a period of time and affect the supply of land for new projects if landowners with expectations of increasing land values are slow to accept lower prices. The feasibility analysis indicates that the new impact fees are high relative to land values, thereby limiting the ability of landowners to capture higher land prices and a share of increasing project revenues as rents and prices increase.

The finding that new impact fees are at their maximum levels from an economic feasibility perspective indicates that there could be some projects where new impact fees could delay development until other changes in revenues or costs occur. These could include developments of the more costly high-rise building types that can be difficult to finance and require high rents and prices to achieve feasibility before the additional costs of new impact fees. Imposing new impact fees also could affect development in locations with lower rents and prices and limited or no market-rate development, where feasibility is particularly sensitive to costs including the costs of new impact fees. The establishment of an impact fee zone where fees are lower and phase-in periods longer reduces the potential for adverse impacts in these situations.

Market Adjustments Anticipated to Accommodate New Impact Fees

Developers and landowners will incorporate the additional costs for new impact fees into the real estate development feasibility equation over time through a number of types of adjustments.

- In the near term, higher rents and prices are required to offset the costs of new impact fees and enhance project feasibility.

- Some developers may choose to undertake development at lower returns in the early years to cover the new impact fees, anticipating higher returns in the future as rents and prices continue to increase. This depends on the ability to secure the needed financing.

- In the near term, some recent land sales may have to be re-negotiated, particularly those contingent on no impact fees or lower impact fees than adopted. Some land transactions may not occur, and projects could be delayed until landowner expectations re-set.

- The large pipeline of housing projects in Oakland implies that a number of developers have already purchased land, in which case more projects can proceed with less effect on development than would otherwise be the case.

- Over time, land values will need to adjust, through lower increases in land prices than would otherwise occur without the new impact fees. There could be a period of time when land sales slow as owners hold out for higher land prices and as housing rents and prices continue to increase.

Impact Assessment of New Impact Fees for Non-Residential Development

The new impact fees for non-residential development are generally consistent with the market and feasibility contexts for these land uses.

New Impact Fees on Office Development

New impact fees for office development are proposed to reach target levels in year five (5), recognizing the need for large increases in office rents to make projects feasible and uncertainty about the timing for attaining feasibility. The new impact fees represent relatively small additional costs for already costly office development. Once new office projects become feasible, they are likely to be able to pay the new impact fees.

New Impact Fees on Retail, Hotel/Motel, and Industrial/Warehouse Developments

The new impact fees for retail, hotel/motel, and industrial/warehouse development are generally consistent with the market and feasibility contexts for these uses. There are feasible developments of these types in Oakland, although relatively few projects due to market difficulties attracting retail development and limited locations for cost-sensitive, industrial and warehouse development. The new impact fees for retail, hotel/motel, and industrial/warehouse

developments are set at relatively low levels based on market and feasibility considerations and City economic development objectives to encourage more of these activities in Oakland for the benefits they provide (more local shopping opportunities, growth of visitors and tourism, greater sales tax and transient occupancy tax revenues, and increased business opportunities and job opportunities for residents). Feasibility testing of the new impact fees indicates that impact fees for these developments could be absorbed and are unlikely to affect development in most cases.

New Impact Fees on Development of Institutional Land Uses

The impact fees for institutional development reflect the nature of these uses as generators of considerable activity in Oakland. Examples include hospitals and medical facilities, private/religious schools, colleges and universities, and major recreation/entertainment/arts/cultural facilities. As these are not real estate-driven developments, the costs of new impact fees will add to the funding needed for such projects.

Impact Fee Program Also Provides Benefits for Development

The impact fee program is also anticipated to provide benefits for development. Two types of benefits can be important.

- ***Greater certainty*** up front as to the impact fee amounts and any other requirements can be of substantial benefit to a developer in saving time and costs as opposed to the situation with little clarity and ad hoc negotiations.

- ***A mechanism for paying a development's fair share of costs*** can be of benefit to a developer compared to the situation where the largest project or the first project in an area has to pay the full cost of improvements serving the larger surrounding area while subsequent projects pay less. An example is transportation impact fees to fund improvements required to mitigate cumulative traffic impacts.

IMPACT FEE REVENUE

The total revenue to be generated over the first 10 years of the new impact fee program is estimated at $87 million (2015 dollars) based on the impact fees proposed as of March 10, 2016 (impact fees will start on September 1, 2016). Of the total, $66 million (76 percent) would be generated by the Affordable Housing Impact Fee, $9 million (10 percent) by the Capital Improvements Impact Fee, and $12 million (14 percent) by the Transportation Impact Fee. The actual amount of revenue could vary substantially depending on the level of development activity that takes place and is subject to the new impact fees.

Example uses of impact fee revenues of the magnitudes estimated include the following:

- ***Affordable Housing Impact Fee Revenue*** of $66 million could fund:
  - Approximately 600 affordable units, most very low and low income units with some moderate income units,
  - OR a mix of very low, low, and moderate income units, with some built on-site.

- ***Capital Improvement Impact Fee Revenue*** of $8.7 million could fund:
  - 6.2 acres of park improvements,
  - OR 11,400 square feet of additional civic building space (library, recreation center, etc.),
  - OR a combination of these or other items.
- ***Transportation Impact Fee Revenue*** of $11.9 million could fund:
  - Complete improvements for 21 intersections,
  - OR 2.3 miles of sidewalk based on guidelines for collector streets (10 ft. width including planting strip) provided by the City's 2002 Pedestrian Master Plan,
  - OR a combination of these or other items.

IMPACT FEE COMPARISONS AMONG CITIES

The background analysis included a comparative review of impact fees in selected cities. The focus was on impact fees assessed on multi-family housing development and on affordable housing impact fees in particular. While impact fees in other cities are not necessarily indicative of the level of impact fees feasible and appropriate in Oakland, the evaluation offers insight into relevant market and feasibility considerations.

Comparative review of the housing market contexts and impact fees in Oakland and the nearby cities of Berkeley and Emeryville reveals important differences and factors that explain why the impact fees in Berkeley and Emeryville are not directly comparable to those in Oakland and why they are not indicative of the level of feasible impact fees for multi-family housing development in Oakland.

- **Higher Rents Provide Greater Ability to Pay Impact Fees in Berkeley than in Oakland**

  Berkeley has substantially higher housing rents than Oakland. Because construction costs are similar for comparable building types in both cities, higher rents provide greater economic feasibility for new housing development and more ability to pay impact fees.

- **New Developments Are Not Paying the Affordable Housing Impact Fees in Berkeley and Emeryville**

  Instead of paying the new impact fees, new developments are choosing less costly options. New housing developments in Berkeley are electing to provide affordable housing onsite in exchange for substantial additional floor area over that allowable "by right," as well as additional cost offsets (reduced parking, modified setbacks). The higher density and other offsets are able to cover most or all of the cost of the affordable housing, making payment of the impact fee a more

costly alternative. The rents in Berkeley are also high enough to justify the higher construction cost of a taller building.

By comparison, most development proposals in Oakland include the highest density economically feasible and most are not constrained by land use policies as they are in Berkeley. In addition, rents for development in most Oakland locations are not high enough to justify the higher construction costs for taller buildings. However, there are a few locations in Oakland where the State density bonus program might be a viable, on-site option.

In Emeryville, an affordable housing impact fee was adopted in July 2014, replacing earlier inclusionary zoning for rental housing. Due to many unrelated factors, no development projects have proceeded since the affordable housing impact fee adoption, thus no impact fees have been collected (as of November 2015). In October 2015, Emeryville voted to increase the impact fee in conjunction with downzoning and other land use regulation changes intended to provide incentives to encourage on-site affordable housing development at costs below the cost of paying the impact fee.

- **Higher Impact Fee Burden in Oakland**

  If developers in Berkeley and Emeryville continue to opt for providing affordable units on-site in exchange for density bonuses and at lower costs than paying the impact fee, the cost to satisfy affordable housing requirements for multi-family housing development in Oakland at the target impact fee levels could be higher than the costs to meet affordable housing requirements in Berkeley and Emeryville.

- **Other Factors and Differences Between Oakland and Nearby Cities**

  Berkeley and Emeryville had inclusionary housing programs prior to adopting housing impact fees. These cities also had other impact fees that have been implemented at different times over the years. Thus, there has been time for markets to adjust to the impact fees in those cities. By comparison, Oakland is currently proposing a city-wide impact fee program with multiple impact fees to be implemented concurrently in the near future.

  Development in Oakland is still perceived to be riskier than development in Berkeley and Emeryville. As a result, developers, lenders, and investors may require higher returns or set higher financial terms for Oakland development compared to the neighboring cities. Such differences reduce the ability of Oakland development to pay impact fees compared to development in neighboring cities.

In addition to Berkeley and Emeryville, ***San Jose*** recently adopted an affordable housing impact fee on new rental housing development. The impact fee replaced the city's former inclusionary

housing program, and the impact fee amount equals the in-lieu fee amount under the inclusionary program. The new impact fee is being phased-in to support the development of market-rate housing. The impact fee was adopted in November 2014 and goes into effect for some development on July 1, 2016. Compared to Oakland's program, San Jose's program provides more exemptions and a longer time period before all development would pay the new impact fee.

I. INTRODUCTION

PURPOSE

This report presents the economic feasibility study undertaken to provide economic analysis for consideration in the adoption of a citywide development impact fee program in Oakland. Rigorous analysis of economic feasibility is important so that the impact fee program can address the need to accommodate development impacts without creating a disincentive for real estate investment in Oakland. Other, related efforts include the impact fee nexus analyses that identify the maximum legal impact fees that can be charged in Oakland. The objective of this study is to provide the economic feasibility context as input for adopting an impact fee program that is legally defensible and that can be implemented without adversely affecting development in Oakland.

The economic feasibility analysis is important because there has been limited market-rate development in Oakland since the Great Recession. Markets are improving, particularly for housing and office development, and the outlook for the future is good. However, real estate feasibility in Oakland is at a pivotal point right now and adoption of new impact fees can make a difference in the feasibility and timing of development. As a result, adoption of a new impact fee program requires balancing the needs for impact fee expenditures to accommodate future growth with the need to maintain adequate development incentives in Oakland so that anticipated growth can occur. This requires careful assessment of the current market and economic feasibility context in Oakland. It also requires analysis of whether and how new impact fees could be absorbed without slowing the momentum for development in the near future.

APPROACH AND SCOPE

The economic feasibility study has two major components. First, the current market and feasibility context for development in Oakland is analyzed as a basis for evaluating impact fee program options. The analysis defines representative development prototypes for Oakland, identifies associated real estate market revenue and cost data, and develops project pro formas to model current development feasibility. The feasibility models are used to assess current economic feasibility for development of different land uses and building types in different parts of the city. These variables have implications for the City's ability to collect new impact fees and the likelihood of impacts on development as a result.

Under the second major component of the work, the development feasibility models are used to test and evaluate impact fee program options to identify potential impacts on economic feasibility and possible implications for new development in Oakland. The analysis considers the real estate market adjustments required to absorb new impact fees, and the likelihood that they could occur without affecting the pace and amount of new development.

The economic feasibility study also includes two related tasks. First, order-of-magnitude estimates of potential impact fee revenue are prepared based on a likely development scenario for Oakland over the next 10 years and the level of impact fees to be adopted. Second, a

comparative review of impact fees in other nearby jurisdictions is presented to provide context for considering new impact fees in Oakland.

REPORT ORGANIZATION

This report presents and summarizes the findings of the economic feasibility study. It is organized as follows, according to the different components of analysis.

Chapter II. Economic Market and Feasibility Context for New Impact Fee Program presents and describes the current base case feasibility context for development in Oakland before new impact fees.

Chapter III. Implications of Base Case Feasibility Analysis for Impact Fee Program identifies implications related to the level of new impact fees, the timeframe for phasing in new impact fees, and differences in ability to pay new impact fees among areas of Oakland.

Chapter IV. Economic Impacts of New Impact Fees in Oakland addresses the likely impacts of new impact fees on different types of development and in different parts of the city. The analysis considers impacts within the current market and feasibility context and in the near future with anticipated increases in rents and prices that enhance the feasibility of development.

Chapter V. Impact Fee Revenue Estimates presents order-of-magnitude revenue estimates and identifies example uses of impact fee revenue.

Chapter VI. Impact Fee Comparisons Among Cities provides a comparative review of impact fees in Oakland and nearby cities that are both comparable to and different from Oakland, depending on the criteria and land use.

In addition, there are four appendices that provide additional information, data, and documentation. They are referenced in the appropriate chapters.

II. ECONOMIC MARKET AND FEASIBILITY CONTEXT FOR NEW IMPACT FEE PROGRAM

The current economic market and feasibility context for development in Oakland was analyzed as a basis for evaluating whether impact fee program options could be implemented without adversely affecting Oakland's ability to attract new development. The analysis defined representative development prototypes for Oakland and developed associated real estate market revenue and cost data. Economic feasibility models were used to assess the current economic feasibility of different land uses and building types in different parts of the city.

The analysis finds that while rents and prices for new development continue to increase along with interest in developing in Oakland, project feasibility for the higher-density building types, including multi-family housing development and office building development, remains sensitive to costs and is marginal or not economically feasible based on the base case 2015 analyses. Lower-density building types including single-family homes, townhomes, retail, and warehouse/industrial development are generally feasible today in most parts of Oakland.

Within this context, the adoption of new impact fees (adding development costs) can make a difference in the feasibility and timing of development. This is particularly the case for multi-family residential development and office building development which together represent the large majority of future development anticipated in Oakland. Thus, the amount of new impact fees and the timeframe over which they are phased-in are important.

This chapter summarizes the Oakland *market context* for considering a new impact fee program, the current *economic feasibility context* for adopting new impact fees, and the importance of phasing in new impact fees so as to enhance project feasibility and increase developers' ability to pay the new impact fees.

OAKLAND MARKET CONTEXT FOR CONSIDERING AN IMPACT FEE PROGRAM

Growing Demand on the Heels of the Recession

There is growing demand for housing, commercial, and industrial space in Oakland and strong potentials for future development if the regional economy stays strong. The current market context follows the major downturn of the regional economy with the Great Recession (2009-2011) which halted new construction and resulted in substantial declines in real estate prices and rents. Between 2011 and 2013, as the regional economy began to recover and grow in San Francisco, the Peninsula, and the South Bay, mostly fueled by the technology sectors, recovery lagged in the East Bay. Increased interest in Oakland and the East Bay followed thereafter (2013-present), and there has been increasing spillover of demand from San Francisco to Oakland given its central location, urban character and assets, transit accessibility, and relative affordability.

Oakland: Increased Potential for New Development, But Only Limited Development Thus Far

As demand grows for locations in Oakland, recent changes (2013-2016) in the real estate market context have been substantial, and include the following:

- Occupancies of existing buildings have increased resulting in low vacancy rates today.
- Oakland rents and prices have increased substantially. Recent percentage increases in Oakland's apartment rents have been among the highest in the country. Rents for downtown office space have also increased substantially.
- There has been increasing investment in existing buildings, such as in older commercial buildings in the downtown area, including the recent sale and current upgrading of the former Sears building as a new location for Uber.
- Potentials for new development have been increasing, as has developer interest in Oakland. There is a large pipeline of potential development projects.
- While the potentials for development are increasing, there has been very limited new market-rate housing development and no office development in Oakland since the Recession.
    - Only 332 units in larger, market-rate, multi-family development projects (5+ units) were built over the five years from 2010 through 2014.
    - No new office buildings have been built since 2000.
- Some smaller residential projects and single-family detached and townhouse developments have occurred. Additionally, building permit activity for these types of projects has recently increased in 2014 and 2015.
- Larger residential projects have begun to apply for building permits in late 2015 and are anticipated to continue applying through 2017 based on future anticipated higher rents and prices which would enhance new project feasibility.
- The timing for office building development is uncertain and depends on major tenant commitments which are difficult to predict.

Increasing rents and prices indicate growing potential for future development in Oakland if the regional and national economies remain strong.

Growth forecasts for Oakland over the next 15 to 25 years indicate the most potential for growth of multi-family residential development and for office development. From the perspective of a new impact fee program in Oakland, multi-family residential development and office development hold the most potential for generating future impact fee revenue.

CURRENT ECONOMIC FEASIBILITY CONTEXT FOR ADOPTING NEW IMPACT FEE PROGRAM

The limited amount of recent new development in Oakland, along with growing demand, exemplify the finding that in 2015 and early 2016 Oakland's increasing rents are still below those needed for feasible development of the more costly building types:

- multi-family housing development and
- office building development.

The feasibility of these higher-density developments depends on further increases in rents over and above increases in development costs. Projects being planned today anticipate higher future rents by the time new projects are completed and ready for occupancy. Developing projects based on anticipated future rents adds risk and affects a developer's ability to attract financing and investment. As there are few existing "comparables" for successful, recent projects, there is the need for more successes "on the ground" in Oakland to prove the feasibility of developments and provide more certainty to developers, investors, and lenders often located outside the Bay Area who have historically perceived Oakland as being a high-risk location for development..

Adoption of New Impact Fees Can Make a Difference in the Feasibility and Timing of Development

Rents and prices continue to increase along with interest in developing in Oakland. However, while project feasibility is improving, it remains sensitive to costs and is still marginal in many cases. Within this context, the adoption of new impact fees can make a difference in the feasibility and timing of development in Oakland. Thus, *the amount of new impact fees and the timeframe over which they are phased-in are very important*. The more aggressive the impact fee program in terms of the amount and timing of new fees, the higher the risk of getting ahead of the market with additional costs and adversely affecting development.

Phasing-In New Impact Fees

Impact Fee Phase-In to Allow For Improved Development Feasibility

Market potentials and trends are anticipated to continue to support increasing rents for new development in Oakland, thereby enhancing project feasibility and increasing the ability to pay impact fees. As a result, the phasing in of new impact fees consistent with improving development feasibility both enhances potentials for new development and increases ability to pay higher fees. The imposition of significant impact fees without phase-in could render projects infeasible.

Impact Fee Phase-In To Allow Time for Market to Adjust

Phasing-in also would allow time for the market to adjust to higher impact fees and for developers to plan future developments with knowledge of the magnitude of new impact fees. Developers with projects in the pipeline who may have already bought land and made other commitments prior to knowing the magnitude of new impact fees would benefit from the phasing

in of impact fees to allow their projects to proceed and avoid slowing the development. Over time, a number of adjustments are likely, whereby new impact fees could affect developer returns initially and land costs/values over time. Allowing little or no time for those adjustments could adversely affect project feasibility. Some projects could be delayed and others may not go forward. (See Chapter IV for more descriptions of the types of market adjustments involved.)

Impact Fee Program Can Also Provide Benefits for Development

There also can be benefits from an impact fee program that could offset some of the costs of paying the fee. Two types of benefits can be important. ***Greater certainty*** up front as to the impact fee amounts and any other requirements can be of substantial benefit to a developer in time and costs as opposed to a situation with little clarity and ad hoc negotiations. In addition, an impact fee program that provides a ***mechanism for paying a development's fair share of costs*** would be beneficial compared to a situation where the largest project or the first development in an area would have to pay the full cost of improvements serving the larger, surrounding area while subsequent projects pay less.

SUMMARY OF BASE CASE ECONOMIC FEASIBILITY ANALYSIS

Approach and Methodology

Data collection and market analysis were done to establish the types of market-rate developments that are likely to be built in Oakland and subject of new impact fees. Market analysis identified the prices/rents for the different types of development to be built in different parts of the city. Analysis was then done to assess economic feasibility of each type of development and ability to pay impact fees. The methodology is summarized as follows.

- **Projects in the Pipeline and Recent Developments as Basis for Development Prototypes.**

  Plans submitted to the City for projects in the pipeline, information on actual projects of similar types and locations, market data, and developer interviews were used to identify development prototypes representative of the types and characteristics of market-rate development being built and proposed in Oakland and the locations where developments of each type are being proposed and built.

  Nine housing development prototypes were identified. The multi-family housing prototypes include developments of different building types, at different densities, and in different parts of Oakland, representing lower/mid-rise, mid-rise, and high-rise developments. All three multi-family prototypes are considered as rental apartment developments, and the mid-rise and high-rise prototypes are also considered as for-sale condo developments. There also are two prototypes for single-family detached homes and two prototypes for townhome/row house developments. In each case, the two prototypes are differentiated by price range, quality of construction, location, and household sub-markets served.

  Nine non-residential development prototypes were identified, with three prototypes each for office, retail, and industrial (which includes warehouse)

developments. As appropriate for each land use, the non-residential prototypes include developments of different building types, at different densities, with different assumptions about parking, and located in different parts of Oakland.

- **Market Research to Identify Rents and Prices for New Developments**

  Extensive market research focused on identifying market rents and prices for recently built development in Oakland that are comparable to the types, characteristics, and locations of proposed new development. Data were gathered from multiple sources, including real estate agents and brokers, multiple listings, real estate company reports, property managers, recent sales data from the County Assessor, and other sources. In addition, work done by The Concord Group for another aspect of this project, provided additional data, and confirmed the rents identified for new multi-family housing developments in Greater Downtown and West Oakland/North Oakland.

- **Economic Feasibility of Development and Ability to Pay Impact Fees**

  Project pro forma analyses were developed to test the feasibility of the different prototype developments based on current rents and prices and cost estimates for construction, financing, land, and other costs, based on construction company cost estimates, developer interviews, input from other projects, and other sources. The objective is to develop an understanding of the economics of development by establishing a 2015 base case for each prototype, without new impact fees. The results identify differences in feasibility among types of development and locations in Oakland that affect ability to pay impact fees.

Summary of Current Economic Feasibility By Type of Development

The following sections summarize the current feasibility context for the types of Oakland development for which feasibility analysis was undertaken for the purposes of this study. The base case 2015 economic feasibility analyses are presented in tables in Appendix A. For each land use, there are tables in Appendix A that describe the development prototypes analyzed followed by tables with the financial pro forma analyses that assess base case feasibility in 2015 without new impact fees.

Feasibility Overview: Multi-Family Housing Development

Multi-family rental housing projects in Oakland are marginally feasible or not yet feasible based on 2015 rents and without new impact fees. Multi-family housing development in Oakland assumes higher density development (100-200-400 units per net acre) in lower-/mid-rise (3-4 floors) and mid-rise (5-6 floors) structures built on a podium or in high-rise buildings, with most projects including 100 to 400 units (referred to as "large" projects). The higher-density building types are costly to develop and large projects carry substantial risk. No large, market-rate multi-family housing projects have yet been developed in Oakland since the Great Recession. However, recent high rates of increase in apartment rents in Oakland have attracted substantial developer interest, and there is a large pipeline of potential future projects. Development feasibility and ability to pay new impact fees could be much improved with increasing rents over

the next two to four years, if trends continue and the regional economy stays strong. Projects being planned now are based on higher future rents. The potential for new impact fees would be greatest if the fees are phased in consistent with improving development feasibility over time.

The feasibility analysis of multi-family housing development in Oakland is highlighted in Figure 1. Appendix A describes the multi-family housing prototypes and presents the pro forma analyses for the base case as of mid-2015 without new impact fees. Appendix C provides background on sources and assumptions for the feasibility analysis of residential development.

Figure 1
Multi-Family Housing Development

Prototypes	Feasibility 2015	New Construction?
H-3 **Lower/Mid-Rise Apts.** West Oakland / parts of North Oakland / East Oakland (in future)	Marginally feasible or not yet feasible with today's rents; building types are costly	Limited; no large market rate projects completed since Great Recession
H-4 **Mid-Rise Apts.** Downtown/Jack London/Broadway Valdez / parts of North Oakland	Very sensitive to assumptions Recent high rates of increase in rents	Projects to be proceeding based on anticipated higher, future rents
H-5 **High-Rise Apts.** Prime Sites: Downtown/Jack London/Broadway Valdez / parts of Estuary Waterfront	Feasibility much improved with higher rents as trends continue; could take 2-4 years For-sale condos are not feasible today	Large pipeline of projects

Note: The items in the Feasibility and New Construction columns apply to all three prototypes except where a prototype is specifically referenced.

The base case feasibility analysis of prototypical multi-family housing developments indicates that, overall, new apartment rents in mid-2015 need to increase at least seven (7) percent over and above increases in development costs to establish project feasibility. Rent increases to cover increases in development costs would be in addition. Feasibility is measured in terms of revenues to cover costs and provide a competitive return for development. The base case calculations are before any new impact fees. The findings regarding increases in rents required to establish project feasibility are summarized in Table 1.

The feasibility analysis also found that sales prices for condominiums would have to increase over and above development costs, by at least nine (9) percent for mid-rise development and at least 21 percent for high-rise development. Price increases to cover increases in development costs would be in addition. These findings are also summarized in Table 1.

Table 1
Increase in Rents/Prices Required for Feasible Multi-Family Housing Development in Oakland
(Base Case Mid-2015 Without New Impact Fees)

	Prototype H-3 Lower/Mid-Rise Dev. West Oak/East Oak/ parts of North Oak /a/	**Prototype H-4 Mid-Rise Dev.** Downtown/JL/BV/ parts of North Oak	**Prototype H-5 High-Rise Dev.** Prime Sites: Downtown/ JL/BV/parts of Estuary
Rental Apartment Development			
Market rents, mid-2015			
per unit per month	$2,530	$3,080	$3,870
per sq. ft. in unit	$3.33	$3.73	$4.58
average unit size (sq. ft.)	760	825	845
Threshold rents for feasible projects, 2015 $			
per unit per month	$2,700	$3,300	$4,100
per sq. ft. in unit	$3.55	$4.00	$4.85
Required real increase in rent, 2015 $ /b/	**+6.7%**	**+7.2%**	**+6.0%**
Percent increase in future dollars /c/ assuming 5-6% increase in costs and 1 year timeframe	~13%	~13%	~12%
For-Sale Condo Development			
Market prices, mid-2015			
per unit	NA	$574,000	$632,000
per sq. ft. in unit		$617.20	$672.34
average unit size (sq. ft.)		930	940
Threshold prices for feasible projects, 2015 $			
per unit	NA	$625,000	$765,000
per sq. ft. in unit		$672	$814
Required percent real increase in prices, 2015 $ /b/	**NA**	**+8.9%**	**+21%**
Percent increase in future dollars /c/ assuming 5-6% annual increase in costs and 2-3 year timeframe.		~19-24%	~31-36%

Note: Market rents and sales prices are for newly developed units.

/a/ Appropriate for East Oakland in the future.

/b/ Real increases in rents or sales prices (2015 dollars) over and above increases in development costs that are needed to attain project feasibility assuming 2015 costs.

/c/ Rent increases in future dollars need to include both increases to enhance project feasibility and increases to cover higher development costs in future years.

Source: Hausrath Economics Group based on feasibility pro forma analyses in Appendix A.

Feasibility Overview: Single-Family and Townhome Housing Development

Developments of single-family detached homes and townhouses are feasible today in most parts of Oakland. The prices, sizes, and quality of construction vary widely in different parts of the city. Single-family homes and townhome projects can be developed incrementally, in phases, and are much less risky than the larger, more costly building types required for multi-family housing development. Single-family detached homes and townhome developments have been occurring in the Oakland Hills, and townhome development is underway in West Oakland with more units planned. Infill, single-family homes have been developed in East Oakland, where the new development is particularly sensitive to costs so as to keep prices as low as possible. New impact fees could be phased in on single-family and townhome developments, consistent with the different markets served in different parts of the city.

The feasibility analysis of single-family and townhome development in Oakland is highlighted in Figure 2. Appendix A describes the single-family housing prototypes and presents the pro forma analyses for the base case as of mid-2015 without new impact fees. Appendix C provides background on sources and assumptions for the feasibility analysis.

Figure 2

Single-Family and Townhome Housing Development

Prototypes	Feasibility 2015	New Construction?
H-1A **Single-family Homes** Urban Infill/East Oakland Primarily	Feasible today	Has been proceeding incrementally and in phases
H-1B **Single-family Homes** North/South/Lower Hills, Rockridge	Wide variation in prices, size, and quality of construction of single-family homes	SFD and Townhome development occurring in Hill areas
H-2A **Townhomes/Row Houses** Urban Infill/West Oakland and parts of North Oakland	Single-family homes built in East Oakland very sensitive to costs	Townhome development underway in West Oakland with more planned
H-2B **Townhomes/Row Houses** North Hills/South Hills	Can be developed incrementally, in phases	Ongoing infill of individual custom homes
	Less risky than larger, multi-family development	

Note: The items in the Feasibility and New Construction columns apply to all four prototypes, except where a prototype is specifically referenced.

Feasibility Overview: Office Building Development

There has been growing demand for office space in downtown Oakland where rents have been increasing, vacancies are low, and there has been investment in upgrading existing office buildings. While rents have increased substantially, they are not yet sufficient for new office building development to be economically feasible. Uber's recent commitment to locating in downtown Oakland enhances the potential for attracting other major tenants who are accustomed to paying higher rents in San Francisco or elsewhere. For feasible projects, developers need tenant commitments at high rents for major portions of new buildings. The timing for reaching feasibility depends on tenant commitments and is difficult to predict. Office projects need to attain feasibility before new impact fees can be paid.

Key aspects of the feasibility analysis of office development in Oakland are highlighted in Figure 3. Appendix A describes the office development prototypes and presents the pro forma analyses for the base case as of mid-2015 without new impact fees.

Figure 3
Office Development

Prototypes	Feasibility 2015	New Construction?
O-1 **High-rise Office** Downtown	Rents increasing Vacancies low	No new office buildings since around 2000
O-2 **Mid-rise Office** Downtown	Investment in existing buildings New construction not yet feasible	Developers need tenant commitments at higher rents for Oakland
O-3 **Lower/mid-rise Office** Coliseum Area / West Oakland	Uber commitment enhances potentials Spillover increasing from San Francisco	Substantial pre-leasing needed to secure financing

Note: The items in the Feasibility and New Construction columns apply to all three prototypes.

The base case feasibility analysis of high-rise (20+ floors and 400,000 to 600,000 sq. ft.) and mid-rise (4-8 floors and 150,000 to 350,000 sq. ft.) office developments in downtown Oakland indicates that rents for new office space in 2015 need to increase by about 30 to 33 percent to establish project feasibility, before new impact fees can be paid. The feasibility of lower/mid-rise office development outside the downtown (3-5 floors and 80,000 to 200,000 sq. ft.) requires larger increases in rents. The increases in rents shown in Table 2 are "real" increases in rents (in 2015 dollars) over and above increases in development costs. Rent increases to cover increases in development costs would be in addition.

Table 2
Increase in Rents Required for Feasible Office Building Development in Oakland: Base Case Mid-2015 Without New Impact Fees

	Prototype O-1 **High-Rise Office** Downtown	**Prototype O-2** **Mid-Rise Office** Downtown	**Prototype O-3** **Lower/Mid-Rise Office** Coliseum Area/ West Oakland
Market rents, mid-2015			
per leasable sq. ft.			
monthly	$3.75	$3.40	$2.50
annual	$45.00	$40.80	$30.00
Rents for feasible projects, 2015 $			
per leasable sq. ft.			
monthly	$5.00	$4.45	$3.80
annual	$60.00	$53.40	$45.60
Percent real increase in rent, 2015 $ /a/	**+33%**	**+31%**	**+52%**

Note: Rents are for space in newly constructed buildings.

/a/ Real increases in rents (2015 dollars), over and above increases in development costs, that are needed to attain project feasibility assuming 2015 costs. Rent increases to cover increases in development costs in the future would be in addition.

Source: Hausrath Economics Group based on pro forma feasibility analysis in Appendix A.

Feasibility Overview: Retail Development

Freestanding retail development, including grocery stores and other larger stores, can be feasibly developed in various locations in Oakland, although such development can be sensitive to costs. Recent new retail developments primarily include new grocery stores, some with small shops as part of the development: the new Safeway at College and Claremont, the Whole Foods in Adams Point, the new Lucky store on East 18th, the new FoodsCo at Foothill Square, the new Sprouts and other shops on Broadway, and the new Safeway under construction at 51st and Broadway. Beyond grocery stores and other convenience shopping, however, Oakland has had trouble attracting retail development offering comparison goods shopping opportunities (clothing/shoes/accessories, home furnishings/appliances, specialty goods, electronics, and department/general merchandise stores). A large share of Oakland residents' spending for comparison goods continues to be made outside the city (sales leakage). New impact fees for retail development could be considered within the context of policy goals for attracting more retailing for both the shopping opportunities and the sales tax base these developments can provide.

The feasibility of developing ground floor retail space in new residential and office building projects is typically supported by the feasibility of the residential and office developments. Ground floor retail is often seen as an amenity for these projects and does not typically cover development costs or at best will break even.

The feasibility analysis of retail development in Oakland is highlighted in Figure 4. Appendix A describes the retail development prototypes and presents the pro forma analyses for the base case as of mid-2015 without new impact fees.

Figure 4
Retail Development

Prototypes	Feasibility 2015	New Construction?
Ground floor Retail in New Residential and Office Buildings	Typically supported by major use; at best will break even	
R-1 **Freestanding Larger Store** Commercial Corridors / Districts	Feasible potentially	No recent construction
R-2/R-3 **Grocery store**, possibly with small shops	Feasible in many locations Freestanding retail development is sensitive to costs	New Developments: Safeway, Sprouts, Whole Foods, Lucky on East 18th, FoodsCo at Foothill Square

Feasibility Overview: Warehouse and Industrial Development

Warehouse development is feasible in Oakland. Projects have been built recently, and future development is dependent on the availability of sites for new warehouse development as there is demand for new warehouse facilities. Development for custom manufacturing and light industrial uses including industrial arts appears to be feasible although its tenants are sensitive to costs. The industrial uses are desired in parts of the West Oakland, Central Estuary, and Coliseum Specific Plan Areas for the business and job opportunities they can provide. Both warehouse and industrial developments need sites with lower land costs at industrial levels, which can be difficult to locate in Oakland. Additional impact fees could likely be collected from some industrial development recognizing the sensitivity of these uses to higher costs. Additional impact fees for warehouse development could raise concerns about the broader competitive context as Oakland already has the highest impact fees for warehouse development among other East Bay cities, due largely to the higher jobs/housing impact fee charges on warehouse development in Oakland.

The feasibility analysis of industrial development in Oakland is highlighted in Figure 5. Appendix A describes the industrial development prototypes and presents the pro forma analyses for the base case as of mid-2015 without new impact fees.

Figure 5
Warehouse and Industrial Development

Prototypes	Feasibility 2015	New Construction
I-1 **Warehouse** East Oakland Industrial / Coliseum Plan Area	Feasible	I-1: Recent development: Airport/Hegenberger Area, Army Base; some on infill sites
I-2 **Custom Manufacturing./ Light Industrial**	Feasible; could be build-to-suit; tenants are cost-sensitive	I-2 and I-3: Desired in Specific Plan areas: West Oakland, Central Estuary, Coliseum Areas; not built recently
I-3 **Low-rise Light Industrial/ R&D / Office Flex**	Probably feasible	I-1, I-2, and I-3: Availability of sites for warehouse and industrial development is limited in Oakland

Summarizing Feasibility Related to New Impact Fees

As described, the ability to pay new impact fees requires that project revenues cover development costs, provide a competitive return to attract developers and investors, and are high enough to also pay new impact fees. The simplified diagram in Figure 6 shows the relationships involved. Projects to the right of the break-even point where the lines cross at the center of the graph are feasible and have increasing ability to pay new impact fees the more revenues exceed development costs, as shown by moving further to the right side of the graph. Projects to the left of the break-even point are not yet feasible and those near the center are marginally feasible. Neither could pay new impact fees currently.

The next diagram in Figure 7 summarizes the results of the base case feasibility analysis by the placement of the major development types on the economic feasibility graph. The graph shows that despite growing demand and increasing rents, developments of the more costly, higher-density building types are not yet feasible in the case of large office buildings or are marginally feasible in the case of multi-family housing development, based on today's rents (2015). For both office and multi-family housing development, the ability to pay new impact fees requires higher rents and prices and improved feasibility over time.

Figure 6
Ability to Pay New Impact Fees Based on
Relationship between Development Cost and Revenue

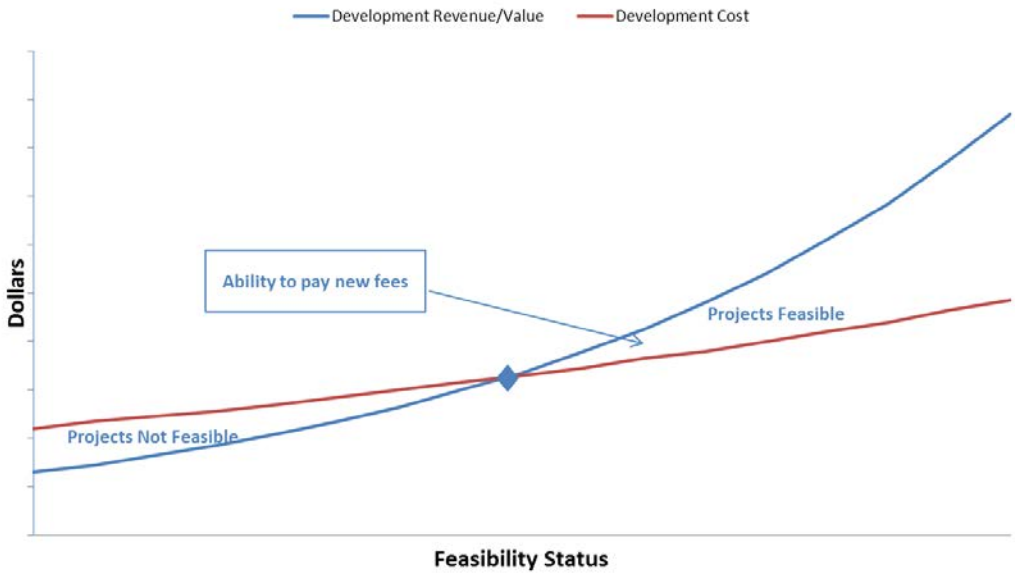
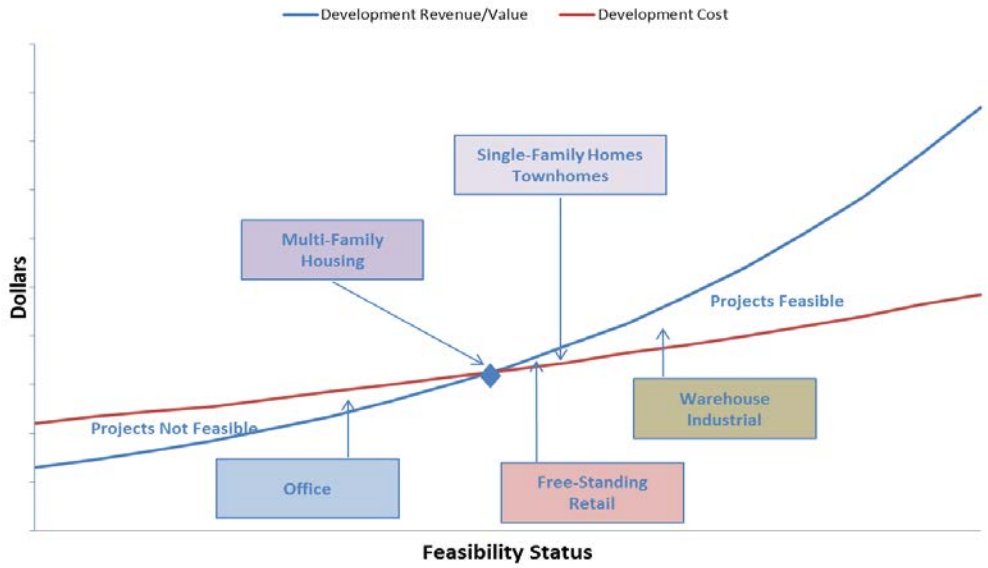
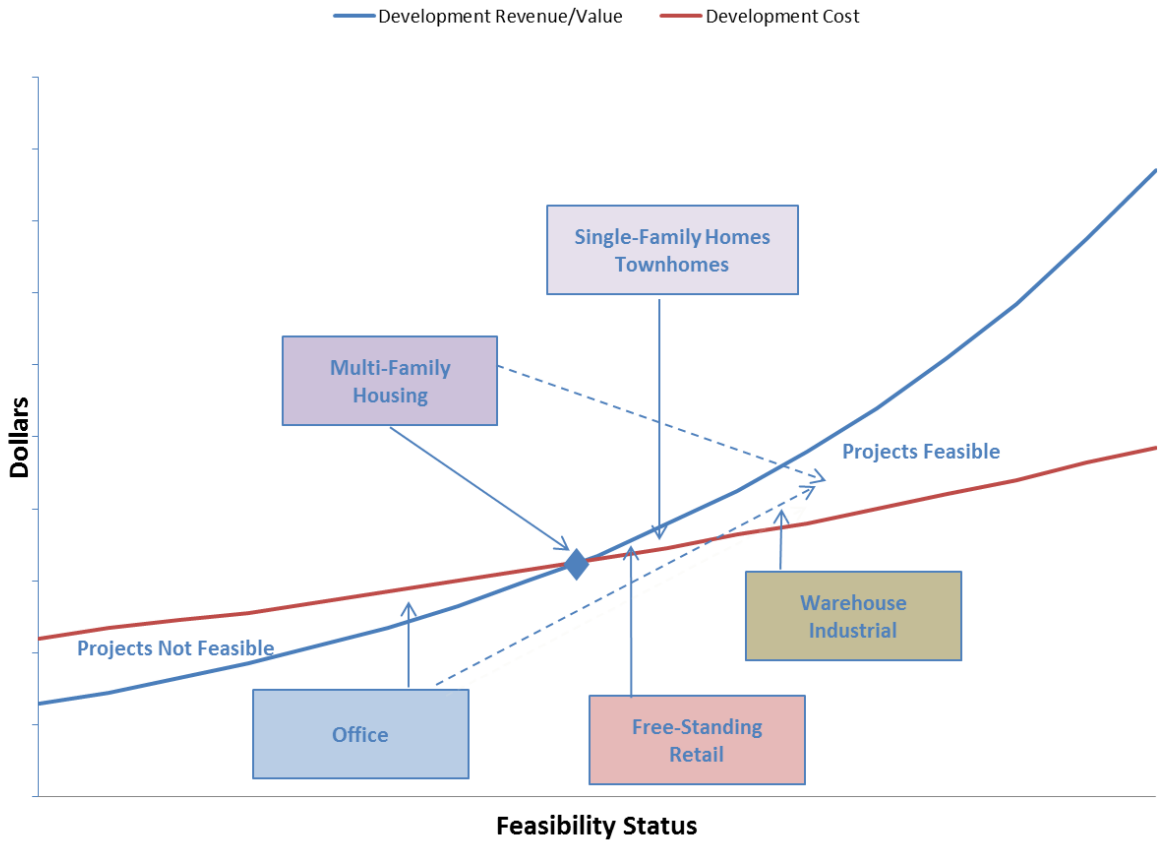


Figure 7
Relationship between Development Cost and Revenue:
Feasibility of Development in 2015



The graph in Figure 8 identifies the effects of improved feasibility on ability to pay impact fees as trends continue in the future. The dotted lines show the effect of improved feasibility of office and multi-family housing development as rents increase relative to development costs, moving those developments from the not feasible to the feasible side of the graph. Within this context, the amount of new impact fees and the timeframe over which they are phased-in can affect the timing for gaining feasibility and eventual development (i.e. the timing for shifting from the left side to the right side of the graph). The more aggressive the impact fee program in terms of the amount and timing of new fees, the higher the risk of getting ahead of the market with additional costs and adversely affecting feasibility and the timing of new development.

Figure 8
Relationship between Development Cost and Revenue:
Feasibility of Development in 2015 and Improved Feasibility as Trends Continue



Note: The dotted lines show the effect of improved feasibility of office and multi-family housing development as rents increase relative to development costs, moving those developments from the not feasibile to the feasible side of the graph.

III. IMPLICATIONS OF BASE CASE FEASIBILITY ANALYSIS FOR IMPACT FEE PROGRAM

The results of the base case economic feasibility analysis summarized in Chapter II have implications for adopting an impact fee program. This chapter identifies three such implications that include the following.

- The magnitudes of impact fees that can be absorbed by Oakland development in the near future are below the maximum legal fees identified by the impact fee nexus analyses.
- The timeframe over which new impact fees are phased-in is very important to the ability of development to absorb new fees.
- Impact fee zones are identified for collecting impact fees from residential projects based on differences among parts of the city in rents and prices of housing, in the extent and types of new housing being built and proposed, and in the feasibility of development in the near future.

Each of these implications is described in this chapter.

FEASIBLE IMPACT FEES ARE BELOW THE MAXIMUM LEGAL FEES

The results of the impact fee nexus studies identify the maximum legal impact fees that can be charged on new development in Oakland. Legally, the City Council can adopt impact fees at or below the maximum legal amounts identified. Typically, impact fee programs seek to balance the need for impact fee revenues with the ability of development to pay the fees without affecting the pace and amount of development.

The findings of the economic feasibility analysis show that the levels of impact fees that could be absorbed by new development in Oakland in the near future are below the maximum legal impact fees identified by the nexus studies. Similar results occur in most communities. The relevant findings of the economic feasibility analysis are summarized below based on analyses discussed in Chapter II.

- There has been limited market-rate development in Oakland between 2009 and 2014 as a result of the Great Recession and slowdown that followed. However, Oakland's real estate markets have shown clear signs of recovery, 2013-2016, including growing demand, increased occupancies of existing buildings, increasing rents and sales prices, and increasing spill-over from San Francisco and the West Bay.
- However, the base case analysis of economic feasibility indicates that multi-family housing and office building developments are marginally feasible or not yet feasible based on 2015 rents/prices and without new impact fees. These higher-density building types are more costly to develop, and larger projects carry

substantial risk. No large market-rate, multi-family housing projects or office buildings have yet been completed in Oakland since the Recession.[1]

- Recent high rates of increase in rents and prices in Oakland have attracted substantial developer interest, and there is a large pipeline of potential future projects. Development feasibility and ability to pay new impact fees could be much improved with increasing rents and prices over the next two to four years if trends continue and the regional economy stays strong.
- The current economic feasibility of development in Oakland and feasibility testing of impact fee options both show that the levels of impact fees that could be absorbed by new development in the near future are substantially below the maximum legal fees identified by the nexus analyses. This conclusion applies for all land uses and development types. Further, while development feasibility is improving in Oakland, it remains sensitive to costs. Thus, the level of new impact fees adopted can make a difference in the feasibility and timing of development and could affect the momentum for development that has been building.

THE TIMEFRAME OVER WHICH NEW IMPACT FEES ARE PHASED-IN IS VERY IMPORTANT

The potential for development in Oakland to absorb new impact fees would be greatly improved if the fees are phased in consistent with improving development feasibility over time. The phasing-in of new impact fees in sync with the market could both enhance potentials for new development and increase ability to pay impact fees. Phasing-in new impact fees also would allow time for the market to adjust to higher impact fees, for developers to plan future developments with knowledge of the magnitude of new impact fees, and for land owners to adjust over time to lower land values in the future. (Also see discussion of phasing-in new impact fees in Chapter II.)

IMPACT FEE ZONES MAKE SENSE FOR IMPACT FEES ON RESIDENTIAL DEVELOPMENT

There are significant differences among parts of Oakland in the rents and prices of existing housing, in the extent and types of new housing being built and proposed, and in the feasibility of market-rate development in the near future. The data collection and analysis done to assess economic feasibility of different types of development in different parts of the city provide the basis for differentiating impact fees among areas of Oakland consistent with development feasibility and ability to pay new impact fees in the near future. Thus, as an output of the economic analysis, three residential impact fee zones are identified. The new residential impact fees and their phase-in schedules are differentiated by impact fee zone as well as by type of housing development. The impact fee zones are described below.

[1] Multi-family housing development in Oakland assumes higher density development (100-200-400 units per net acre) in lower-/mid-rise (3-4 floors) and mid-rise (5-6 floors) structures built on a podium or in high-rise buildings, with most projects including 100 to 400 units (referred to as "large" projects). Office building development downtown assumes high-rise buildings (20+ floors and 400,000 to 600,000 sq. ft.) and mid-rise buildings (4-8 floors and 150,000 to 350,000 sq. ft.).

- **Impact Fee Zone 1: Greater Downtown, much of North Oakland, and the Oakland Hills**

  Impact Fee Zone 1 includes areas that capture the highest prices and rents for new residential development in Oakland, including single-family and townhome development in the Hills and Rockridge, and mid-rise and high-rise multi-family development in Greater Downtown and parts of North Oakland. With the phase-in of new impact fees to allow for enhanced feasibility consistent with market trends, higher prices and rents in this zone are anticipated to support feasible development with the ability to pay impact fees in most cases. There is a large pipeline of projects proposed for development in zone 1, and the large majority of residential development over the next 10 years is anticipated to be built in zone 1 (over 75 percent).

- **Impact Fee Zone 2: West Oakland and nearby parts of North Oakland**

  Rents and prices in impact fee zone 2 are now supporting "mid-level" development of townhomes/row houses and lower/mid-rise apartment development. Rents/prices in zone 2 are below those in zone 1, and support development that is less costly to build than that in zone 1. With the phase-in of new impact fees, prices and rents in this zone are anticipated to support feasible development with ability to pay impact fees that are somewhat lower than those for zone 1. There is development underway in zone 2 and projects proposed in the pipeline.

- **Impact Fee Zone 3: East Oakland**

  Rents and prices for housing in impact fee zone 3 are lower than in the other zones, and there has been very little market-rate housing development built or proposed in zone 3 thus far. There has been single-family home development on infill lots in the lower price/cost ranges. As housing demand increases in Oakland, prices and rents of existing housing have been going up in East Oakland, although they are still below levels needed for most new market-rate development. There are development proposals for zone 3, although most are affordable housing projects or projects including market-rate and affordable housing (such as the Coliseum and Fruitvale Transit Village projects). There is a small number of market-rate projects recently proposed in zone 3, including a project in the Jingletown/Fruitvale area, and one on International Boulevard near the Oakland/San Leandro border. The feasibility of residential development in zone 3 should improve over time with investments and improvements in the area and increasing rents and prices. The lowest impact fees are suggested for zone 3 to allow for improved feasibility of development before impact fees would be increased to higher levels.

Table 3 summarizes the characteristics of market-rate housing development in each of the residential impact fee zones. More background on the impact fee zones and housing development prototypes is presented in Appendix B.

Table 3
Characteristics of Market-Rate Development in Residential Impact Fee Zones Defined by Economic Analysis

New Housing Types by Zone	Ave. Unit Size (sq. ft.)	Ave. Mo. Rent/ Sales Price (mid-2015)	Ave. Mo. Rent/Price per SF	Feasibility 2015
IMPACT FEE ZONE 1				**Multi-Family Development**
H-4: **Mid-Rise Apartment Development**	825	$3,080	$3.73	– Marginal feasibility with 2015 rents; much improved with higher rents/prices as trends continue
H-5: **High-Rise Apartment Development**	845	$3,870	$4.58	
H-4: **Mid-Rise Condo Development**	930	$574,000	$617	– Large pipeline of projects beginning to proceed
H-5: **High-Rise Condo Development**	940	$632,000	$672	**Single-Family/Townhome Development**
H-1B: **Single-Family Detached Homes**	3,000	$1,240,000	$413	– Feasible today / Infill and phased development
H-2B: **Townhomes / Row Houses**	2,085	$777,000	$373	
IMPACT FEE ZONE 2				**Multi-Family Development**
H-3: **Lower- and Mid-Rise Apartments**	760	$2,530	$3.33	– Smaller projects proceeding
H-2A: **Townhomes / Row Houses**	1,340	$518,000	$387	– Feasibility improves for larger projects with increasing rents as trends continue
H-1: **Single-Family Detached Homes**	1,700	$625,000	$368	**Townhome Development**
H-3: **Lower-and-Mid-Rise Condo Development /a/** Smaller projects; some lofts	1,300 – 1,700	$500,000 – 600,000	$350 - 380	– Feasible / Proceeding in phases
IMPACT FEE ZONE 3				**Multi-Family Development**
H-3: **Lower-and-Mid-Rise Apartments /b/** Potential in the future	NA	NA	NA	– Not yet feasible
H-1A: **Single-Family Detached Homes**	1,600	$405,000	$253	– Recent proposals for selected locations, potential with increasing rents
				– Feasibility to improve over time
				Single-Family Development
				– Feasible / Development sensitive to costs

Note**:** The data above are for recent, actual developments in each part of Oakland (projects built 2005 through 2015). The data identify market rents and prices in mid-2015. Appendix B provides additional information on existing rents and prices for housing in different parts of Oakland. See Figure 9 for map, see text for clarification of zone boundaries used in this report,

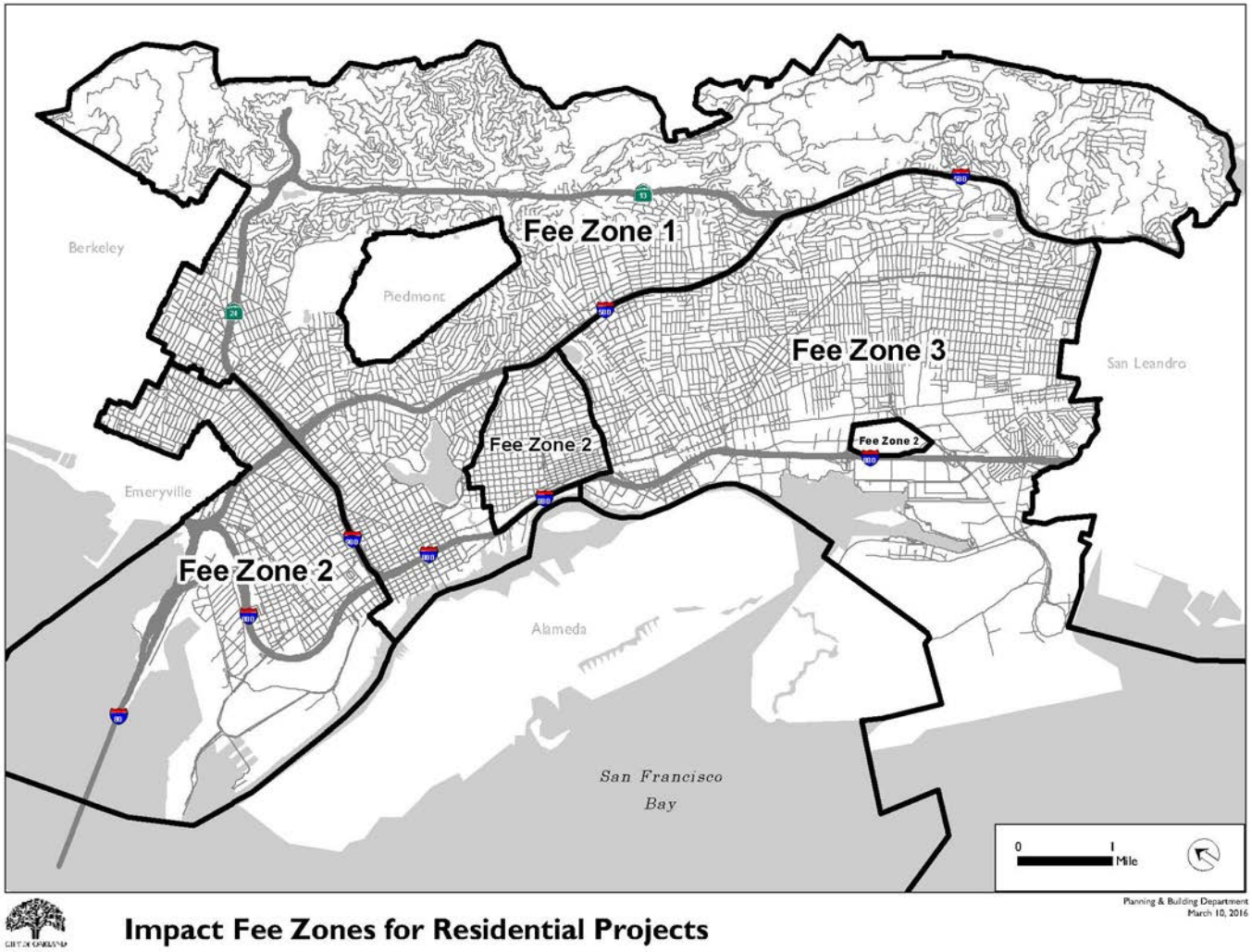
/a/ In West Oakland, there are smaller, individual projects of two to eight units and some lofts. Prices vary and are not easily generalizable. They are similar to the prices for row houses and single-family homes depending on the project.

/b/ There has been no recent construction of multi-family housing in East Oakland and current rents are below those needed for new construction. However, there are recent proposals and the potential for development in the future. When feasible, the rents for future projects are likely to be similar to or slightly below those for prototype H-3 in West Oakland.

Source: Hausrath Economics Group

A map of the impact fee zones for residential projects is presented in Figure 9. The map shows the impact fee zones identified by the City Council. There are differences in the zone boundaries in East Oakland between the economic analysis described above and the zone map in Figure 9. The economic analysis defines zone 3 as including all of the area east of the Lake including the two East Oakland areas now shown as impact fee zone 2 on the current map.

Figure 9
Impact Fee Zones for Residential Projects



IV. ECONOMIC IMPACTS OF NEW IMPACT FEES IN OAKLAND

The new impact fees were integrated into the base case real estate feasibility models to test potential impacts on project feasibility and consider implications for new development in Oakland. As multi-family housing development is at the threshold of feasibility and office development is not yet feasible, attention was given to how much rents and prices would have to increase to both enhance existing project feasibility and support payment of the new impact fees. The analysis also assessed effects on residual land values and possible implications for land sales in support of future development in Oakland.

Much of the feasibility analysis focused on residential development because of its marginal feasibility and the public policy emphasis on adopting affordable housing impact fees on market-rate residential development. Three new impact fees are identified by zone for residential development (affordable housing, transportation, and capital improvements impact fees) and two new impact fees for non-residential development (transportation and capital improvements impacts fees). The City already imposes a jobs/housing impact fee on office and warehouse development to provide funding for affordable housing.

Overall, the analysis identifies that the impact fees for multi-family **residential development** are aggressive for development projects that are just at the threshold of feasibility in Oakland. Attaining feasibility and paying the new impact fees depends on continuing real increases in rents and prices for new housing over the next three to five years. The new impact fees also will limit the ability of land owners to capture higher land prices and a share of increasing project feasibility as rents increase in the near future. The new impact fees are as aggressive as are likely to be supported by economic feasibility, with potential impacts largely offset by the schedule for phasing-in the new impact fees. There is still some risk of affecting project feasibility and the pace of new development, particularly in locations and for building types where development is less feasible today.

The new impact fees for **non-residential development** are generally consistent with the market contexts for these uses with the possible exception of office development. New impact fees for office development are proposed to reach target levels in year five, recognizing the need for large increases in office rents to make projects feasible as well as uncertainty about the timing for attaining feasibility. The impact fees for retail, hotel/motel, warehouse, and industrial developments are set at relatively low levels based on market and feasibility considerations and economic development objectives to encourage more of these uses in Oakland for the benefits they provide (more local shopping opportunities, greater sales tax and transient occupancy tax revenues, and increased business and job opportunities for residents).

NEW IMPACT FEES

The new impact fees for residential development are identified in Table 4. The table shows the target impact fee amounts and the schedule for phasing in the new impact fees, beginning September 1, 2016. The new impact fees for non-residential development are identified in Table 10 shown later in this chapter.

Table 4
Oakland Residential Impact Fees

(proposed March 10, 2016)

Impact Fee is Per Unit. Date is When Applicant Applies for Building Permit.

Zone 1

Housing Type	Impact Fee Category	9/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 Target Impact Fee
Multi-Family	Affordable Housing	$5,500	$11,500	$22,000
	Capital Improvements	$750	$750	$1,250
	Transportation	$750	$750	$750
	Total	**$7,000**	**$13,000**	**$24,000**
Townhome	Affordable Housing	$6,500	$12,000	$20,000
	Capital Improvements	$1,000	$1,000	$3,000
	Transportation	$1,000	$1,000	$1,000
	Total	**$8,500**	**$14,000**	**$24,000**
Single-Family	Affordable Housing	$6,000	$12,500	$23,000
	Capital Improvements	$1,500	$2,000	$4,000
	Transportation	$1,000	$1,000	$1,000
	Total	**$8,500**	**$15,500**	**$28,000**

Zone 2

Housing Type	Impact Fee Category	9/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 Target Impact Fee
Multi-Family	Affordable Housing	$4,550	$9,250	$17,750
	Capital Improvements	$250	$500	$750
	Transportation	$750	$750	$750
	Total	**$5,550**	**$10,500**	**$19,250**
Townhome	Affordable Housing	$2,600	$7,200	$14,250
	Capital Improvements	$1,000	$1,000	$2,000
	Transportation	$1,000	$1,000	$1,000
	Total	**$4,600**	**$9,200**	**$17,250**
Single-Family	Affordable Housing	$3,750	$9,000	$16,500
	Capital Improvements	$1,000	$1,500	$3,000
	Transportation	$1,000	$1,000	$1,000
	Total	**$5,750**	**$11,500**	**$20,500**

Zone 3

Housing Type	Impact Fee Category	9/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 - 6/30/19	7/1/19 - 6/30/20	7/1/20 Target Impact Fee
Multi-Family	Affordable Housing	$0	$0	$3,000	$6,000	$12,000
	Capital Improvements	$0	$0	$0	$0	$250
	Transportation	$710	$710	$750	$750	$750
	Total	**$710**	**$710**	**$3,750**	**$6,750**	**$13,000**
Townhome	Affordable Housing	$0	$0	$1,000	$4,000	$8,000
	Capital Improvements	$0	$0	$1,000	$1,000	$1,000
	Transportation	$1,000	$1,000	$1,000	$1,000	$1,000
	Total	**$1,000**	**$1,000**	**$3,000**	**$6,000**	**$10,000**
Single-Family	Affordable Housing	$0	$0	$1,000	$4,000	$8,000
	Capital Improvements	$0	$0	$1,000	$1,000	$1,000
	Transportation	$1,000	$1,000	$1,000	$1,000	$1,000
	Total	**$1,000**	**$1,000**	**$3,000**	**$6,000**	**$10,000**

IMPACT ASSESSMENT OF NEW IMPACT FEES ON RESIDENTIAL DEVELOPMENT

Impact Assessment Under Current Market and Feasibility Conditions

Typically in studies like this one, new impact fees are evaluated in comparison to the current, base case feasibility models for prototype new developments. Such comparisons are shown in Table 5 and reflect the following.

- The target impact fees would increase development costs over 2015 levels by approximately 2.5 to 6 percent depending on the housing prototype, with the highest percentage increases in costs for the impact fees on multi-family housing development.
- When the new impact fees are included in the pro forma analyses for development under the base case (2015), they affect project feasibility. Multi-family housing development would go from marginally feasible to not feasible, and development returns for most townhome and single-family home developments would drop below competitive returns for feasible projects (see lower part of Table 5). The analysis shows that most housing developments in Oakland are not yet profitable enough to absorb the new impact fees and still provide an acceptable/competitive return for development.
- In addition, the new impact fees are high compared to land values supported by development in the base case, with the impact fees representing from 15 to 70 percent of 2015 land values, depending on the development prototype. The new impact fees for multi-family housing development represent the largest percentages of land value. Such high percentages indicate that lower land values are unlikely to fully offset the new impact fees in the near future, as landowners will likely hold off selling property until project revenues increase to support higher land values in the future.
- For new multi-family housing development under the base case (2015) scenario, there also could be impacts from the initial and mid-level impact fee amounts during the phase-in period. Projects could remain marginally feasible or become not feasible as a result of the additional costs from the early phase impact fee amounts.

The analysis shows that housing revenues need to increase above base case 2015 levels if the new impact fees are to be successfully implemented without detrimental impacts on project feasibility and the production of new housing in Oakland. Further analysis was done to consider recent trends in market rents for multi-family housing in Oakland and whether they could be expected to continue to increase so as to both enhance existing project feasibility and support payment of new impact fees under the phase-in schedules.

Table 5
Summary of Feasibility Testing of Residential Impact Fees:
Base Case 2015

	Multi-Family Development		Townhome Development		Single-Family Development	
	H-4 Zone 1	H-3 Zone 2	H-2B Zone 1	H2-A Zone 2	H-1B Zone 1	H-1A Zone 3
Target Impact Fees Per Unit	$24,000	$19,250	$24,000	$17,250	$28,000	$10,000
Development Cost Per Unit (2015) /a/	$419,785	$351,502	$684,980	$445,650	$1,089,290	$362,530
New Impact Fees as a Percentage	5.7%	5.5%	3.5%	3.9%	2.6%	2.8%
Land Cost Per Unit (2015)	$32,700	$32,670	$65,340	$65,340	$220,000	$73,000
New Impact Fees as a Percentage	73%	59%	37%	26%	13%	14%
Return:						
ROC Feasibility Threshold /b/ (net value as % of development costs)	15-19%	13-16%	7.5-9.5%	7-9%	8-10%	6-8%
Base Case ROC 2015, No Fees	11%	9%	**9.5%**	**12%**	**10%**	**8%**
Base Case ROC 2015, Target Fees	5%	3%	5.5%	**8%**	7%	5%

Note: Bold indicates return (ROC) at or above threshold for feasibility. Return on cost (ROC) is calculated as net value at stabilized occupancy divided by development costs.
/a/ Excluding developer fee and return on capital.
/b/ Return on cost (ROC) feasibility thresholds reflect ROCs equivalent to 12% - 15% internal rates of return (IRR).

Source: Hausrath Economics Group

Recent and Near-Term Trends: Increases in Rents and Prices for New Housing in Oakland

Potential Trends Scenario

Based on recent trends, it is reasonable to expect that housing rents and prices will continue to increase in Oakland. A scenario of potential future rents and prices for new development over the next three to five years was prepared and provides a "future base case" for use in evaluating the effects of the new impact fees on development feasibility, assuming increasing rents and prices. It is important to note that, although it is reasonable to expect that housing rents and prices will continue to increase, there is risk that conditions may not occur as anticipated.[2]

Throughout this analysis, the housing rents and prices identified and discussed are market rents and prices at the time that housing is newly rented or sold. The rents are not average rents for all rental housing in Oakland. Citywide average rents for all housing are lower than market rents for new housing. Citywide average rents include the large majority of existing units that were rented at an earlier time and rents for units in older buildings covered by rent control rules affecting increases in rents over time.

As described earlier, market rents for apartments in Oakland have been increasing substantially, and recent percentage increases have been among the highest in the country. Over the past five years, 2010 to 2015, market rents for apartments in larger buildings (with 50 or more units) in Oakland increased at an average rate of 13.5 percent per year. Market rents nearly doubled from a low point in 2010 due to the Recession to 2015. However, some of the increase in rents made up for earlier declines in rents from 2007 to 2010.

Looking ahead five years, 2016 to 2020, Oakland rents are anticipated to continue to increase. A potential scenario shows market rents for new multi-family apartment development increasing at an average rate of 7.6 percent per year over the next five years. At this rate, market rents in 2020 would be about 44 percent higher than rents in 2015. Factors and assumptions supporting and explaining this scenario are the following:

- The regional economy stays strong.
- The rate of increase in rents slows over time as rents get higher.
- The highest rates and amounts of increase in rent are anticipated over the next three years, with lower rates of growth thereafter.
- Nearer-term rent increases reflect continuing "catch-up" with rents in San Francisco, as demand from San Francisco continues to spill-over into Oakland, due partly to lower rents in Oakland compared to San Francisco.

[2] Impact assessments of new impact fees are not typically done based on potential future revenues for development as there is uncertainty about whether the future will actually occur as anticipated. In this case, there is anticipation that recent trends in housing rents and prices will continue, and City decision-makers want to have new fees in place as feasibility improves and development occurs. However, there is risk that conditions may not occur as anticipated. This is discussed further in the next section.

- Job growth also continues to spill-over from San Francisco to Oakland, particularly into downtown Oakland.

The data in Table 6 show the annual percentage changes in market rents over the past five years. The table also shows a potential trends scenario of market rents for new apartments in lower/mid-rise and mid-rise multi-family developments in Oakland over the next five years. As described above, the percentage rates of increase slow over time as the rents get higher.

Under the trends scenario anticipated for new multi-family apartment development in Oakland, average rents for new mid-rise apartment development in the Greater Downtown, a large part of North Oakland, and other parts of impact fee zone 1 would increase from $3,080 per month in 2015 ($3.73 per month per square foot) to $4,450 per month in 2020 ($5.40 per month per square foot). Similarly, rents for new lower-/mid-rise apartment development in other areas of Oakland (West Oakland and adjacent parts of North Oakland) would increase from $2,530 per month in 2015 ($3.33 per month per square foot) to $3,680 per month in 2020 ($4.84 per square foot). Those are significant increases. This scenario can be characterized as an optimistic, potential scenario based on recent trends and information available at the time of this analysis.

Housing prices for single-family homes and townhomes also have been increasing in Oakland and are anticipated to experience further increases over the next three to five years at somewhat lower rates than apartment rents.

Real Increases in Rents Over and Above Increases in Development Costs

For this analysis, it is important to understand that to improve the feasibility of development, increases in housing rents and prices must be "real" increases over and above increases in development costs. This is important as construction costs continue to increase over time, particularly for higher-cost, multi-family housing development in the inner Bay Area. The housing construction companies consulted for this effort anticipate a five to six (5-6) percent increase in costs from 2015 to 2016 and five (5) percent per year increases for the next two to three years (2018-2019), potentially declining to four (4) percent per year thereafter. With cost increases in this range, the 44 percent increase in rents in future year (nominal) dollars over the next five years (described above and in Table 6) would generate about 16 percent real increase in rents over the next five years, averaging about three (3) percent per year in real increases in rents over and above increases in costs (see shaded part of Table 6 for real rent increases in constant 2015 dollars). It is the "real" increase in rents that will improve development feasibility and provide the ability to pay new impact fees.

Table 6
Rent Increases for Multi-Family Apartment Development in Oakland, Actual (2010-2015) and Potential Trend (2015-2020)

Increase in Monthly Rents: Trend for the Last Five Years, 2010-2015

Rents in large apartment buildings with 50+ units
Source: RealFacts LLC as reported by Paragon

	Monthly Rent	Percent Change
2010	$1,490	
2011	$1,626	+9.1%
2012	$1,854	+14.0%
2013	$2,057	+10.9%
2014	$2,388	+16.1%
2015	$2,807	+17.5%
2010-2015	+ $1,317	+88%

Potential Trend Scenario for Market Rents for New Development Next Five Years: Estimated Increase in Monthly Rents for Prototypes, 2015-2020

Rents in new multi-family apartment development prototypes
Source: Hausrath Economics Group

Mid-Rise Apartments	Lower-/Mid-Rise Apartments
Prototype H-4 Zone 1: Downtown, Jack London, Broadway Valdez, most North Oakland average unit size 825 square feet	Prototype H-3 Zone 2: West Oakland, parts of North Oakland average unit size: 760 square feet

Scenario of Monthly Rents in Future Year (nominal) Dollars

	Monthly Rent	Percent Change	Monthly Rent	Percent Change
2015	$3,080		$2,530	
2016	$3,430	+11.5%	$2,920	+11.5%
2017	$3,755	+9.5%	$3,090	+9.5%
2018	$4,020	+7.5%	$3,320	+7.5%
2019	$4,240	+5.5%	$3,500	+5.5%
2020	$4,450	+5.0%	$3,680	+5.0%
2015-2020	+$1,370	+44%	+$1,150	+45%

Scenario of Monthly Rents in Constant 2015 Dollars/a/
(real increases in rent over and above increases in development cost)

	Monthly Rent	Percent Change	Monthly Rent	Percent Change
2015	$3,080		$2,530	
2016	$3,250	+5.5%	$2,670	+5.5%
2017	$3,400	+4.5%	$2,790	+4.5%
2018	$3,485	+2.5%	$2,860	+2.5%
2019	$3,540	+1.5%	$2,900	+1.5%
2020	$3,575	+1%	$2,930	+1.0%
2015-2020	**+$495**	**+16%**	**+$400**	**+16%**

/a/ This section of the table (shaded) shows real increases in rents over and above increases in development costs.

Source: Hausrath Economics Group based on sources identified above. More explanation provided in the text.

Impact Assessment Under Future Base Case Assuming Increasing Rents/Prices and the Phasing-In of New Impact Fees

The effects of new impact fees are now evaluated using the future base case feasibility models for prototype developments that assume increasing rents and prices in the near future and account for the phasing in of new impact fees. Impact analysis was undertaken from two perspectives:

- Effects on project feasibility; and
- Effects on residual land values.

Analysis was done from each perspective separately, to provide insight into the types and magnitudes of market adjustments that could be required to incorporate the cost of new impact fees. Then, consideration is given to how such effects and market adjustments are likely to occur in combination, and to overall implications for housing development in Oakland.

The results of the impact analyses from each perspective (feasibility and land value) are summarized in the text below, followed by consideration of the overall implications. The results of the feasibility testing are summarized in Tables 7 and 8, focusing on development of the multi-family housing prototypes. Each table is laid out to evaluate project feasibility year-by-year as rents increase under the trends scenario described above. The analysis is done in constant 2015 dollars, incorporating real growth of rents over costs over time (second columns on the left). For each year, the analysis shows the results under four impact fee alternatives: no new impact fee, the initial impact fee amount, the increased impact fee amount, and the target impact fee amount. For each year and impact fee assumption, the analysis identifies the return from development, with the feasible outcomes shown with the return in **BOLD**.[3] Situations where development would be feasible after paying the new impact fees are shown with the fee amount in **BOLD** and highlighted in yellow. In these cases, a prior year is shown for paying the impact fee at time of building permit based on feasibility once the project is ready for occupancy (around one year later or longer). The table also shows the amount of residual land value from development and the effect of impact fees on that value, as discussed later in this chapter.[4,5] Lastly, the table columns on the right, show the increases in rent in future year dollars, consistent with the earlier Table 6.

[3] The target return for feasibility is assumed to be a 15 percent internal rate of return (IRR) at time of stabilized occupancy.
[4] The residual land values are calculated by removing land as a cost of development and assuming a 15 percent development return (for the developer and investors) as a cost item. All earnings over costs above the assumed return go to "residual land value."
[5] Testing the effects of new impact fees on development return and on land residual are separate calculations of the impact of new fees from each perspective. In reality, there will likely be some effects from each perspective, affecting both developers and landowners in the near term, and eventually reducing land values over the long term as described later in this chapter.

Table 7
Testing Feasibility of New Impact Fees for Mid-Rise Multi-Family Housing Development

Oakland Prototype H-4 Development: Mid-Rise, Rental Apartments

Type III construction on Type I podium

5-6 floors over podium; 1 parking space/du

Average Unit Size: 825 sf Density: 200 units/acre

Downtown/Jack London/Broadway Valdez/parts of North Oakland (fee zone 1)

Total Development Costs without Land (2015): $467,000 per unit Land Costs (2015): $32,700 per unit

Year	Rent Assumption (2015 $)			Impact Fee	Return/a/		Land/b/		Rent in Future $		
Mid-Year	Real Growth	Monthly per unit	Monthly per unit sf	Potential Fee per unit	Return: IRR Target: 15%	Prior Yr Bldg. Permit	Land Residual per unit	% Land Cost 2015	Annual Increase	Monthly Per Unit	Monthly per unit sf
2015	Base Case	$3,080	$3.73	0	9.4%		$6,075	19%	–	$3,080	$3.73
2016	+5.5%	$3,250	$3.94	0	13.8%		$26,160	80%	+11.5%	$3,430	$4.16
				$7,000	12.4%		$19,440	59%			
				$13,000	11.2%		$13,530	41%			
				$24,000	9.0%		$3,000	9%			
2017	+4.5%	$3,400	$4.09	0	**17.4%**		$43,900	134%	+9.5%	$3,755	$4.55
				$7,000	**16.0%**	*2016*	$37,180	114%			
				$13,000	14.9%		$31,350	96%			
				$24,000	12.8%		$20,820	64%			
2018	+2.5%	$3,485	$4.22	0	**19.3%**		$54,030	162%	+7.5%	$4,020	$4.87
				$7,000	**18.0%**	*2017*	$47,300	145%			
				$13,000	**16.8%**	*2017*	$41,470	127%			
				$24,000	14.8%		$30,940	95%			
2019	+1.5%	$3,540	$4.29	0	**20.5%**		$60,510	185%	+5.5%	$4,240	$5.14
				$7,000	**19.2%**	*2018*	$53,780	164%			
				$13,000	**18.1%**	*2018*	$47,950	147%			
				$24,000	**16.0%**	*2018*	$37,420	114%			
2020	+1%	$3,575	$4.33	0	**21.3%**		$64,640	198%	+5%	$4,450	$5.40
				$7,000	**20.0%**	*2019*	$58,000	177%			
				$13,000	**18.8%**	*2019*	$52,080	159%			
				$24,000	**16.8%**	*2019*	$41,550	127%			
5 years out	+16.1% real growth								+44% nominal $ growth		

NOTE: Bold font indicates projects are feasible because returns are over the feasbility threshold. Yellow shading indicates development would be feasible after paying the new impact fee.

/a/ Results identify (a) increases in return as rents increase over and above costs including land and assuming costs at levels for the Base Case 2015, and (b) decreases in return at a given rent as new fees increase.

/b/ Land residuals calculated assuming target return at 15% IRR and removing land as a cost of development.

Source: Hausrath Economics Group

Table 8
Testing Feasibility of New Impact Fees for Lower-Rise / Mid-Rise Multi-Family Housing Development

Oakland Prototype H-3 Development: Lower-/Mid-Rise Rental Apartments

Type V construction on Type I podium
3-4 floors over podium; 1 parking space/du
Average Unit Size: 760 sf Density: 100 units/acre
West Oakland/East Oakland/parts of North Oakland (fee zone 2)
Total Development Costs without Land (2015): $375,070 per unit Land Costs (2015): $32,670 per unit

Year	Rent Assumption (2015 $)			Fee	Return/a/		Land/b/		Rent in Future $		
Mid-Year	Real Growth	Monthly per unit	Monthly per unit sf	Potential Fee per unit	Return: IRR Target: 15%	Prior Yr Bldg. Permit	Land Residual per unit	% Land Cost 2015	Annual Increase	Monthly Per Unit	Monthly per unit sf
2015	Base Case	$2,530	$3.33	0	8.9%		$12,100	37%	–	$2,530	$3.33
2016	+5.5%	$2,670	$3.51	0	14.1%		$29,480	90%	+11.5%	$2,820	$3.71
				$5,550	12.6%		$24,020	73%			
				$10,500	11.2%		$19,240	59%			
				$19,250	8.8%		$10,750	33%			
2017	+4.5%	$2,790	$3.67	0	**18.3%**		$44,350	136%	+9.5%	$3,090	$4.06
				$5,550	**16.8%**	*2016*	$38,890	119%			
				$10,500	**15.5%**	*2016*	$34,100	104%			
				$19,250	13.1%		$25,620	78%			
2018	+2.5%	$2,860	$3.76	0	**20.6%**		$52,840	162%	+7.5%	$3,320	$4.37
				$5,550	**19.1%**	*2017*	$47,380	145%			
				$10,500	**17.7%**	*2017*	$42,670	130%			
				$19,250	**15.4%**	*2017*	$34,100	104%			
2019	+1.5%	$2,900	$3.82	0	**21.8%**		$57,790	177%	+5.5%	$3,500	$4.60
				$5,550	**20.3%**	*2018*	$52,330	160%			
				$10,500	**19.0%**	*2018*	$47,630	146%			
				$19,250	**16.7%**	*2018*	$39,060	119%			
2020	+1%	$2,930	$3.86	0	**22.8%**		$61,490	188%	+5%	$3,680	$4.84
				$5,550	**21.3%**	*2019*	$56,110	172%			
				$10,500	**20.0%**	*2019*	$51,320	157%			
				$19,250	**17.7%**	*2019*	$42,840	131%			
5 years out	+15.8% real growth								+45% nominal $ growth		

NOTE: Bold font indicates projects are feasible because returns are over the feasbility threshold. Yellow shading indicates development would be feasible after paying the new impact fee.

/a/ Results identify (a) increases in return as rents increase over and above costs including land and assuming costs at levels for the Base Case 2015, and (b) decreases in return at a given rent as new fees increase.

/b/ Land residuals calculated assuming target return at 15% IRR and removing land as a cost of development.

Source: Hausrath Economics Group

Effects on Housing Project Feasibility (Developer Perspective)

Future Base Case Without New Impact Fees

Development feasibility is improved under the future case assuming increasing rents and prices under recent trends. Multi-family housing development which is not feasible or marginally feasible in the 2015 base case becomes feasible in 2017 (see Tables 7 and 8). This is consistent with Oakland projects beginning to draw building permits in 2016 based on initial feasibility in 2017 with rent growth continuing for a few years thereafter. As time goes on, the return from development increases above threshold levels.

Future Base Case With New Impact Fees Phased In

When the new impact fees take effect, they will add costs and reduce the net revenue from development (assuming land costs as recently purchased or at similar levels). Under the future base case scenario, analysis indicates that returns from development would be large enough in most cases to cover the new impact fees and maintain project feasibility, although at a lower rate of return even though projects remain above feasibility thresholds. (See results in Tables 7 and 8). Thus, in most cases, development would still proceed. The combination of increasing rents/prices and phasing-in the new impact fees makes a significant difference from the earlier assessment assuming 2015 base year revenues (see Table 5 and related text).

Overall, from the perspective of economic feasibility, the new impact fees and their phase-in schedules can be characterized as workable but also aggressive, with risk of affecting feasibility for some development. The risks come from the uncertainties involved in depending on future revenues, and the aggressive characterization reflects the finding that the impact fees and phase-in schedules are at maximum levels in the early years in relation to multi-family housing project feasibility. The following provide further explanation.

- Real rent increases consistent with the future base case scenario are required to achieve and retain project feasibility when new impact fees are implemented, particularly for multi-family housing development. There is some risk associated with the uncertainty as to the increases in rents that will actually occur. If lower than estimated, there could be effects on feasibility.
- The analysis shows that under the current phase-in schedules, impact fee amounts are about one year ahead of having project revenues that are high enough to cover those impact fees and retain feasibility. In other words, the impact fees are "consistent" with revenues from occupancy about one-year after building permits. That could work in most cases, but does not allow for much uncertainty or variation. It indicates that, for multi-family housing development, the new impact fees and phase-in schedules are at about their maximum levels from a project feasibility perspective.

The finding that the new impact fees and phase-in schedules for multi-family housing are at their maximum levels from a feasibility perspective indicates that there could be some projects with marginal feasibility where the new impact fees could delay development until other changes in

revenues or costs are possible. These could include development of the more costly high-rise building types. It also is possible that the introduction of new impact fees could affect development in areas where there has been very little or no market-rate housing development yet such as in parts of impact fee zone 3 in East Oakland. The feasibility of development in these cases is sensitive to increases in costs, including the costs of the new impact fees.

The development of most single-family homes and townhomes would be able to pay the new impact fees as phased-in and retain project feasibility. As these housing prototypes are feasible in the 2015 base case, increasing housing prices will help to retain feasibility with the new impact fees. The combination of increasing prices and the phasing in of new impact fees makes a significant difference from the earlier assessment assuming 2015 base year revenues (see Table 5 and related text).

Possible Effects on Land Values and Land Prices (Land Owner Perspective)

Economists calculate residual land value as the income that can be earned from use of the land, after all other development costs are covered (including developer/investor return). From this perspective, additional costs for new impact fees reduce residual land values, assuming all other costs and revenues remain unchanged and including a competitive return for developers/investors. While land prices may adjust over time to reflect lower land values as a result of the new impact fees, land price adjustments may not be large enough or timely enough in the near future, to offset the costs of new impact fees and maintain project feasibility. Whether and when lower land values (because of new impact fees) become lower land prices in the marketplace depends on a number of other factors as well.

Land Owner Expectations are High in Oakland

Recent residential land prices in Oakland are higher than justified by land residuals calculated based on the current feasibility of development. Land prices indicate that owners are anticipating increased land values as housing rents and prices continue to increase. There have been recent land sales at high prices that have further raised expectations. In addition to increasing land residuals, recent land prices often include speculative value, particularly for desirable locations, by buyers who anticipate increased feasibility of development in the future and buyers who are interested in buying and selling the land and not developing it. In addition, land prices in Oakland also reflect sellers' objectives, such as land held by long-term owners who may hold out until they can sell at their desired price.

New Impact Fees Limit Ability of Land Owners to Share in Increasing Housing Rents and Prices in the Near Term

The pro forma testing of multi-family housing development shows how land residuals increase as housing rents and prices increase over and above development costs (see Tables 7 and 8). As an example, without new impact fees and assuming future real increases in rents for mid-rise multi-family housing development in impact fee zone 1, a low land residual in 2015 because of marginal feasibility increases to $44,000 per unit with project feasibility in 2017, to $53,000 per unit, $60,500 per unit, and then $65,000 in 2020 (see Table 7). Land cost in 2015 was around $33,000 per unit (mid-rise project at 200 units per acre) indicating the ability for land owners to

charge higher prices and share in higher revenues as a result of real increases in rents in the future. There have been recent land prices up to $60,000 per unit and higher, indicating the anticipation of higher rents in the future.

However, when the new impact fees are included in the calculations, the increases in land residuals are reduced substantially. For example, the land residual of $60,500 per unit in 2019 becomes $37,500 to cover the target impact fee amount in that year (see Table 7). With the new impact fees, the ability of land owners to charge higher land prices and share in the higher revenues from increasing rents is reduced substantially in the near term.

The pro forma analyses exemplified by the multi-family housing development cases summarized above and in Table 9 identify the following:

- The new impact fees are high relative to land values, particularly for multi-family housing development in Oakland.
- With the new impact fees, much of the increase in revenues as a result of higher rents in the near term will go to cover the new fees, limiting the growth of land values and reducing the amount that developers are willing to pay for land.
- Land owners with high expectations of increasing values, may be slow to accept lower land prices, so that land sales could slow for a period of time as owners hold out for higher prices and await further rent growth.
- The large pipeline of housing projects could mean that many developers have already purchased land, in which case more projects can proceed with less effect on development in the nearer term.
- Recent land sales could be renegotiated, particularly those contingent on no or lower impact fees than enacted. Some transactions may not occur, and projects could be delayed until landowner expectations re-set.
- Overall, land price adjustments because of the new impact fees are likely to occur over time, particularly for multi-family housing development.

The new impact fees would also have effects on land values for single-family and townhome development. The new impact fees would reduce land values and the landowner's share of increasing housing prices. The impact fees would represent a lower percentage of land values for these lower-density developments, indicating less potential for effects that could slow land sales. However, the impact fee amounts are large enough to suggest that land price adjustments will take time to occur. Effects of new impact fees on land residuals for these types of housing developments are also summarized in Table 9 (see lower rows).

Table 9
Feasibility Testing of Residential Impact Fees:
Future Case in 2018

	Multi-Family Development		Townhome Development		Single-Family Development	
	H-4 Zone 1	H-3 Zone 2	H-2B Zone 1	H2-A Zone 2	H-1B Zone 1	H-1A Zone 3
New Housing Rents/Prices 2018 in 2015 dollars	$3,485 Monthly Rent	$2,860 Monthly Rent	$849,050 Sales Price	$574,300 Sales Price	$1,354,980 Sales Price	$436,140 Sales Price
Real Growth of Rents/Prices annual rate 2015-2018	4.2%	4.2%	3%	3.5%	3%	2.5%
New Impact Fees Per Unit	$24,000	$19,750	$24,000	$17,500	$28,000	$3,000
Return – assuming developer pays impact fees and gets rest of real growth of revenue /a/						
ROC Feasibility Threshold /b/ (net value as % of development costs)	15-19%	13-16%	7.5-9.5%	7-9%	8-10%	6-8%
ROC 2018, No Impact Fees	**26%**	**23%**	**20%**	**24%**	**20%**	**16%**
ROC 2018, New Impact Fees	**19%**	**17%**	**15%**	**20%**	**17%**	**15%**
Land Residual (2018 in 2015 dollars) – assuming impact fees reduce land values and landowner gets rest of real growth of revenue /c/						
Land Residual – No Impact Fees	$54,030	$52,840	$125,700	$125,490	$313,470	$98,900
Land Residual – New Impact Fees	$30,940	$34,100	$101,900	$108,380	$285,750	$95,956
Change in Land Residual Due to Impact Fees	-43%	-35%	-19%	-14%	-9%	-3%

Note: Bold indicates return (ROC) at or above threshold for feasibility. Return on cost (ROC) is calculated as net value at stabilized occupancy divided by development costs. Future case in 2018 includes real growth of rents and prices over and above increases in development costs, reflecting 2018 in 2015 dollars.
/a/ Assumes land cost in base year increases at same rate as other development costs.
/b/ Return on cost (ROC) feasibility thresholds reflect ROCs equivalent to 12% - 15% internal rates of return (IRR).
/c/ Assumes developer return at upper end of feasibility threshold.

Source: Hausrath Economics Group

Summary of Likely Effects and Implications for Housing Development

Likely Effects and Market Adjustments

Taken together, the analyses above indicate that the new impact fees are high relative to returns from residential development that is just at the threshold of feasibility in Oakland, particularly multi-family residential development. Residential development is not so profitable that it can readily absorb the additional costs of the new impact fees.

Attaining feasibility and paying the new impact fees depends on continuing real increases in new housing rents and prices over and above increases in development costs. Based on recent trends, it is reasonable to anticipate that rents and prices will continue to increase over the next three to five years, if the regional economy stays strong. However, there is risk in adopting new impact fees based on anticipated future conditions. There is the chance that those conditions may not occur as anticipated.

With continuing real growth of new housing rents and prices and the phasing-in of impact fees, the analysis finds that the new impact fees are likely to be absorbed in most cases without adversely affecting residential development. Thus, in most cases, development would still proceed. However, the new impact fees and their phase-in are at about the maximum level possible without having adverse effects on the pace and amount of development. The feasibility analysis indicates two areas of particular concern.

- There remains risk that the impact fees could get ahead of the market and slow the pace of development. Scenarios evaluated in this analysis indicate that the new impact fees are about one year ahead of the revenue to support them during the first three to four years. This is particularly the case for multi-family housing development and for projects in impact fee zones 1 and 2 where the target impact fee amounts are reached in less than two years.
- There also is risk that land sales could slow for a period of time and affect the supply of land for new projects if landowners with expectations of increasing land values are slow to accept lower prices. The new impact fees are high relative to land values, thereby limiting the ability of landowners to capture higher land prices and a share of increasing project revenues as rents and prices increase.

Overall, developers and landowners will incorporate the additional costs for new impact fees into the real estate development feasibility equation over time through a number of types of adjustments. These are summarized as follows.

- In the near term, higher rents and prices are required to offset the costs of new impact fees and enhance project feasibility.
- Some developers may choose to undertake development at lower returns in the early years to cover the new impact fees, anticipating higher returns in the future as rents and prices continue to increase. This depends on the ability to secure the needed financing.

- In the near term, some recent land sales may have to be re-negotiated, particularly those contingent on no impact fees or lower impact fees than adopted. Some land transactions may not occur, and projects could be delayed until landowner expectations re-set.
- The large pipeline of housing projects in Oakland implies that a number of developers have already purchased land, in which case more projects can proceed with less effect on development than would otherwise be the case.
- Over time, land values will need to adjust, through lower increases in land prices than would otherwise occur without the new impact fees. There could be a period of time when land sales slow as owners hold out for higher land prices and as housing rents and prices continue to increase.

Potential to Affect Some Development

The finding that new impact fees are at their maximum levels from an economic feasibility perspective indicates that there could be some projects where the new impact fees could delay development until other changes in revenues or costs occur. The potential is greater for building types and locations where development is less feasible today. These include the following:

- Development in locations with lower rents and prices and with limited or no market-rate development thus far. In these areas, there are larger differences between obtainable rents and prices and those needed for feasible new development, and feasibility is particularly sensitive to costs including the costs of new impact fees. The establishment of impact fee zones with lower impact fees and longer phase-in periods reduces the potential for adverse impacts in these situations.
- Development of the more costly high-rise building types that can be difficult to finance and require high rents and prices to achieve feasibility before the additional costs of new impact fees. Higher costs for new impact fees could affect feasibility and slow the pace of development of these projects.

IMPACT ASSESSMENT OF NEW IMPACT FEES ON NON-RESIDENTIAL DEVELOPMENT

The new impact fees for non-residential development are shown in Table 10. The table shows the target impact fee amounts and the schedule for phasing in the new impact fees beginning September 1, 2016.

The new impact fees for non-residential development are generally consistent with the market and feasibility contexts for retail, hotel/motel, and warehouse/industrial development. New impact fees for office building development are proposed to phase-in slowly reaching target levels in year five, in recognition of the need for large increase in office rents before projects become feasible.

Table 10
Oakland Nonresidential Impact Fees

(proposed March 10, 2015)

Impact Fee is Per Square Foot. Date is When Applicant Applies for Building Permit.

Use Type	Impact Fee Category	9/1/16 – 6/30/17	7/1/17 – 6/30/18	7/1/18 – 6/30/19	7/1/19 – 6/30/20	7/1/20 Target Impact Fee
Office*	Capital Improvements	$0.00	$0.00	$1.00	$1.00	$2.00
	Transportation	$0.85	$0.85	$1.00	$1.00	$2.00
	Total	**$0.85**	**$0.85**	**$2.00**	**$2.00**	**$4.00**
Retail, Freestanding	Capital Improvements	$0.00	$0.15	$0.25	$0.25	$0.50
	Transportation	$0.75	$0.75	$0.75	$0.75	$0.75
	Total	**$0.75**	**$0.90**	**$1.00**	**$1.00**	**$1.25**
Retail, Ground Floor	Capital Improvements	$0.00	$0.00	$0.00	$0.00	$0.00
	Transportation	$0.75	$0.75	$0.75	$0.75	$0.75
	Total	**$0.75**	**$0.75**	**$0.75**	**$0.75**	**$0.75**
Industrial	Capital Improvements	$0.40	$0.40	$0.75	$0.75	$1.00
	Transportation	$0.55	$0.55	$0.55	$0.55	$0.55
	Total	**$0.95**	**$0.95**	**$1.30**	**$1.30**	**$1.55**
Warehouse*	Capital Improvements	$0.65	$0.90	$1.00	$1.00	$1.00
	Transportation	$0.35	$0.35	$0.35	$0.35	$0.35
	Total	**$1.00**	**$1.25**	**$1.35**	**$1.35**	**$1.35**
Hotel/Motel	Capital Improvements	$0.10	$0.20	$0.35	$0.35	$0.60
	Transportation	$0.65	$0.65	$0.65	$0.65	$0.65
	Total	**$0.75**	**$0.90**	**$1.00**	**$1.00**	**$1.25**
Institutional	Capital Improvements	$2.50	$2.50	$2.50	$2.50	$3.00
	Transportation	$1.20	$1.20	$2.00	$2.00	$3.00
	Total	**$3.70**	**$3.70**	**$4.50**	**$4.50**	**$6.00**

*Existing Jobs/Housing Impact Fee for affordable housing = $5.44 per square foot for July 1, 2015 – June 30, 2016.

Impact Assessment of New Impact Fees on Office Development

The base case analysis identifies that higher rents for new office space are needed to establish development feasibility before new impact fees can be paid (see earlier Figure 3, Table 2, and related text in Chapter II). Substantially higher rents are required for costly, new high-rise office development downtown, and higher rents for mid-rise office development (see Table 11). Feasibility could be reached sooner or later; the timing is difficult to predict and depends on tenant commitments at higher rent levels. Recognizing the uncertainty, the new impact fees are phased in over four years reaching the target impact fee level in year five.

Table 11
Summary of Feasibility Testing of New Impact Fees for Office Building Development

	Base Case 2015			Future with Feasible Rents /a/		
	0-1 High Rise Office Downtown	0-2 Mid-Rise Office Downtown	0-3 Lower/Mid-Rise Office Coliseum Area/ West Oakland	0-1 High Rise Office Downtown	0-2 Mid-Rise Office Downtown	0-3 Lower/Mid-Rise Office Coliseum Area/ West Oakland
Annual Rents Per Square Foot	$45.00	$40.80	$30.00	$60.00	$53.40	$45.60
Percent Real Growth in Rent, 2015 $	--	--	--	+33%	+31%	+52%
Return – assuming developer pays impact fees and gets rest of real growth of revenue						
ROC Feasibility Threshold /b/ (net value as % of development costs)	18-25%	14-18%	12-16%	18-25%	14-18%	12-16%
ROC, No Impact Fees	-18%	-24%	-44%	**28%**	**19%**	**16%**
ROC, Fees $2.00 per sq. ft.	--	--	--	**27%**	**19%**	**15%**
ROC, Target Fees $4.00 per sq. ft.	--	--	--	**27%**	**18%**	**14%**
Land Residual per sq. ft. bldg. – assumes impact fees reduce land value and land-owner gets rest of real growth of revenue /c/						
Land Residual – No Impact Fees	-$156	-$123	-$179	$31	$31	$31
Land Residual – New Impact Fees	--	--	--	$26	$27	$27
Charge in Land Residual Due to Impact Fees	--	--	--	-16%	-13%	-13%

Note: Bold indicates return (ROC) at or above threshold for feasibility. Return on cost (ROC) is calculated as net value at stabilized occupancy divided by development costs.
/a/ Future case includes real growth of rents over and above increases in development costs, in constant 2015 dollars.
/b/ Return on cost (ROC) feasibility thresholds reflect ROCs equivalent to 12% - 15% internal rates of return (IRR).
/c/ Assumes developer return at upper end of feasibility threshold.

Source: Hausrath Economics Group

The new impact fees for office development represent relatively small additional costs for already costly development (around one to two percent).[6] Once new office projects become feasible, they are likely to be able to pay the new impact fees in most cases.

From the developer perspective, once office rents reach feasible levels, the new impact fees would add cost and reduce net revenue from development. With the level of future rents required for feasibility, the return from development would likely be large enough to cover the new impact fees and maintain project feasibility in most cases. However, the level of new target impact fees is at the upper end of the amount that could be absorbed with the feasible rents tested in this analysis.

From the land owner perspective, the target impact fees would reduce land values by around 10 percent. That amount is noticeable, but could be workable, resulting in lower land prices over time.

The feasibility testing of new impact fees for office development is summarized in Table 11. The table highlights the overwhelming importance of obtaining higher rents to establish office project feasibility before new impact fees can be paid (see results for the base case on the left side of the table). Once feasibility is achieved, projects are likely to be able to pay the impact fees in most cases (see results for the future case on the right side of the table).

It is difficult to evaluate the timing and phase-in schedule for the new impact fees because of uncertainty about the timing for achieving office building feasibility.

Impact Assessment of New Impact Fees on Retail, Hotel/Motel, Warehouse, and Industrial Development

The new impact fees for retail, hotel/motel, and warehouse/industrial development are generally consistent with the market and feasibility contexts for these uses. There are feasible developments of these types in Oakland, although relatively few projects due to market difficulties attracting retail development and limited locations for cost-sensitive, industrial development. The new impact fees for these developments are set at relatively low levels based on market and feasibility considerations and City economic development objectives to encourage more of these activities in Oakland.

Retail and Hotel/Motel Development

Freestanding retail development, including grocery stores and other larger stores can be feasibly developed in various locations in Oakland, although such development can be sensitive to costs, particularly in some parts of the city. In addition, beyond grocery stores and drugstores, Oakland has had trouble attracting retail development that offers a broad range of comparison shopping opportunities (such as clothing, home furnishing, specialty goods, electronics, and department/general merchandise stores). The new impact fees for retail development are set at

[6] Office development also pays the existing Jobs/Housing Impact Fee, which is already included in the feasibility calculations. That fee is $5.44 per square foot for July 1, 2015 - June 30, 2016.

relatively low levels to further policy goals for attracting more retailing to Oakland for both the local shopping opportunities and the sales tax revenue that new retail development can provide. Feasibility testing of the new impact fees for retail development indicates that the fees could be absorbed and are unlikely to affect development in most cases (see Table 12). Concern about new impact fees for retail development in areas that have not yet been able to attract retailing because of market reasons could be addressed on a case-by-case basis.

Consideration of new impact fees for hotel/motel development in Oakland is similar to that of retail development. New impact fees are set at levels that balance the needs for impact fee revenues with economic development goals to attract more hotel/motel development to support growth of visitors, business travel, and tourism in Oakland, along with the additional spending and tax revenue they generate.

Warehouse and Industrial Development

Warehouse development is feasible in Oakland with future development dependent on the availability of larger sites for warehouse development which are limited in Oakland. Development of custom manufacturing and light industrial uses including artisan business activities appear to be feasible, although these businesses are sensitive to costs and need locations where they can operate without land use conflicts.

The new impact fees for warehouse and industrial uses are set at relatively low levels consistent with development feasibility and with economic development objectives. From a policy perspective, industrial activities provide business opportunities and good-paying job opportunities for residents, and support other business activities and port operations in Oakland. Feasibility testing of the warehouse and industrial impact fees indicates that they could be absorbed and are unlikely to affect development in most cases (see Table 12).

Warehouse development in Oakland already pays higher impact fees than warehouse development in other cities along the I-80/880 corridor, and the new impact fees add to that total.[7] Thus, from a competitive perspective, the new impact fees increase the total impact fees for warehouse development to a relatively high level.

New Impact Fees on Development of Institutional Land Uses

The impact fees for institutional development reflect the nature of these uses as generators of considerable activity in Oakland. Examples include hospitals and medical facilities, private and religious schools, colleges and universities, major recreation/entertainment/arts/cultural facilities, and other institutional facilities and land uses. Unlike the other types of development, these are not real estate market-driven land uses. Their revenues and/or funding sources rely on government, non-profit entities, foundations and other donors, fund-raising, user fees and charges, and combinations of these and other sources. The costs of new impact fees in Oakland

[7] The main difference in fees among East Bay cities occurs because warehouse development in Oakland pays the existing Jobs/Housing Impact Fee which is currently $5.44 per square foot for July 1, 2015 - June 30, 2016. A comparative review of impact fees in nearby cities is provided later in this report in Chapter VI. Impact Fee Comparisons Among Cities, and Appendix D.

Table 12
Summary of Feasibility Testing of Impact Fees for Retail, Warehouse, and Industrial Development: Base Case 2015

	Retail Development			Warehouse and Industrial Development		
	R-1 Freestanding Larger Store(s)	R-2 Grocery + Shops Roof Pkg.	R-3 Grocery + Shops Surface Pkg.	I-1 Warehouse	I-2 Custom Mfg/ Lt. Ind'l	I-3 Lt. Ind'l/R&D/ Office Flex
Target Impact Fees Per Sq. Ft.	$1.25	$1.25	$1.25	$1.35	$1.55	$1.55
Return:						
Yield on Cost (Net operating income as % of costs)						
Yield Feasibility Threshold	6.5%	6.5%	6.5%	5.5%	6.0%	6.5%
Yield 2015, No Impact Fees	**6.6%**	**7.3%**	**6.9%**	**6.0%**	**6.8%**	**6.7%**
Yield 2015, Impact Fees	**6.6%**	**7.3%**	**6.9%**	**5.9%**	**6.8%**	**6.6%**
ROC Feasibility (Net value as % of costs)						
ROC Feasibility Threshold	9-11%	9-11%	10-12%	9-11%	9-11%	10-12%
Base Case ROC 2015, No Impact Fees	**14%**	**27%**	**19%**	**27%**	**30%**	**16%**
Base Case ROC 2015, Impact Fees	**14%**	**26%**	**19%**	**25%**	**25%**	**15%**

NOTE: Bold indicates Yield on Cost (Yield) or Return on Cost (ROC) at or above threshold for feasibility.
Source: Hausrath Economics Group

will add to the funding needed for new institutional developments. The impact fees will contribute to funding improvements for accommodating the additional activities that these uses will bring.

IMPACT FEE PROGRAM ALSO PROVIDES BENEFITS FOR DEVELOPMENT

The impact fee program is also anticipated to provide benefits for development. Two types of benefits can be important.

- ***Greater certainty*** up front as to the impact fee amounts and any other requirements can be of substantial benefit to a developer in saving time and costs as opposed to the situation with little clarity and ad hoc negotiations.
- The impact fee program provides ***a mechanism for paying a development's fair share of costs*** which is beneficial compared to the situation where the largest project or the first project in an area has to pay the full cost of improvements serving the larger surrounding area while subsequent projects pay less. An example is transportation impact fees to fund improvements required to mitigate cumulative traffic impacts.

Even with these benefits, the central question still remains one of economic feasibility of development and ability to absorb the new impact fees. Once feasibility exists, however, the benefits described above support somewhat higher impact fees than would otherwise be the case. In other words, the savings of time and costs can help support payment of the new impact fees.

V. IMPACT FEE REVENUE ESTIMATES

The revenue to be generated by the new impact fees depends on the impact fee amounts and the level of development activity that takes place and is subject to the new impact fees. The total revenue to be generated over the first 10 years of the program is estimated at $87 million (2015 dollars), based on the impact fees proposed as of March 10, 2016 (see Tables 4 and 10 in Chapter IV). The actual amount of revenue could vary substantially depending on the pace of development. The revenue estimate, example uses of impact fee revenue, and assumptions for development activity are described in this chapter.

ESTIMATED REVENUE FROM NEW IMPACT FEES

Revenue Estimates by Type of Impact Fee

Of total estimated impact fee revenue of $86.6 million for the first 10 years, $66 Million (76 percent) would be generated by the Affordable Housing Impact Fee, $8.7 million (10 percent) by the Capital Improvements Impact Fee, and $11.9 million (14 percent) by the Transportation Impact Fee. The chart in Figure 10 highlights the magnitudes of the different impact fee revenues that are summarized in Table 13 on the next page. The proportion of revenue for affordable housing reflects both the amount of housing development anticipated and the higher impact fees charged per unit for affordable housing in comparison to the other impact fees.

Figure 10
Estimated 10-Year Impact Fee Revenue

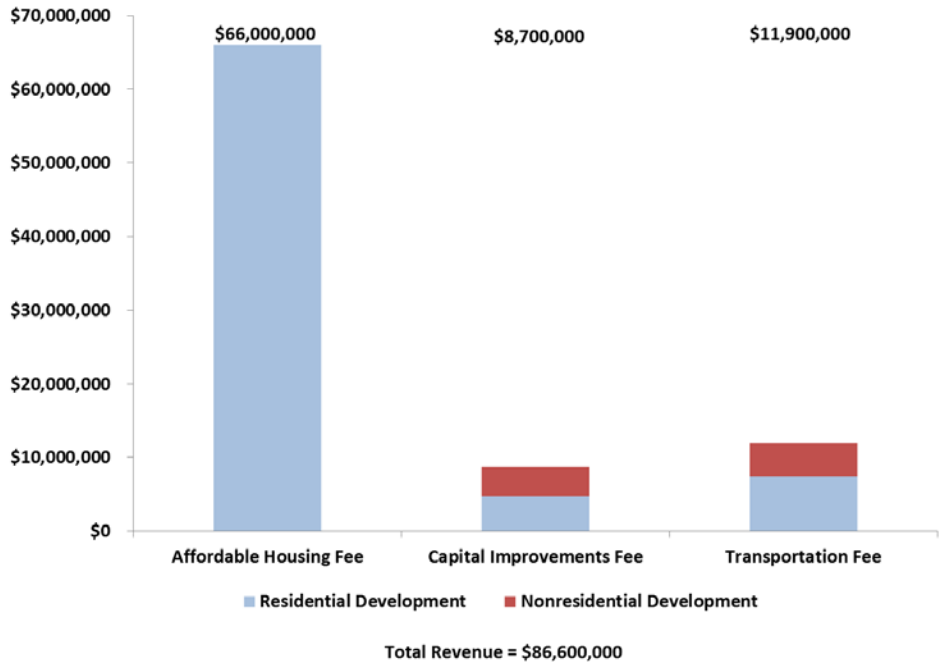


Table 13
Order-of-Magnitude Estimates of 10-Year Revenue from New Impact Fees

	Impact Fee Revenues ($ million) /a/				
	Affordable Housing /b/	**Capital Improvements**	**Transportation**	**Total**	Percentages
Residential Development					
Zone 1	$51.8	$4.0	$5.7	$61.5	
Zone 2	$9.0	$0.6	$0.8	$10.4	
Zone 3	$5.2	$0.1	$0.9	$6.2	
Subtotal	*$66.0*	*$4.7*	*$7.4*	*$78.1*	*90%*
Non-Residential Development /c/					
	–	$4.0	$4.5	$8.5	10%
10-Year Total	**$66.0**	**$8.7**	**$11.9**	**$86.6**	100%
Percentages	76%	10%	14%	100%	

Note: The impact fee revenues above represent order-of-magnitude estimates. The amounts could vary substantially depending on the pace of development and the extent of exemptions during the first 10 years of the program.

/a/ The revenue estimates are in 2015 dollars and do not include inflationary increases in impact fee amounts after the target impact fees are reached. They also do not reflect any impact fee increases or decreases that could occur as part of the review of impact fees after the first five years.

/b/ Revenue for the affordable housing impact fee is calculated based on all housing developments paying the impact fee, although developers have the option of providing affordable housing on-site, in which case the impact fee revenue would be lower than the estimate shown above.

/c/ Oakland already collects a Jobs/Housing Impact Fee for affordable housing that applies to non-residential development of office and warehouse. Assuming the same 10-year development scenario, the existing fee could generate an estimated $12.6 million of funding for affordable housing in addition to the funding from the new impact fees shown in this table. Also see the discussion in the text.

Sources: City of Oakland; Hausrath Economics Group; Urban Economics

Example Uses of Impact Fee Revenues

Example uses of impact fee revenues of the magnitudes estimated for the first 10 years are provided below for each impact fee.

- ***Affordable Housing Impact Fee Revenues*** of $66 million could fund:
  - Approximately 600 affordable units, most very low and low income units with some moderate income units[8],
  - OR a mix of very low, low, and moderate income units, with some built on-site.

  The impact fee revenue estimate for affordable housing is calculated based on all housing developments paying the impact fee. However, developers have the option of providing affordable housing on-site instead of paying the impact fee. To the extent that affordable units are built on-site, the impact fee revenue to the City's Affordable Housing Trust Fund would be lower than the estimate here.
- ***Capital Improvement Impact Fee Revenues*** of $8.7 million could fund:
  - 6.2 acres of park improvements,
  - OR 11,400 square feet of additional civic building space (library, recreation center, etc.),
  - OR a combination of these or other items.
- ***Transportation Impact Fee Revenue*** of $11.9 million could fund:
  - Complete improvements for 21 intersections,
  - OR 2.3 miles of sidewalk based on guidelines for collector streets (10 ft. width including planting strip) provided by the City's 2002 Pedestrian Master Plan,
  - OR a combination of these or other items.

Revenue from Existing Jobs/Housing Impact Fee is In Addition

The new affordable housing impact fee applies to residential development. Oakland already collects a Jobs/Housing Impact Fee for affordable housing that applies to non-residential development of office and warehouse. In addition to the impact fee revenue from new housing development described above, the existing Jobs/Housing Impact Fee would generate an estimated amount of $12.6 million from non-residential development under the same 10-year development scenario. Thus, impact fee revenue for affordable housing could total an estimated amount of $78.6 million over the next ten years based on revenues from both the new affordable housing impact fee and the existing Jobs/Housing Impact Fee.

[8] The estimate of potential affordable housing units assumes that: (a) fee revenues are deposited in the City's Affordable Housing Trust Fund; (b) fee revenues for very low and low income units can be leveraged by a factor of 3:1; and (c) the funding gaps or subsidies per affordable unit are those identified for affordable housing in the Oakland Affordable Housing Impact Fee Nexus Analysis (March 2016).

ASSUMPTIONS FOR DEVELOPMENT SCENARIO

Impact fee revenues are estimated based on a 10-year development scenario for Oakland. The scenario assumes 10,000 new housing units built and 3.6 million square feet of commercial and industrial space.

The estimates of impact fee revenue take into account development that could be exempt from paying the new impact fees. For the initial 10 years, it is estimated that approximately 6,000 housing units would not pay the new impact fees because of development agreements, vested rights, or other agreements. Of the 6,000 units, about 4,000 units are in projects with agreements that require some types of mitigations and/or community benefits, some of which are affordable housing units. In addition, it is estimated that approximately 200,000 square feet of commercial/industrial space would not pay the new impact fees because of development agreements that require some types of mitigations and/or community benefits.

The development scenario for estimating impact fee revenue is summarized in Table 14.

Table 14
Oakland 10-Year Development Scenario
For Estimating Impact Fee Revenue

Residential Development

- 10,000 new units built
  - 6,000 units exempt from new impact fees
    - 4,000 units in projects with agreements that require some types of community benefits (development agreements disposition and development agreements, PUDs, transit villages)
    - 2,000 units in projects with vested rights

Non-Residential Development

- 3,600,000 square feet of new commercial and industrial space /a/
  - 200,000 square feet exempt from new impact fees, based on development agreements /a/

Note: This 10-year development scenario is for the period beginning in 2016. The scenario does not include affordable housing that could be built with impact fee funds during this time period. The estimate of development that could be exempt from new impact fees is approximate based on available information at the time of the analysis.

/a/ Excludes logistics, warehouse, and terminal development underway in the former Oakland Army Base that would not pay the new impact fees and is providing community benefits under the Development Agreements. Also does not include development on the Coliseum /JPA property which will be separately negotiated by development agreement.

Source: City of Oakland; Hausrath Economics Group

VI. IMPACT FEE COMPARISONS AMONG CITIES

An impact fee survey was completed and provides background information for relevant, selected cities including Oakland, the nearby East Bay cities of Berkeley and Emeryville, and the City of San Jose. Impact fees in other cities are not necessarily indicative of the level of impact fees feasible and appropriate in Oakland because of many factors, including differences in market context, in the types and densities of development occurring, and in the timeframes over which impact fees have been established. The cities considered here are both comparable and different depending on the criteria and land use.

The comparative review of impact fees focuses on the impact fees for multi-family housing development and on affordable housing impact fees in particular, in Oakland and the nearby cities of Berkeley and Emeryville. In addition, there are comparisons of impact fees on development of office buildings and development of other non-residential land uses.

IMPACT FEES FOR MULTI-FAMILY HOUSING DEVELOPMENT

Oakland, Berkeley, and Emeryville

Impact fees for multi-family housing development in Oakland, Berkeley, and Emeryville are summarized in Table 15 and supported by more detailed information in Appendix D, Impact Fee Survey. The impact fees shown include those charged by cities, school districts, and other special districts. For Oakland, the numbers include both existing impact fees ($15,300 per unit) and the new impact fees ($24,000 per unit target impact fees in zone 1).

Comparative review of the housing market contexts and impact fees in all three cities identify important differences and factors that explain why the impact fees in Berkeley and Emeryville are not directly comparable to those in Oakland and why they are not indicative of the level of feasible impact fees for multi-family housing development in Oakland. The differences are summarized below.

Higher Rents Provide Greater Ability to Pay Impact Fees in Berkeley than in Oakland

Berkeley has substantially higher housing rents than Oakland. Those higher rents provide greater economic feasibility for new housing development and more ability to pay impact fees. Construction costs are similar for comparable building types in both cities.

Berkeley rents for new mid-rise apartment development average $4.80 to $5.00 per square foot per month in Central Berkeley (downtown and campus areas) compared to $3.75 in downtown Oakland/Jack London/Broadway Valdez and North Oakland (impact fee zone 1). Rents for new mid-rise development in West Berkeley (south of Sacramento Street) average $4.10 to $4.20 per square foot compared to $3.30 to $3.35 per square foot in West Oakland and nearby parts of North Oakland (impact fee zone 2). The strength of demand associated with U.C. Berkeley is an important differentiating factor.

Table 15
Impact Fees for Multi-Family Residential Development in Selected Cities

Development Impact Fees and Comparable Charges,
as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Unit			
	Oakland	**Berkeley**	**Emeryville**	**San Jose**
	(zone 1)			
Development Impact Fee Categories				
Transportation Impact Fee	$750	-	$1,555	-
Capital Facilities Impact Fee	$12,640	$17,156	$16,236	$7,004 - $30,904
Construction Taxes	-	-	-	$9,394
Affordable Housing Impact Fee	$22,000	$20,000	$20,000	$17,000
Public Art In-Lieu	$710	-	$710	-
School Impact Fee	$3,200	-	$2,970	$3,360
Total Per Unit	**$39,300**	**$37,156**	**$41,471**	**$36,758 - $60,658**

See Table D-1 in Appendix D for more detailed information. Affordable housing impact fee for Oakland is for impact fee zone 1.

Source: Hausrath Economics Group

Rents for mid-rise apartment development in Emeryville are lower than in Berkeley and are most similar to those in Downtown Oakland (zone 1). Emeryville rents are higher than rents in adjacent parts of Oakland (West Oakland and parts of North Oakland in zone 2).

Comparable rents for multi-family housing development for all three cities are summarized in Table 16.[9]

Higher rents provide greater ability to cover construction costs, provide a competitive return for development, pay for land, and pay impact fees. The current feasibility of mid-rise apartment development in Oakland is marginal as current rents are high enough to cover development costs and current permits and existing fees, but not high enough to also provide a competitive return and cover recent land costs. Higher rents, like those in Berkeley, would support competitive returns, higher land values, and greater ability to pay new impact fees.

[9] Market analysis done for Oakland by Hausrath Economics Group was supplemented by data and analysis from The Concord Group for Berkeley and Emeryville. Additional information on rents is included in Appendix D (see Table D-1, and Figures D-1 and D-2).

Table 16
2015 Rents for New Multi-Family Housing Development in Oakland, Berkeley, and Emeryville

Mid-Rise Rental Apartments	Average Size	Average Rent per month	Rent per Sq. Ft per month
OAKLAND /a/			
– Downtown/Jack London/ Broadway Valdez/parts of North Oakland (zone 1)	825 sf	$3,080	$3.73
– West Oakland/parts of North Oakland (zone 2)	760 sf	$2,530	$3.33
BERKELEY /b/			
– Central Berkeley: Downtown and Campus Area (areas east of Sacramento St.)	760 - 825 sf	$3,720 - 3,980	$4.80 - 4.90
– West Berkeley: West of Sacramento St.	760 - 825 sf	$3,200 - 3,390	$4.10 - 4.20
EMERYVILLE /b/			
– Emeryville	760 - 825 sf	$2,740 - 2,890	$3.50 - 3.60

Note: Rents are identified for comparable mid-rise rental housing development in three Inner East Bay cities. The development prototypes are those identified for the economic feasibility analysis for Oakland's Impact Fee Study.

/a/ Hausrath Economics Group; rents in mid-2015 for mid-rise, residential development prototypes H-3 and H-4. Also see Table D-2 in Appendix D.

/b/ The Concord Group, October 2015; rents in Berkeley and Emeryville for comparable development to Oakland prototypes. See Figured D-1 and D-2 in Appendix D.

The analysis summarized in Table 17 shows how significantly higher the "residuals" (of revenues/values minus development costs, exclusive of land) become with higher rents. For example, rent at $5.00 per square foot in Central Berkeley supports a residual of nearly $130,000 per unit, much higher than the residual of $6,075 per unit with rent at $3.75 per square foot in downtown Oakland. Rents in-between those levels, at $4.50 per square foot, support a residual of $81,000.

The ability to pay impact fees increases as residuals increase. The ability to pay new impact fees is more likely when the impact fees represent less than 20 percent of the residuals. The right columns in Table 17 identify example impact fees as a percentage of the residuals at different rent levels. The large differences in residuals with higher rents occur because, once basic development costs are covered, most of the benefit from higher rents flows to higher land value and greater ability to pay new impact fees, with some share likely to enhance development return as well.

Table 17
Effect of Rent Levels on Ability to Pay New Impact Fees

Oakland Prototype H-4 Development: Mid-Rise, Rental Apartments

Type III construction on Type I podium
5-6 floors over podium; 1 pkg. space/du
Average Unit Size: 825 sf Density: 200 units/acre
Location: Downtown/Jack London/Broadway Valdez/parts of North Oakland (zone 1)

Total Development Costs without Land (2015): $467,000 per unit /a/
Land Costs (2015): $32,700 per unit

Monthly Rent (2015)			**Residual to Cover both Land Value and New Impact Fees** /b/	**Example Impact Fee Levels as Percent of Residual** /c/	
Per Unit	Per sf		Per Unit	$10,000 fee per unit	$20,000 fee per unit
		Emeryville			
$3,080	$3.73	*Oakland/zone 1*	$6,075	165%	329%
$3,300	$4.00		$32,080	31%	62%
$3,506	$4.25		$56,540	**18%**	35%
$3,713	$4.50		$81,000	**12%**	25%
$3,919	$4.75		$105,460	**10%**	**20%**
$4,125	$5.00	*Central Berkeley*	$129,760	**8%**	**15%**
$4,331	$5.25		$154,060	**7%**	**13%**
$4,538	$5.50		$178,520	**6%**	**11%**
$4,744	$5.75		$202,990	**5%**	**10%**

/a/ Total development cost in 2015 dollars, excluding land. Includes hard construction cost, existing government permits and fees, construction period financing, other soft costs, and a competitive return (19% return on cost assuming a 5% cap rate, to provide a development fee and return on capital, equivalent to 15% IRR).

/b/ Base Case pro forma analysis identifies a small residual of market value over all costs except land, based on mid-2015 rents of $3.73 per square foot per month. The residual ($6,075) is below Base Case land values of $32,700 per unit ($150 per sq. ft. land), indicating land value based on anticipated higher rents in the near future. Recent activity in Oakland's land market indicates that all or most of the residual would go to land in the near future leaving little for new impact fees until higher rents can be achieved.

/c/ Ability to pay new impact fees is more likely when the impact fees represent less than 20 percent of the residual.

Source: Hausrath Economics Group

New Developments Are Not Paying the Affordable Housing Impact Fees in Berkeley and Emeryville.

Instead of paying the new impact fees, new developments are choosing less costly options. New housing developments in Berkeley are electing to provide affordable housing onsite in exchange for substantial additional floor area over that allowable "by right," as well as additional cost

offsets (reduced parking, modified setbacks).[10] The increased density as well as other offsets are able to cover most or all of the cost of the affordable housing, making payment of the impact fee a more costly alternative. The rents in Berkeley are also high enough to justify the higher construction cost of a taller building.

By comparison, most development proposals in Oakland include the highest density economically feasible and most are not constrained by land use policies as they are in Berkeley. In addition, rents for mid-rise development are not high enough to justify construction costs for taller buildings in most Oakland locations. However, there are a few locations in Oakland where the State density bonus program might be a viable, on-site option.

In Emeryville, the impact fee of $20,000 per unit was adopted in July 2014, replacing earlier inclusionary zoning for rental housing. Due to many unrelated factors, no development projects have proceeded since the July 2014 affordable housing impact fee adoption, thus no impact fees have been collected (as of November 2015). In October 2015, Emeryville voted to increase the impact fee to $28,000 per unit in conjunction with downzoning and other land use regulation changes intended to provide incentives to encourage on-site affordable housing development at costs to the development that are below the cost of paying the impact fees.

Higher Impact Fee Burden in Oakland

If developers in Berkeley and Emeryville continue to opt for providing affordable units on-site in exchange for density bonuses and at lower costs than paying the impact fee[11], the cost to satisfy affordable housing requirements for multi-family housing development in Oakland at the target impact fee levels could be higher than the costs paid for affordable housing requirements in Berkeley and Emeryville.

Other Factors and Differences Between Oakland and Nearby Cities

Berkeley and Emeryville had inclusionary housing programs prior to adopting housing impact fees. These cities also had other impact fees that have been implemented at different times over the years. Thus, there has been time for markets to adjust to the impact fees in those cities. By comparison, Oakland is currently proposing a citywide impact fee program with multiple impact fees to be implemented concurrently in the near future. Thus phasing-in of new impact fees is important in Oakland, to allow time for market adjustments and to avoid impacts on the timing and feasibility of development as well as on the positive momentum that has been building for development in Oakland.

Development in Oakland is still perceived to be riskier than development in Berkeley and Emeryville. As a result, developers, lenders, and investors may require higher returns (higher cap rates) or set higher financial terms for Oakland development compared to the neighboring

[10] Under the California Density Bonus Program, Berkeley developers can provide affordable housing on-site (10 percent of units to very low income households) in exchange for 35 percent of additional floor area, substantially increasing the amount of development allowed. Additional cost offsets also are provided as required under the State program.

[11] Communication with Berkeley developers confirm that the provision of affordable housing on-site in exchange for a significant density bonus provides a considerably less costly option than payment of the affordable housing impact fee at current and proposed levels.

cities. Such differences reduce the ability of Oakland development to pay impact fees compared to development in neighboring cities.

San Jose

San Jose recently adopted an affordable housing impact fee on new rental housing development. The impact fee replaced the City's former inclusionary housing program, and the impact fee amount equals the in-lieu fee amount under the inclusionary program. The new impact fee is being phased-in to support the development of market-rate housing. The following summarizes San Jose's impact fee and phase-in program:

- Affordable housing impact fee adopted November 2014.

- Projects of three or more units pay the impact fee beginning 7-1-2016 (20 months after adoption). Projects are exempt if pull all building permits by 6-30-2016.

- Pipeline exemption for projects with planning permit approval by 6-30-2016 (and permit not expired) and certificate of occupancy by 1-31-2020 (three (3) years seven (7) months beyond 6-30-2016).

- No impact fees on high-rise development of at least 150 feet tall located in the Downtown Core Area that obtains a certificate of occupancy by 6-30-2021 (five (5) years beyond 6-30-2016).

Comparatively, the new affordable housing impact fee in San Jose is somewhat lower than the target affordable housing impact fee in Oakland for development in Zone 1, similar to the target affordable housing impact fee in Zone 2, and higher than the target affordable housing impact fee for Zone 3 ($17,000 per unit in San Jose compared to $22,000 per unit in Zone 1, $17,750 in Zone 2, and $12,000 in Zone 3). In terms of implementation and phase-in of the impact fee, San Jose's program provides more exemptions and a longer time period before all development would pay the new impact fee compared to Oakland's program. San Jose exempts projects in the pipeline with planning permit approvals for about 3.5 years and exempts high-rise development in the Downtown Core Area for five years.

IMPACT FEES FOR OFFICE DEVELOPMENT

Impact fees for office development in Oakland, Berkeley, Emeryville, and San Jose are summarized in Table 18 and supported by more detailed information in Appendix D. The fees include fees charged by cities, school districts, and other special districts. For Oakland the numbers include both existing impact fees ($8.98 per square foot) and the new target impact fees ($4.00 per square foot target impact fee).

Oakland, Berkeley, and Emeryville have relatively large fee amounts for the jobs/housing impact fee for affordable housing. Oakland and Emeryville also have fees on office development for transportation, capital improvements, school impacts, and public art, while Berkeley only charges a capital facilities fee in addition to the jobs/housing impact fee. San Jose takes a different approach and collects development/construction taxes to fund a variety of city

operations and facilities. Office development in San Jose does not pay a jobs/housing fee for affordable housing. Comparatively, Oakland impact fees on office development are higher than those in Berkeley and San Jose and below those in Emeryville.

Table 18
Impact Fees for Office Development in Selected Cities

Development Impact Fees and Comparable Charges,
as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Building Square Feet			
	Oakland	**Berkeley**	**Emeryville**	**San Jose**
Development Impact Fee Categories				
Transportation Impact Fee	$2.00	-	$3.74	-
Capital Facilities Impact Fee	$3.12	$4.71	$5.01	$0.10
Construction Taxes	-	-	-	$9.74
Jobs/Housing Linkage Fee	$5.44	$4.50	$4.00	-
Public Art In-Lieu	$1.91	-	$1.91	-
School Impact Fee	$0.51	-	$0.47	$0.54
Total Per Square Foot	**$12.98**	**$9.21**	**$15.13**	**$10.38**

See Tables D-3 and D-4 in Appendix D for more detailed information.
Source: Hausrath Economics Group

IMPACT FEES FOR OTHER NON-RESIDENTIAL DEVELOPMENT

Impact fees for other non-residential development are summarized in Table 19 (retail development), Table 20 (hotel/motel development), Table 21 (warehouse development), and Table 22 (industrial development). More detailed tables are included in Appendix D. These tables include impact fees for Oakland, Berkeley, Emeryville, San Jose, and other cities as relevant to each type of development.[12]

The following identify summary points about the impact fee surveys for these non-residential developments.

- Impact fees for ***retail development*** vary among cities. The retail impact fees in Oakland are at the low end, reflecting the difficulties Oakland has in attracting

[12] In the tables, the new impact fees in Oakland are added to the existing impact fees to provide an indication of how the total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

retail development, and the city's economic development goals of capturing more retail activities in the future.

- Total impact fees for ***hotel/motel development*** in Oakland, Berkeley, and Emeryville are relatively high due primarily to EBMUD water system capacity changes that apply in these cities. The City of Oakland's new impact fees for hotel/motel development are relatively low so that Oakland's total impact fees are below those in Berkeley and Emeryville. That is in line with economic development efforts to encourage more hotel/motel development in Oakland.

- Impact fees for ***warehouse development*** in selected cities are highest in Oakland, followed by the impact fees in Berkeley and San Jose. A notable difference among the fees in selected cities is the higher jobs/housing impact fee charged on warehouse development in Oakland.

- Among selected cities, impact fees for ***industrial development*** are lowest in San Leandro and highest in Emeryville. Impact fees for industrial development in Oakland fall in the middle among the selected cities surveyed.

Table 19
Impact Fees for Retail Development in Selected Cities

Development Impact Fees and Comparable Charges,
as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Building Square Feet					
	Oakland	**Berkeley**	**Emeryville**	**Alameda**	**San Leandro**	**San Jose**
Development Impact Fee Categories						
Transportation Impact Fee	$0.75	-	$4.68	$3.79	$4.15	-
Capital Facilities Impact Fee	$2.00	$5.26	$3.81	$2.44	$0.96	$0.05
Construction Taxes	-	-	-	-	-	$7.08
Jobs/Housing Linkage Fee	-	$4.50	$4.00	$2.30	-	-
Public Art In-Lieu	$1.52	-	$1.52	$1.52	-	-
School Impact Fee	$0.51	-	$0.47	$0.51	$0.54	$0.54
Total Per Square Foot	**$4.78**	**$9.76**	**$14.48**	**$10.56**	**$5.65**	**$7.67**

See Table D-5 in Appendix D for more detailed information.

Source: Hausrath Economics Group

Table 20
Impact Fees for Hotel/Motel Development in Selected Cities

Development Impact Fees and Comparable Charges,

as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Building Square Feet					
	Oakland	**Berkeley**	**Emeryville**	**San Leandro**	**Hayward**	**San Jose**
Development Impact Fee Categories						
Transportation Impact Fee	$0.65	-	$2.11	$2.26	-	-
Capital Facilities Impact Fee	$13.85	$20.56	$15.72	$4.80	$9.00	$1.13
Construction Taxes	-	-	-	-	-	$10.79
Jobs/Housing Linkage Fee	-	$4.50	$4.00	-	-	-
Public Art In-Lieu	$1.91	-	$1.91	-	-	-
School Impact Fee	$0.51	-	$0.47	$0.54	$0.47	$0.54
Total Per Square Foot	**$16.92**	**$25.06**	**$22.29**	**$7.61**	**$9.47**	**$12.46**

See Table D-6 in Appendix D for more detailed information.

Source: Hausrath Economics Group

Table 21
Impact Fees for Warehouse Development in Selected Cities

Development Impact Fees and Comparable Charges,
as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Building Square Feet						
	Oakland	**Berkeley**	**Emeryville**	**Richmond**	**San Leandro**	**Hayward**	**San Jose**
Development Impact Fee Categories							
Transportation Impact Fee	$0.35	-	-	$1.33	1.19	-	-
Capital Facilities Impact Fee	$2.56	$3.83	$2.14	$2.03	$1.92	$3.60	$0.05
Construction Taxes	-	-	-	-	-	-	$5.11
Jobs/Housing Linkage Fee	$5.44	$2.25	-	-	-	-	-
Public Art In-Lieu	$1.12	-	$1.12	-	-	-	-
School Impact Fee	$0.51	-	-	$0.54	$0.54	$0.47	$0.54
Total Per Square Foot	**$9.98**	**$6.08**	**$3.26**	**$3.90**	**$3.65**	**$4.07**	**$5.70**

See Table D-7 in Appendix D for more detailed information.

Source: Hausrath Economics Group

Table 22
Impact Fees for Industrial/Manufacturing Development in Selected Cities

Development Impact Fees and Comparable Charges,
as of September 25, 2015, with New Target Impact Fees for Oakland

	Fee Per Building Square Feet						
	Oakland	**Berkeley**	**Emeryville**	**Richmond**	**San Leandro**	**Hayward**	**San Jose**
Development Impact Fee Categories							
Transportation Impact Fee	$0.55	-	$1.83	$1.33	$1.19	-	-
Capital Facilities Impact Fee	$2.57	$3.97	$3.16	$2.14	$1.92	$3.60	$0.05
Construction Taxes	-	-	-	-	-	-	$5.11
Jobs/Housing Linkage Fee	-	$2.25	$4.00	-	-	-	-
Public Art In-Lieu	$1.26	-	$1.26	-	-	-	-
School Impact Fee	$0.51	-	$0.47	$0.54	$0.54	$0.47	$0.54
Total Per Square Foot	**$4.89**	**$6.22**	**$10.72**	**$4.01**	**$3.65**	**$4.07**	**$5.70**

See Table D-8 in Appendix D for more detailed information.
Source: Hausrath Economics Group

APPENDIX A

OAKLAND DEVELOPMENT PROTOTYPES AND BASE CASE ECONOMIC FEASIBILITY ANALYSIS

The tables in Appendix A are organized by land use type. For each land use, there is a table that describes the representative development prototypes for market-rate development being built and proposed in Oakland. Then, project financial pro forma analyses are provided for each prototype, assessing base case feasibility in 2015 without new impact fees.

Table A-1
Oakland Housing Development Prototypes

	Prototype H-1 Single Family Detached		Prototype H-2 Townhomes / Row Houses		Prototype H-3 Lower / Mid-Rise Multi-Family Apts.
Construction Type	Type V		Type V		Type V; typically over Type I podium
Height	2-story typically		3-story THs including garage		3-4 floors over podium; under 65 feet
Parking Location	attached garage		garage in unit		Podium above grade and possibly some surface pkg.
Locations in City	***A. East Oakland***	***B. No.Hills/Rockridge/ So. Hills/Lower Hills***	***A. West Oakland***	***B. North Hills/South Hills***	***West Oakland/North Oakland/ East Oakland***
Tenure	For Sale	For Sale	*For Sale*	*For Sale*	Rental
Average Unit Size	1,600 sf	3,000 sf	1,340 sf	2,085 sf	760 sf per unit
Bedroom Mix	3 BR	4 BR	90% 2BR; 10% 3 BR	10% 2BR; 75% 3 BR; 15% 4 BR	15% ST; 45% 1BR; 32% 2BR; 8% 3BR
Parking	2 cars	2-3 cars	1-2 cars	2 cars	1 space per unit
Density	avg. 15 units / acre	avg. 6 units / acre	20-40 units / acre	15-40 units / acre	60-130 units/acre
Prototype:	Individual Homes Infill Locations	Individual Homes Infill/300-unit dev. over time	150 units/ 30 per phase; 30 DU/acre	150 units/ 30 per phase; 30 DU/acre	120 units, 4 over 1, 100 DU/acre
Examples Built	Individual Homes - Infill Arcadia Park / Pulte Homes (168 homes)	Individual Homes - Infill Bellevue (Leona Quarry) (under construction)	Zephyr Gate - WO (130 THs) Magnolia Row - WO (36 THs) Louise Row - WO (12 THs)	Jade Townhomes / Monte Vista Villas (Leona Quarry) (320 units)	Temescal Place - NO Allegro - JLD 901 Jefferson - DT Uptown - DT
Approved / Proposed:	Infill - individual lots	Infill - individual lots Oak Knoll (~368 SFD homes) Sienna Hills (22 homes) Felton Acres (25 SF lots)	Wood St. - Area 4 (174 THs)	Oak Knoll (~433 THs)	3250 Hollis - WO (120 units rental) Oak Knolls - Hills (134 apts) 4700 Telegraph - NO (48 units) 4801 Shattuck - NO (44 units) 5227 Claremont - NO (33 units) 2315 Valdez - BV (234 units - rental & condo map) 459 8th - DT (50 units)

Source: Hausrath Economics Group, based on housing developments occurring and proposed in Oakland.

Table A-1
Oakland Housing Development Prototypes (continued)

	Prototype H-4 Mid-Rise Multi-Family Development		Prototype H-5 High-Rise Multi-Family Development	
Construction Type	Type III over Type I podium		Type I	
Height	5-6 floors over podium; up to 85 feet		20-28 floors	
Parking Location	podium; typically 2 levels above grade		Most above grade; some below grade possible	
Locations in City	***Downtown/Jack London/ Broadway Valdez/North Oakland***		***Downtown/Jack London/ Broadway Valdez***	
Tenure	***A. Rental Apartments***	***B. For Sale Condos***	***A. Rental Apartments***	***B. For Sale Condos***
Average Unit Size	825 sf per unit	930 sf per unit	845 sf per unit	940 sf per unit
Bedroom Mix	17% ST; 50% 1BR; 30% 2BR; 3% 2+BR	10% ST; 35% 1BR; 15% 1+BR;32% 2BR; 8% 2+/3BR	24% ST; 50% 1BR; 25% 2BR; 1% 3BR/PH	15% ST; 45% 1BR; 35% 2 BR; 5% 3 BR/PH
Parking	1 space per unit	1 space per unit	1 space per unit	1 space per unit
Density	90-200 units/acre	90-200 units/acre	350-485 units/acre	350-485 units/acre
Prototype:	180 units, 5-6 over 1+, 200 DU/acre	180 units, 5-6 over 1+, 200 DU/acre	220 units, 22 flrs, 400 DU/acre	220 units, 22 flrs, 400 DU/acre
Examples Built	Domain by Alta - DT (rental)	Broadway Grand - DT (115 units) 311 2nd St. - The Bond - JLD (101 units) 288 Third St - JLD (91 units) 200 Second St. - JLD (101 units) Uptown Place - DT (88 units)	100 Grand - DT (243 units, 22 floors)	The Essex - DT (270 units, 20 floors) The Ellington - JLD (134 units, 16 floors)
Approved / Proposed:	51st & Broadway - NO (126 units - rental) 3093 Broadway - BV (423 units - rental) 200 4th St. - JLD (330 units - rental)	51st & Telegraph - NO (185 units) 23rd & Valdez - BV (196 units - rental & condo map) 2315 Valdez - BV (234 units - rental & condo map) 459 23rd - DT (65 units)	1700 Webster - DT (206 Units, 22 floors) 2270 Broadway - BV (223 units, 24 floors)	1331 Harrison - DT (166 units, 27 floors) 1900 Broadway - DT (345 units, 33 floors) 1640 Broadway - DT (247 units, 38 floors)

Source: Hausrath Economics Group, based on housing developments occurring and proposed in Oakland.

Table A-2
Pro Forma Analysis of Rental Housing Development Prototypes – Base Case Mid 2015

	Rental Apartments Prototype H-3		Rental Apartments Prototype H-4		Rental Apartments Prototype H-5	
Development Characteristics						
Construction Type	**Type V on Type I podium**		**Type III on Type I podium**		**Type I**	
Height	3-4 floors over podium		5-6 floors over podium		20 - 28 floors	
Parking Location	podium; above grade		podium; above grade		largely above grade	
Parking Ratio	1 space/du		1 space/du		1 space/du	
Average Unit Size	760 sf		825 sf		845 sf	
Density	60-130 units/acre		90-200 units/acre		350 - 485 units/acre	
Location in City	West Oak, North Oak, East Oak		Downtown / JL / BV / No.Oak		Downtown / JL / BV: prime sites	
Prototype	**120 units, 4 over 1, 100 DU/acre**		**180 units, 5-6 over 1+, 200 DU/acre**		**220 units, 22 flrs, 400 DU/acre**	
Development Costs	Per SF Unit	Per Unit	Per SF Unit	Per Unit	Per SF Unit	Per Unit
Land	$42.99 75/sf	$32,670	$39.64 150/sf	$32,700	$32.25 250/sf	$27,250
Hard Construction	$328.13	$249,380	$359.36	$296,470	$417.16	$352,500
Government Permits and Fees	$34.76	$26,420	$33.67	$27,780	$36.37	$30,730
Other Soft Costs	$42.67	$32,432	$57.50	$47,435	$75.09	$63,450
Construction Financing	$13.95	$10,600	$18.67	$15,400	$29.70	$25,100
Total Development Costs (excl. devel. fee & return on capital)	**$462.50**	**$351,502**	**$508.84**	**$419,785**	**$590.57**	**$499,030**
Revenue						
Monthly Rent	$3.33	$2,530	$3.73	$3,080	$4.58	$3,870
Gross Potential Rev. (100% Occ.)	$39.95	$30,360	$44.80	$36,960	$54.96	$46,440
Annual Rental Revenue (5% Vac.)	$37.95	$28,840	$42.56	$35,110	$52.21	$44,120
(Less) Operating Expenses (30%)	($11.38)	($8,650)	($12.76)	($10,530)	($15.67)	($13,240)
Net Operating Income (NOI)	**$26.57**	**$20,190**	**$29.79**	**$24,580**	**$36.54**	**$30,880**
Measures of Return						
Yield on Cost (NOI % of costs)	**5.7%**		**5.9%**		**6.2%**	
Target Yield	≈ 6%		6 - 6.5%		≈ 6.5%	
Capitalization Rate	*5%*		*5%*		*5%*	
Estimated Market Value	$531.32	$403,800	$595.88	$491,600	$730.89	$617,600
(Less) Dev. Costs & Sales Exp.	($489.07)	($371,692)	($538.62)	($444,365)	($627.11)	($529,910)
Net Value After Costs	**$42.25**	**$32,108**	**$57.26**	**$47,235**	**$103.78**	**$87,690**
As % of Development Costs	**9%**		**11%**		**18%**	
Required % of Cost	13-16%		15-19%		19-25%	
Equivalent IRR for ROC	12-15%		12-15%		12-15%	

Source: Hausrath Economics Group

Table A-3
Pro Forma Analysis of Rental Housing Development Prototypes – Base Case with Rents for Feasible Projects (2015 $)

	Rental Apartments Prototype H-3			Rental Apartments Prototype H-4			Rental Apartments Prototype H-5		
Development Characteristics									
Construction Type	**Type V on Type I podium**			**Type III on Type I podium**			**Type I**		
Height	3-4 floors over podium			5-6 floors over podium			20 - 28 floors		
Parking Location	podium; above grade			podium; above grade			largely above grade		
Parking Ratio	1 space/du			1 space/du			1 space/du		
Average Unit Size	760 sf			825 sf			845 sf		
Density	60-130 units/acre			90-200 units/acre			350 - 485 units/acre		
Location in City	West Oak, North Oak, East Oak			Downtown / JL / BV / No.Oak			Downtown / JL / BV: prime sites		
Prototype	**120 units, 4 over 1, 100 DU/acre**			**180 units, 5-6 over 1+, 200 DU/acre**			**220 units, 22 flrs, 400 DU/acre**		
Development Costs	Per SF Unit		Per Unit	Per SF Unit		Per Unit	Per SF Unit		Per Unit
Land	$42.99	75/sf	$32,670	$39.64	150/sf	$32,700	$32.25	250/sf	$27,250
Hard Construction	$328.13		$249,380	$359.36		$296,470	$417.16		$352,500
Government Permits and Fees	$34.76		$26,420	$33.67		$27,780	$36.37		$30,730
Other Soft Costs	$42.67		$32,432	$57.50		$47,435	$75.09		$63,450
Construction Financing	$13.95		$10,600	$18.67		$15,400	$29.70		$25,100
Total Development Costs (excl. devel. fee & return on capital)	**$462.50**		**$351,502**	**$508.84**		**$419,785**	**$590.57**		**$499,030**
Revenue									
Monthly Rent	**$3.55**		**$2,700**	**$4.00**		**$3,300**	**$4.85**		**$4,100**
Gross Potential Rev. (100% Occ.)	$42.63		$32,400	$48.00		$39,600	$58.22		$49,200
Annual Rental Revenue (5% Vac.)	$40.50		$30,780	$45.60		$37,620	$55.31		$46,740
(Less) Operating Expenses (30%)	($12.14)		($9,230)	($13.68)		($11,290)	($16.59)		($14,020)
Net Operating Income (NOI)	**$28.36**		**$21,550**	**$31.92**		**$26,330**	**$38.72**		**$32,720**
Measures of Return									
Yield on Cost (NOI % of costs)	**6.1%**			**6.3%**			**6.6%**		
Target Yield	≈ 6%			6 - 6.5%			≈ 6.5%		
Capitalization Rate	*5%*			*5%*			*5%*		
Estimated Market Value	$567.11		$431,000	$638.30		$526,600	$774.44		$654,400
(Less) Dev. Costs & Sales Exp.	($490.86)		($373,052)	($540.75)		($446,115)	($629.29)		($531,750)
Net Value After Costs	**$76.25**		**$57,948**	**$97.55**		**$80,485**	**$145.15**		**$122,650**
As % of Development Costs	**16%**			**19%**			**25%**		
Required % of Cost	13-16%			15-19%			19-25%		
Equivalent IRR for ROC	12-15%			12-15%			12-15%		

Source: Hausrath Economics Group

Table A-4
Pro Forma Analysis of For-Sale Multi-Family Housing Development Prototypes – Base Case Mid-2015

	Prototype H-4 Mid-rise Condos			Prototype H-5 High-rise Condos		
Development Characteristics						
Construction Type	**Type III on Type I podium**			**Type I**		
Height	5-6 floors over parking			20-28 floors		
Parking Location	podium; above grade			largely above grade		
Parking Ratio	1 space/du			1 space/du		
Average Unit Size	930 sf			940 sf		
Density	90-200 units/acre			350-485 units/acre		
Location in City	Downtown / JL / BV / NO			Downtown / JL / BV		
Prototype	**180 units, 5-6 over 1+, 200 DU/acre**			**220 units, 22 flrs., 400 DU/acre**		
Development Costs	Per SF		Per Unit	Per SF		Per Unit
Land	$35.16	150/sf	$32,700	$28.99	250/sf	$27,250
Hard Construction	$375.00		$348,750	$433.40		$407,400
Government Permits and Fees	$32.05		$29,810	$34.95		$32,850
Other Soft Costs	$67.50		$62,775	$86.68		$81,480
Construction Financing	$21.51		$20,000	$29.89		$28,100
Total Development Costs (excl. devel. fee & return on capital)	**$531.22**		**$494,035**	**$613.91**		**$577,080**
Revenue						
Residential Sales Price	$617.20		$574,000	$672.34		$632,000
(Less) Sales Expenses	($21.60)		($20,090)	($23.53)		($22,120)
Sales Net of Sales Expenses	**$595.60**		**$553,910**	**$648.81**		**$609,880**
(Less) Development Costs	($531.22)		($494,035)	($613.91)		($577,080)
Net Revenue (for devel. fee & return on capital)	**$64.38**		**$59,875**	**$34.90**		**$32,800**
Measures of Return						
Net Revenue:						
As % of Devel. Costs (ROC)		**12.1%**			**5.7%**	
Required % of Costs (ROC)		17-22%			21-28%	
Equivalent IRR		12-15%			12-15%	
Prices for Feasible Projects	**$672.04**		**$625,000**	**$813.83**		**$765,000**

Source: Hausrath Economics Group

Table A-5
Pro Forma Analysis of For-Sale Single-Family Housing Development Prototypes – Base Case Mid-2015

	Prototype H-1A Single Family Detached Home		Prototype H-1B Single Family Detached Home		Prototype H-2A Townhomes/Row Houses		Prototype H-2B Townhomes/Row Houses	
Development Characteristics								
Construction Type	Type V		**Type V**		**Type V - THs**		**Type V - THs**	
Height	2 story typically		2 story typically		3 floors including garage		3 floors incuding garage	
Parking Location	attached garage		attached garage		garage in unit		garage in unit	
Parking Ratio	2 cars		2-3 cars		most 2 spaces/du - 1.7 sp. ave.		2 spaces/du	
Average Unit Size	1,600 sf		3,000 sf		1,340 sf		2,085 sf	
Density	avg. 15 units/acre		avg. 6 units/acre		20-40 units/acre		15-40 units/acre	
Location in City	East Oakland		No./So./Lower Hills & Rockridge		West Oakland		North Hills/ South Hills	
Prototype	**Infill Locations**		**Infill / 300-unit dev. over time**		**150 units/30 per phase; 30 DU/acre**		**150 units/30 per phase; 30 DU/acre**	
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Land	$45.63 25/sf	$73,000	$73.33 30/sf	$220,000	$48.76 45/sf	$65,340	$31.34 45/sf	$65,340
Hard Construction	$130.00	$208,000	$220.00	$660,000	$220.00	$294,800	$232.00	$483,720
Government Permits and Fees	$30.33	$48,530	$33.40	$100,190	$24.51	$32,840	$23.55	$49,110
Other Soft Costs	$15.63	$25,000	$26.40	$79,200	$30.80	$41,270	$32.48	$67,720
Construction Financing	$5.00	$8,000	$9.97	$29,900	$8.51	$11,400	$9.16	$19,100
Total Development Costs (excl. devel. fee & return on capital)	**$226.59**	**$362,530**	**$363.10**	**$1,089,290**	**$332.58**	**$445,650**	**$328.53**	**$684,990**
Revenue								
Residential Sales Price	$253.13	$405,000	$413.33	$1,240,000	$386.57	$518,000	$372.66	$777,000
(Less) Sales Expenses	($8.86)	($14,175)	($14.47)	($43,400)	($13.53)	($18,130)	($13.04)	($27,195)
Sales Net of Sales Expenses	**$244.27**	**$390,825**	**$398.86**	**$1,196,600**	**$373.04**	**$499,870**	**$359.62**	**$749,805**
(Less) Development Costs	($226.59)	($362,530)	($363.10)	($1,089,290)	($332.58)	($445,650)	($328.53)	($684,990)
Net Revenue (for devel. fee & return on capital)	**$17.68**	**$28,295**	**$35.76**	**$107,310**	**$40.46**	**$54,220**	**$31.09**	**$64,815**
Measures of Return								
Net Revenue:								
As % of Devel. Costs (ROC)	**7.8%**		**9.9%**		**12.2%**		**9.5%**	
Required % of Costs (ROC)	6-8%		8-10%		7-9%		7.5-9.5%	
Equivalent IRR	12-15%		12-15%		12-15%		12-15%	

Source: Hausrath Economics Group

Table A-6
Oakland Office Development Prototypes

	Prototype O-1 High-rise Office Downtown	**Prototype O-2 Mid-Rise Office Downtown**	**Prototype O-3 Lower / Mid-Rise Office Coliseum Area / West Oakland**
Construction Type	Type I - steel/concrete	Type I - II	Type I or II
Height	20 + floors	4-8 floors	3-5 floors
Description	Class A space Views High quality improvements	Flexible, larger floor plates; Higher ceilings; Open floorplans Large windows / light Possible roof amenities	Flexible, larger floor plates; Higher ceilings; Open floorplans Large windows / light Possible roof amenities
Parking	1-2 levels below grade parking, or offsite garage nearby	Some parking in basement, or no on-site parking	On-site parking in garage or podium below office Could be some surface parking too
FAR	8 - 12+	3.2 - 7.0	1.0 - 2.0
Location in City	Downtown	Downtown	Coliseum Area, West Oakland
Project Sizes	300,000 - 600,000 sf	150,000 - 350,000 sf	80,000 - 200,000 sf
Examples Built	555 City Center (457,500 sf)	55 Harrison - Jack London Square (156,352 sf)	Zhone - 66th Ave & Oakport (~200,000 sf)
	Center 21 - DT (233,000 sf connected to existing bldg.)	Thomas Berkeley Square (114,000 sf)	
Approved / Proposed	City Center T 12 (600,000 sf)	City Center 5/6 Site B Option (205,800 sf)	--
	1100 Broadway (320,000 sf)		
	Kaiser Center (780,000 sf) and (587,000 sf)	Examples: South of Market / SF	Examples: Emeryville

Source: Hausrath Economics Group, based on office developments with potential for Oakland.

Table A-7
Pro Forma Analysis of Office Development Prototypes – Base Case Mid-2015

	Highrise Office Prototype O-1			Mid Rise Office Prototype O-2			Lower/Mid Rise Office Prototype O-3			Mid Rise Office/No Parking Prototype O-2 Option		
Development Characteristics												
Construction Type	Type I - steel/concrete			Type I - II			Type I or II			Type I-II		
Height	20+ floors			4 - 8 floors			3 - 5 floors			4-8 floors		
Description	Class A space			Flexible, larger floor plates			Flexible, larger floor plates			FlexiblelLarger floor plates		
Parking	2 levels below grade			1 level below grade			On-site in garage or podium			No on-site parking		
Project Size	300,000 - 600,000 sf			150,000 - 350,000 sf			80,000 - 200,000 sf			150,000 - 350,000 sf		
FAR	8.0 - 10.0+			3.5 - 7.0			1.0 - 2.0			3.5 - 7.0		
Location in City	Downtown			Downtown / Urban Model			Coliseum Area, West Oakland			Downtown / Urban Model		
Prototype	**450,000 sf; 24 flrs;10 FAR;+2 flrs pkg.**			**210,000 sf; 6 flrs.;5.25 FAR; +1 flr pkg**			**140,000 sf; 4 flrs; 1.8 FAR**			**210,000 sf: 6 flrs; 5.25 FAR**		
		450,000			210,000			140,000			210,000	
Development Costs	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF
Land	$15	180/sf	$18	$23	120/sf	$28	$28	50/sf	$31	$23	120/sf	$24
Hard Construction	$220		$259	$190		$232	$170		$189	$190		$200
Tenant Improvements	$55		$65	$45		$55	$45		$50	$52		$55
Parking	$39		$46	$32		$39	$50		$56	$0		$0
Government Permits and Fees	$20		$24	$20		$24	$15		$17	$20		$21
Other Soft Costs	$54		$64	$47		$57	$45		$50	$42		$44
Construction Financing	$23		$28	$15		$18	$13		$15	$12		$13
Total Development Costs (excl. devel. fee & return on capital)	**$426**		**$502**	**$372**		**$453**	**$366**		**$407**	**$339**		**$357**
Revenue												
Office Monthly Rent	$3.19		$3.75	$2.79		$3.40	$2.25		$2.50	$3.23		$3.40
Gross Potential Rev. (100% Occ.)	$38.25		$45.00	$33.46		$40.80	$27.00		$30.00	$38.76		$40.80
Annual Rental Revenue (10% Vac.)	$34.43		$40.50	$30.11		$36.72	$24.30		$27.00	$34.88		$36.72
(Less) Operating Expenses	($15.00)		($17.65)	($14.40)		($17.56)	($13.80)		($15.33)	($14.40)		($15.16)
Parking Net Revenue	$0.72		$0.84	$0.64		$0.78	$1.40		$1.56	$0.00		$0.00
Net Operating Income (NOI)	**$20.14**		**$23.70**	**$16.35**		**$19.94**	**$11.90**		**$13.23**	**$20.48**		**$21.56**
Measures of Return												
Yield on Cost (NOI % of costs)		**4.7%**			**4.4%**			**3.2%**			**6.0%**	
Target Yield		≈ 7.5%			6.8 - 7 %			6.5 - 6.7 %			6.5 - 6.6 %	
Capitalization Rate		*5.5%*			*5.5%*			*5.5%*			*5.5%*	
Estimated Market Value	$366		$431	$297		$363	$216		$240	$372		$392
(Less) Dev. Costs & Sales Exp.	($445)		($523)	($387)		($471)	($377)		($419)	($358)		($377)
Net Value After Costs	**($79)**		**($92)**	**($89)**		**($109)**	**($161)**		**($179)**	**$15**		**$16**
As % of Development Costs		**-18%**			**-24%**			**-44%**			**4%**	
Required % of Cost		18-25%			14-18%			12-16%			7-11%	

Source: Hausrath Economics Group

Table A-8

Pro Forma Analysis of Office Development Prototypes – Base Case with Rents for Feasible Projects (2015 $)

	Highrise Office Prototype O-1			Mid Rise Office Prototype O-2			Lower/Mid Rise Office Prototype O-3			Mid Rise Office/No Parking Prototype O-2 Option		
Development Characteristics												
Construction Type	Type I - steel/concrete			Type I - II			Type I or II			Type I-II		
Height	20+ floors			4 - 8 floors			3 - 5 floors			4-8 floors		
Description	Class A space			Flexible, larger floor plates			Flexible, larger floor plates			FlexiblelLarger floor plates		
Parking	2 levels below grade			1 level below grade			On-site in garage or podium			No on-site parking		
Project Size	300,000 - 600,000 sf			150,000 - 350,000 sf			80,000 - 200,000 sf			150,000 - 350,000 sf		
FAR	8.0 - 10.0+			3.5 - 7.0			1.0 - 2.0			3.5 - 7.0		
Location in City	Downtown			Downtown / Urban Model			Coliseum Area, West Oakland			Downtown / Urban Model		
Prototype	**450,000 sf; 24 flrs;10 FAR;+2 flrs pkg.**			**210,000 sf; 6 flrs.;5.25 FAR; +1 flr pkg**			**140,000 sf; 4 flrs; 1.8 FAR**			**210,000 sf: 6 flrs; 5.25 FAR**		
Development Costs	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF
Land	$15	180/sf	$18	$23	120/sf	$28	$28	50/sf	$31	$23	120/sf	$24
Hard Construction	$220		$259	$190		$232	$170		$189	$190		$200
Tenant Improvements	$55		$65	$45		$55	$45		$50	$52		$55
Parking	$39		$46	$32		$39	$50		$56	$0		$0
Government Permits and Fees	$20		$24	$20		$24	$15		$17	$20		$21
Other Soft Costs	$54		$64	$47		$57	$45		$50	$42		$44
Construction Financing	$23		$28	$15		$18	$13		$15	$12		$13
Total Development Costs (excl. devel. fee & return on capital)	**$426**		**$502**	**$372**		**$453**	**$366**		**$407**	**$339**		**$357**
Revenue												
Office Monthly Rent	**$4.25**		**$5.00**	**$3.65**		**$4.45**	**$3.42**		**$3.80**	**$3.42**		**$3.60**
Gross Potential Rev. (100% Occ.)	$51.00		$60.00	$43.79		$53.40	$41.04		$45.60	$41.04		$43.20
Annual Rental Revenue (10% Vac.)	$45.90		$54.00	$39.41		$48.06	$36.94		$41.04	$36.94		$38.88
(Less) Operating Expenses	($15.00)		($17.65)	($14.40)		($17.56)	($13.80)		($15.33)	($14.40)		($15.16)
Parking Net Revenue	$0.72		$0.84	$0.64		$0.78	$1.40		$1.56	$0.00		$0.00
Net Operating Income (NOI)	**$31.62**		**$37.20**	**$25.65**		**$31.28**	**$24.54**		**$27.27**	**$22.54**		**$23.72**
Measures of Return												
Yield on Cost (NOI % of costs)		**7.4%**			**6.9%**			**6.7%**			**6.6%**	
Target Yield		≈ 7.5%			6.8 - 7 %			6.5 - 6.7 %			6.5 - 6.6 %	
Capitalization Rate		*5.5%*			*5.5%*			*5.5%*			*5.5%*	
Estimated Market Value	$575		$676	$466		$569	$446		$496	$410		$431
(Less) Dev. Costs & Sales Exp.	($455)		($536)	($395)		($482)	($389)		($432)	($360)		($378)
Net Value After Costs	**$120**		**$141**	**$71**		**$87**	**$58**		**$64**	**$50**		**$53**
As % of Development Costs		**28%**			**19%**			**16%**			**15%**	
Required % of Cost		18-25%			14-18%			12-16%			7-11%	

Source: Hausrath Economics Group

Table A-9
Oakland Retail Development Prototypes

	Prototype R-1 Freestanding larger store(s); surface parking	**Prototype R-2 Grocery Store; some small shops possibly roof parking**	**Prototype R-3 Grocery Store; some small shops possibly surface parking**
Construction Type	Type V or III	Type II or I	Type V or III
Height	1 level; 18 ft. height	1 level; 18 ft. height	1 level; 18 ft. height
Description	Freestanding larger store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition	Freestanding grocery store; some small shops possible in addition
Parking	surface/on-site parking; 3-4 per 1,000 sf	roof parking; 3-4 per 1,000 sf	surface/on-site parking; 3-4 per 1,000 sf
FAR	0.3 - 0.4	0.4 - 0.8	0.3 - 0.4
Location in City	Commercial Corridors / Districts	Commercial Corridors / Districts; Downtown; North Oak; Hills	Commercial Corridors / Districts
Project Sizes	30,000 - 60,000 sf	35,000 - 65,000 sf	35,000 - 65,000 sf
Examples Built	Best Buy (45,000 sf)	Whole Foods (56,000 sf)	
	Lexus Dealership (22,000 sf building with outdoor auto sales and lower FAR of ~0.15)	Safeway - College Avenue (45,000 sf grocery + 9,500 sf sm. shops)	
Approved/Proposed/ Under Construction		Shops at Broadway (Sprouts + smaller stores, 36,000 sf)	
		Safeway - Redwood Road (48,874 sf new grocery)	

Note: The focus of the retail prototypes is on freestanding larger stores or smaller shopping centers. The feasibility of other types of retail either depends on the feasibility of the other uses in a larger housing or office project, or would need to be addressed on a case-by-case basis, as noted below:

1. Overall project feasibility for office and residential developments with ground floor retail is determined by the office and residential space. Typically, the ground floor retail is neutral or adds more costs than revenues. Often, it is seen as an amenity that can enhance the attractiveness of the larger project.

2. The feasibility of larger retail district or shopping center development with a mix of larger and smaller stores cannot be generalized into a prototype and needs to be assessed on a case-by-case basis for the district or center overall. In urban areas like Oakland, public sector participation is often required to help launch and support larger-scale destination retail development. Land prices are high, site control can be difficult, structured parking is costly, significant new development is required to create a critical mass of retailing, and area-wide plazas and streetscape improvements are desired.

Source: Hausrath Economics Group, based on retail developments occurring in Oakland.

Table A-10
Pro Forma Analysis of Retail Development Prototypes – Base Case Mid-2015

	Prototype R-1 Freestanding Larger Store/Surface Pkg			Prototype R-2 Grocery Store, Sm.Shops / Roof Parking			Prototype R-3 Grocery Store, Sm. Shops / Surface Pkg		
Development Characteristics									
Construction Type	Type V or III			Type II or I			Type V or III		
Height	1 level; 18 ft. height			1 level; 18 ft. height			1 level; 18 ft. height		
Description	Freestanding larger store; some small shops possible in addition			Freestanding grocery store; some small shops possible in addition			Freestanding grocery store; some small shops possible in addition		
Parking	Surface/on-site; 3-4 sp per 1k sf			Roof Parking; 3-4 sp per 1k sf			Surface/on-site; 3-4 sp per 1k sf		
Project Sizes	30,000 - 60,000 sf			35,000 - 65,000 sf			35,000 - 65,000 sf		
FAR	0.3 - 0.4			0.4 - 0.8			0.3 - 0.4		
Location in City	Commercial Corridors/Districts			Commercial Corridors/Districts; Downtown, North Oakland, Hills			Commercial Corridors/Districts		
Prototype	**45,000 sf; pkg 4 sp/1k sf; 0.35 FAR**			**55,000 sf; pkg 3.3 sp/1k sf; 0.60 FAR**			**45,000 sf; pkg 4 sp/1k sf; 0.32 FAR**		
Development Costs	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF
Land	$100.00	35/sf	$100.00	$133.00	80/sf	$138.54	$139.00	45sf	$144.79
Hard Construction (shell)	$100.00		$100.00	$160.00		$166.67	$100.00		$104.17
Tenant Improvements	$40.00		$40.00	$65.00		$67.71	$59.00		$61.46
Parking /loading /paving/on-sites/off-sites	$85.00		$85.00	$110.00		$114.58	$90.00		$93.75
Government Permits and Fees	$12.00		$12.00	$16.50		$17.19	$13.00		$13.54
Other Soft Costs	$43.00		$43.00	$60.00		$62.50	$47.00		$48.96
Construction Financing	$8.60		$8.60	$14.61		$15.22	$12.02		$12.52
Total Development Costs (excl. devel. fee & return on capital)	**$388.60**		**$388.60**	**$559.11**		**$582.40**	**$460.02**		**$479.19**
Revenue									
Monthly Rent (NNN)	$2.25		$2.25	$3.60		$3.75	$2.78		$2.90
Gross Potential Rev. (100% Occ.)	$27.00		$27.00	$43.20		$45.00	$33.41		$34.80
Annual Rental Revenue (0% Vac.)	$27.00		$27.00	$43.20		$45.00	$33.41		$34.80
(Less) Replacement Reserve/Exp. (5%)	($1.35)		($1.35)	($2.16)		($2.25)	($1.67)		($1.74)
Net Operating Income (NOI)	**$25.65**		**$25.65**	**$41.04**		**$42.75**	**$31.74**		**$33.06**
Measures of Return									
Yield on Cost (NOI % of costs)		**6.6%**			**7.3%**			**6.9%**	
Target Yield		≈ 6.5%			≈ 6.5%			≈ 6.5%	
Capitalization Rate		*5.5%*			*5.5%*			*5.5%*	
Estimated Market Value	$466		$466	$746		$777	$577		$601
(Less) Dev. Costs & Sales Exp.	($412)		($412)	($596)		($621)	($489)		($509)
Net Value After Costs	**$54**		**$54**	**$150**		**$156**	**$88**		**$92**
As % of Development Costs		**14%**			**27%**			**19%**	
Required % of Cost		8- 10%			8 - 10%			8 - 10%	

Source: Hausrath Economics Group

Table A-11
Oakland Industrial Development Prototypes

	Prototype I-1 Warehouse / Logistics & Distribution	**Prototype I-2 Custom Light Industrial / Manufacturing**	**Prototype I-3 Low-rise Light Ind'l / R & D / Office Flex**
Construction Type	tilt-up	tilt-up	tilt-up or pre-fab
Height	1 story	1-2 stories / 1 story + mezzanine	1-2 stories
Description	Large floorplate Clear height minimums of 18 ft On-site loading area Dock and/or graded door Minimal build-out	May require clear heights May require storage / staging on site May include some office space May require on-site loading area and dock or graded doors	Space adaptable for production, studios, office, and/or R&D Limited build-out May require storage/staging on-site May require loading areas
Parking	Surface; on-site parking	Surface; on-site parking	Surface; on-site parking
FAR	0.4 - 0.5	0.45 - 0.6	0.4 - 0.8
Location in City	East Oakland Ind'l / Coliseum Plan Area D	Parts of Coliseum / West Oakland / Central Estuary Plan areas	Parts of Coliseum / West Oakland / Central Estuary Plan areas
Project Sizes	150,000 - 375,000 sf	20,000 - 200,000 sf smaller and larger facilities	10,000 - 125,000 sf
Examples Built	Goodman Logistics Center 8350 Pardee Dr. (377,725 sf) Horizon Beverages Hdqtrs & Distribution Center Pardee Dr. (155,000 sf)	Rainin Instruments manufacturing and office facility 7500 Edgewater (~200,000 sf)	--
Approved/Proposed	--	--	--

Source: Hausrath Economics Group, based on industrial developments occurring in Oakland and/or considered for the future

Table A-12
Pro Forma Analysis of Industrial Development Prototypes – Base Case Mid-2015

	Prototype I-1 Warehouse			Prototype I-2 Custom Light Industrial/ Mfg.			Prototype I-3 Low-rise Light Ind'l/R&D/Office flex		
Development Characteristics									
Construction Type	Tilt-up			Tilt-up			Tilt-up or Pre-fab		
Height	1 level			1 level + mezzanine			1 - 2 levels		
Description	30' clear hts.; on-site loading; large floor plate			Possible clear hts. and on-site loading; some internal office space; likely bld.-to-suit			Flexible for production, studios, office, &/or R&D; possible on-site loading		
Parking	Surface: on-site parking			Surface; on-site parking			Surface; on-site parking		
Project Sizes	150,000 - 375,000 sf			20,000 - 200,000 sf			10,000 - 125,000 sf		
FAR	0.4 - 0.5			0.45 - 0.6			0.4 - 0.8		
Location in City	East Oak Industrial / Coliseum Plan Area			Parts of Coliseum/West Oak/Central Estuary Plan areas; East Oak Industrial			Parts of Coliseum / West Oak/ Central Estuary Plan areas		
Prototype	**375,000 sf; 0.46 FAR**			**200,000 sf; 0.57 FAR**			**65,000 sf; 2 levels; 0.74 FAR**		
Development Costs	Per GSF		Per LSF	Per GSF		Per LSF	Per GSF		Per LSF
Land	$41.00	19/sf	$41.00	$43.56	25/sf	$43.56	$47.38	35/sf	$49.35
Hard Construction	$40.00		$40.00	$60.00		$60.00	$80.00		$83.33
Tenant Improvements	$5.00		$5.00	$12.00		$12.00	$20.00		$20.83
Parking / loading area /paving (incl. above)	$0.00		$0.00	$0.00		$0.00	$0.00		$0.00
Government Permits and Fees	$14.00		$14.00	$7.00		$7.00	$7.25		$7.55
Other Soft Costs	$11.00		$11.00	$15.30		$15.30	$17.37		$18.09
Construction Financing	$2.98		$2.98	$3.70		$3.70	$4.16		$4.34
Total Development Costs (excl. devel. fee & return on capital)	**$113.98**		**$113.98**	**$141.56**		**$141.56**	**$176.16**		**$183.50**
Revenue									
Monthly Rent (NNN)	$0.60		$0.60	$0.85		$0.85	$1.15		$1.20
Gross Potential Rev. (100% Occ.)	$7.20		$7.20	$10.20		$10.20	$13.82		$14.40
Annual Rental Revenue (0/0/5% Vac.)	$7.20		$7.20	$10.20		$10.20	$13.13		$13.68
(Less) Replacement Reserve/Exp. (5/5/10%)	($0.36)		($0.36)	($0.51)		($0.51)	($1.31)		($1.37)
Net Operating Income (NOI)	**$6.84**		**$6.84**	**$9.69**		**$9.69**	**$11.82**		**$12.31**
Measures of Return									
Yield on Cost (NOI % of costs)		**6.0%**			**6.8%**			**6.7%**	
Target Yield		5.5%			6%			6.5%	
Capitalization Rate		*4.5%*			*5.0%*			*5.5%*	
Estimated Market Value	$152		$152	$194		$194	$215		$224
(Less) Dev. Costs & Sales Exp.	($122)		($122)	($151)		($151)	($187)		($195)
Net Value After Costs	**$30**		**$30**	**$43**		**$43**	**$28**		**$29**
As % of Development Costs		**27%**			**30%**			**16%**	
Required % of Cost		9 - 11%			9 - 11%			10 - 12%	

Source: Hausrath Economics Group

APPENDIX B

BACKGROUND ON HOUSING DEVELOPMENT PROTOTYPES AND IMPACT FEE ZONES

This appendix describes the approach and methodology for establishing the types of market-rate housing developments that are likely to be built in Oakland. It identifies and describes the housing development prototypes in terms of types of units, densities, locations in Oakland, and rents and sales prices. Then, the impact fee zones for residential development are described including differences among them in the types of development occurring or anticipated there and in rents and prices for existing and new housing.

Approach and Methodology

Data collection and market analysis were done to establish the types of market-rate housing developments that are likely to be built in Oakland and subject to new impact fees. Market analysis identified the prices/rents for the different types of development to be built in different parts of the city. Analysis was then done to assess economic feasibility of each type of development and ability to pay impact fees. The work was done by Hausrath Economics Group working with City staff. The methodology is summarized as follows.

- **Development Pipeline as Basis for Housing Development Prototypes.**

  Plans submitted to the City for projects in the pipeline and information on projects receiving recent building permits were used to identify housing development prototypes representative of the types and characteristics of market-rate housing being built and proposed in Oakland and the locations where new housing of each type are being proposed.

- **Market Research to Identify Rents and Prices for Housing Developments**

  Extensive market research focused on identifying market rents and prices for housing in recently built development in Oakland that are comparable to the types, characteristics, and locations of proposed new housing. Data was gathered from multiple sources including property managers, real estate agents and brokers, multiple listings, real estate company reports, recent sales data from the County Assessor, and other sources. In addition, work done by The Concord Group for another aspect of this project, provided additional data, and confirmed the rents identified for new multi-family housing developments in Greater Downtown and West Oakland/North Oakland.

- **Economic Feasibility of Development and Ability to Pay Impact Fees**

  Project pro forma analyses were developed to test the feasibility of the different housing prototype developments, based on current rents and prices and cost estimates for construction, financing, land, and other costs, based on developer interviews, construction company cost estimates, input from other projects, and

other sources. The results identify differences in feasibility among types of development and locations in Oakland, that affect ability to pay impact fees.

- **Impact Fee Zones Reflect Results of the Above Work**

  The proposed impact fee zones for residential development were identified based on the results of all of the data gathering and analyses described above. They identify areas of Oakland with differing abilities to pay new impact fees, based on the types of new housing to be built there, the rents and prices that can be obtained, and the feasibility of development in the foreseeable future.[13]

Housing Prototypes that Characterize New Development in Oakland

Based on recent and proposed development, market data, and developer interviews, nine housing development prototypes were identified. The multi-family housing prototypes include developments of different building types, at different densities, and in different parts of Oakland, representing lower/mid-rise, mid-rise, and high-rise developments. All three multi-family prototypes are considered as rental apartment developments, and the md-rise and high-rise prototypes are also considered as for-sale condo developments. There also are two prototypes for single-family detached homes and two prototypes for townhome/row house developments. In each case, the two prototypes are differentiated by price range, quality of construction, location, and household sub-markets served. The single-family and townhome development are for-sale housing prototypes. Tables B-1 and B-2 that follow identify and describe the housing prototypes in terms of types of units, densities, locations in Oakland, and rents and sales prices.

Multi-Family Development

The multi-family development prototypes vary by building type, density of development, and location, as shown in Table B-1.

[13] As impact fees are to be reviewed every five years, there will be opportunities to modify and update the zones as market conditions change.

Table B-1
Multi-Family Housing Prototypes: Characteristics and Rents/Sales Prices

Housing Type and Location	Percentage by Unit Type/Size	Bedrooms/ Bathrooms	Unit Size (sq. ft.)	Monthly Rent/Price (mid-2015)	Ave. Rent/Price per SF
RENTAL APARTMENTS					
H-3: Lower- and Mid-Rise Apartments	15%	Studio	400	$1,500	
(3-4 floors over podium)	45%	1 BR/1 BA	700	$2,350	
West Oakland/ parts of North Oakland/ East Oakland (in the future) /a/	32%	2 BR/2 BA	900	$2,900	
	8%	3 BR/2 BA	1,200	$4,000	
	100%	*weighted average:*	**760**	**$2,530**	**$3.33**
H-4: Mid-Rise Apartment Development	17%	Studio	550	$2,350	
(5-6 floors over podium)	50%	1 BR/1 BA	740	$2,750	
Downtown/Jack London/ Broadway Valdez/ parts of North Oakland/a/	30%	2 BR/2 BA	1,080	$3,900	
	3%	2+ BR/2 BA	1,200	$4,400	
	100%	*weighted average:*	**825**	**$3,080**	**$3.73**
H-5: High-Rise Apartment Development	24%	Studio	550	$2,700	
(Prime Sites; 20-28 floors)	50%	1 BR/1 BA	840	$3,700	
Downtown/Jack London/Broadway Valdez/ parts of Estuary Waterfront	25%	2 BR/2 BA	1,100	$5,200	
	1%	3 BR Penthouse	1,800	$7,200	
	100%	*weighted average:*	**845**	**$3,870**	**$4.58**
FOR SALE CONDOMINIUMS					
H-4: Mid-Rise Condo Development	10%	Studio	600	$435,000	
(5-6 floors over podium)	35%	1 BR/1 BA	760	$485,000	
Downtown/Jack London/Broadway Valdez/parts of North Oakland	15%	1+ BR/2 BA	950	$585,000	
	32%	2 BR/2 BA	1,100	$665,000	
	8%	2+ or 3 BR/2 BA	1,400	$750,000	
	100%	*weighted average:*	**930**	**$574,000**	**$617**
H-5: High-Rise Condo Development	15%	Studio	600	$460,000	
(Prime Sites; 20-28 floors)	45%	1 BR/1 BA	840	$565,000	
Downtown/Jack London/Broadway Valdez/Parts of Estuary Waterfront	35%	2 BR/2 BA	1,100	$710,000	
	5%	3 BR Penthouse	1,800	$1,200,000	
	100%	*weighted average:*	**940**	**$632,000**	**$672**

Note: Additional description of the residential development prototypes, including examples of recent and proposed projects, will be provided in the Impact Fee Study Report presenting the Economic Feasibility Analysis.

/a/ North Oakland includes several different areas which serve different sub-markets. H-3 developments are occurring in the westerly parts of North Oakland near Emeryville and West Oakland. The H-4 developments are being planned in Rockridge and at 51st and Broadway, oriented for a higher-rent consumer.

Source: Hausrath Economics Group

- The ***lower/mid-rise apartment developments*** (three to four floors over podium) primarily occur and are proposed in West Oakland, and nearby parts of North Oakland. Apartment rents are generally lower for this prototype than for the higher density multi-family apartment developments. Projects of their prototype are typically smaller projects than the higher density developments. Future multi-family developments in East Oakland are anticipated to be of this prototype.
- ***Mid-rise apartment developments*** (typically five to six floors over podium) primarily occur and are being proposed in the Greater Downtown (Downtown, Jack London, and Broadway Valdez) and in parts of North Oakland and the Estuary Waterfront. This development prototype typically obtains higher rents than the lower/mid-rise prototype described above.
- ***High-rise developments*** in prime locations that can capture premium rents. They are primarily located around Lake Merritt, in Jack London and areas along the Estuary, and on Broadway in Downtown and Broadway Valdez.

Single-Family Homes and Townhome Development

The single-family detached and townhome development prototypes are described in Table B-2.

- For the ***single-family detached*** developments, one prototype reflects in-fill homes in the lower price ranges, primarily built in East Oakland. A second prototype consists of larger, more expensive homes built in the Oakland Hills and in Rockridge.
- For the ***townhome*** developments, one prototype represents new townhome developments in the lower/mid-level price ranges, primarily being built in West Oakland and nearby parts of North Oakland. The second prototype includes more expensive townhomes built in the North and South Hills.

Table B-2
Single-Family and Townhome Prototypes: Characteristics and Sales Prices

Housing Type and Location	Percentage by Unit Type / Size	Bedrooms/ Bathrooms	Unit Size (sq. ft.)	Sales Prices (mid-2015)	Ave. Price Per SF
H-1A: Single-Family Detached Homes	100%	3 BR/3 BA	1,600	$405,000	$253
(Modest construction)					
Urban Infill/East Oakland primarily					
H-1B: Single-Family Detached Homes	100%	4 BR/3 BA	3,000	$1,240,000	$413
(High quality construction and features)					
North/South/Lower Hills, Rockridge					
H-2A: Townhomes / Row Houses	25%	2 BR/2 BA	1,185	$490,000	
(Mid-level prices and construction)	65%	2 BR/2.5 BA	1,370	$520,000	
Urban Infill/West Oakland and parts of North Oakland	10%	3 BR/3 BA	1,550	$575,000	
	100%	*weighted average:*	1,340	$518,000	$387
H-2B: Townhomes / Row Houses	10%	2 BR/2.5 BA	1,500	$630,000	
(Larger, higher priced units)	10%	3 BR/3 BA	1,750	$740,000	
North Hills, South Hills	30%	3 BR/3 BA	2,050	$775,000	
	35%	3+ BR/3 BA	2,200	$800,000	
	15%	4 BR/3 BA	2,500	$850,000	
	100%	*weighted average:*	2,085	$777,000	$373

Note: Additional description of the residential development prototypes, including examples of recent and proposed projects, will be provided in the Impact Fee Study Report presenting the Economic Feasibility Analysis.

Source: Hausrath Economics Group

Zones for Impact Fees on Residential Development

Three Impact Fee Zones

The impact fee zones for residential development reflect differing abilities to pay impact fees based on the types of new housing being built and proposed there, the rents and prices for existing and new housing, and the feasibility of development in the foreseeable future.

- **Impact Fee Zone 1: Greater Downtown, Much of North Oakland, and the Oakland Hills**

  Impact Fee Zone 1 includes areas that capture the highest prices and rents for new development in Oakland, including single-family and townhome development in the Hills and Rockridge, and mid-rise and high-rise multi-family development in

Greater Downtown and parts of North Oakland. With the phase-in of new impact fees, to allow for enhanced feasibility consistent with market trends, higher prices and rents in this zone are anticipated to support feasible development with the ability to pay the target impact fees that are proposed. There is a large pipeline of projects proposed for development in zone 1, and the large majority of residential development over the next 10 years is anticipated to be built in zone 1 (over 75 percent).

- **Impact Fee Zone 2: West Oakland and Nearby Parts of North Oakland**

  Rents and prices in zone 2 are now supporting "mid-level" development of townhomes/row houses and lower/mid-rise apartment development. Rents/prices in zone 2 are below those in zone 1, and support development that is less costly to build than that in zone 1. With the proposed phase-in of new impact fees, prices and rents in this zone are anticipated to support feasible development with ability to pay the proposed target impact fees. As proposed, the impact fees for zone 2 are somewhat lower than those for zone 1, reflecting differences in the types and cost of development and in obtainable rents/prices. There is development underway in zone 2 and projects proposed in the pipeline.

- **Impact Fee Zone 3: East Oakland**

  Rents and prices for housing in impact fee zone 3 are lower than in the other zones, and there has been very little market-rate housing development built or proposed in zone 3 thus far. There has been single-family home development on infill lots in the lower price/cost ranges. As housing demand increases in Oakland, prices and rents of existing housing have been going up in East Oakland, although they are still below levels needed for most new market-rate development. There are development proposals for zone 3, although most are affordable housing projects or projects including both market-rate and affordable housing (such as the Coliseum and Fruitvale Transit Village projects). There are a small number of market-rate projects recently proposed in zone 3, including a project in the Jingletown/Fruitvale area, and one on International Boulevard near the Oakland/San Leandro border. The feasibility of residential development in zone 3 should improve over time with investments and improvements in the area and increasing rents and prices. The lowest impact fees are identified for zone 3 to allow for improved feasibility of development before impact fees would be increased to higher levels.

Table B-3 summarizes the characteristics of market-rate development in each of the residential impact fee zones.

Table B-3
Characteristics of Market-Rate Development in Residential Impact Fee Zones Defined by Economic Analysis

New Housing Types by Zone	Ave. Unit Size (sq. ft.)	Ave. Mo. Rent/ Sales Price (mid-2015)	Ave. Mo. Rent/Price per SF	Feasibility 2015
IMPACT FEE ZONE 1				**Multi-Family Development**
H-4: **Mid-Rise Apartment Development**	825	$3,080	$3.73	– Marginal feasibility with 2015 rents; much improved with higher rents/prices as trends continue
H-5: **High-Rise Apartment Development**	845	$3,870	$4.58	
H-4: **Mid-Rise Condo Development**	930	$574,000	$617	– Large pipeline of projects beginning to proceed
H-5: **High-Rise Condo Development**	940	$632,000	$672	**Single-Family/Townhome Development**
H-1B: **Single-Family Detached Homes**	3,000	$1,240,000	$413	– Feasible today / Infill and phased development
H-2B: **Townhomes / Row Houses**	2,085	$777,000	$373	
IMPACT FEE ZONE 2				**Multi-Family Development**
H-3: **Lower- and Mid-Rise Apartments**	760	$2,530	$3.33	– Smaller projects proceeding
H-2A: **Townhomes / Row Houses**	1,340	$518,000	$387	– Feasibility improves for larger projects with increasing rents as trends continue
H-1: **Single-Family Detached Homes**	1,700	$625,000	$368	**Townhome Development**
H-3: **Lower-and-Mid-Rise Condo Development /a/** Smaller projects; some lofts	1,300 – 1,700	$500,000 – 600,000	$350 - 380	– Feasible / Proceeding in phases
IMPACT FEE ZONE 3				**Multi-Family Development**
H-3: **Lower-and-Mid-Rise Apartments /b/** Potential in the future	NA	NA	NA	– Not yet feasible
H-1A: **Single-Family Detached Homes**	1,600	$405,000	$253	– Recent proposals for selected locations, potential with increasing rents
				– Feasibility to improve over time
				Single-Family Development
				– Feasible / Development sensitive to costs

Note**:** The data above are for recent, actual developments in each part of Oakland (projects built 2005 through 2015). The data identify market rents and prices in mid-2015. Appendix B provides additional information on existing rents and prices for housing in different parts of Oakland. See Figure B-2 for map, see text for clarification of zone boundaries used in this report.

/a/ In West Oakland, there are smaller, individual projects of two to eight units and some lofts. Prices vary and are not easily generalizable. They are similar to the prices for row houses and single-family homes depending on the project.

/b/ There has been no recent construction of multi-family housing in East Oakland and current rents are below those needed for new construction. However, there are recent proposals and the potential for development in the future. When feasible, the rents for future projects are likely to be similar to or slightly below those for prototype H-3 in West Oakland.

Source: Hausrath Economics Group

Recent Data on Existing Housing Rents and Sales Prices in Oakland

Figure B-1 on the next page provides an overview of average rents for one-bedroom apartments in different parts of Oakland. The mapping of rent data shows average rents for planning areas identified in the Oakland General Plan. The differences in rents among areas of the city are consistent with the rent data and impact fee zones identified as a part of this study.

Data for recent sales prices of recently built single-family homes in Oakland are summarized by area of the city in Table B-4. The data provides further evidence of the differences in the price of new housing among different parts of Oakland.

Map of Impact Fee Zones for Residential Development

The map of the impact fee zones for residential projects is presented in Figure B-2 on the last page of Appendix B. The map shows the impact fee zones identified by the City Council. There are differences in the zone boundaries in East Oakland between the economic analysis described in this appendix and the zone map in Figure B-2. The economic analysis defines impact fee zone 3 as including all of the area east of the Lake including the two East Oakland areas now shown as zone 2 on the map.

Figure B-1
Rents in Parts of Oakland
Average Rents for One-Bedroom Apartments

From: San Francisco Business Times
Dec. 3, 2015

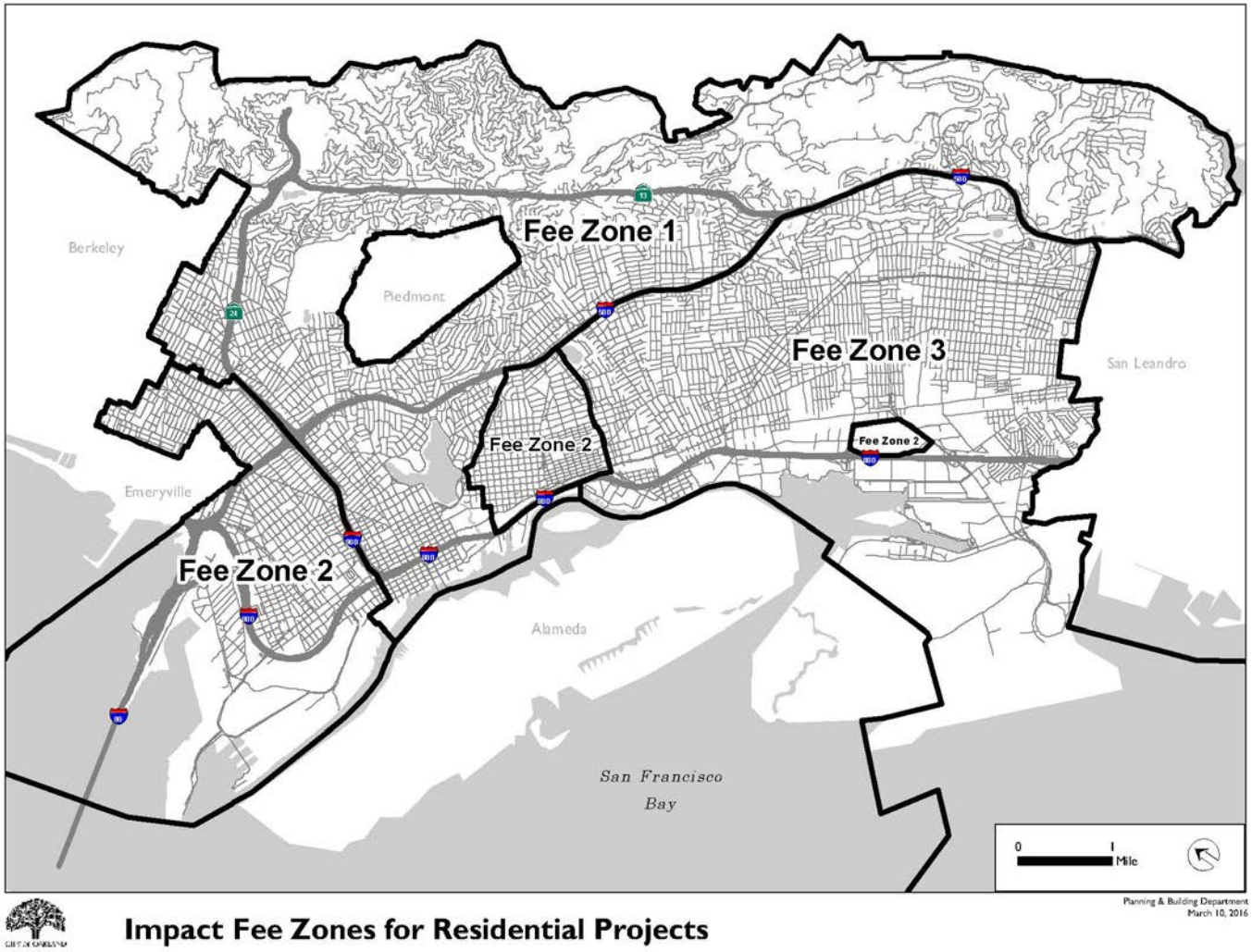
Table B-4
Sales Prices - Recently Built Single-Family Detached Homes in Oakland by Subarea
Homes Sold in 2014 and 2015

	Sales Price	Price Per SF	Number BR / BA	Space (SF)
East Oakland (Impact Fee Zone 3)				
Range	$117,000 - 850,000	$69.15 - 478.60	3/2 - 4/4	927 - 1,884
Most	$300,000 - 420,000	$192 - 250	3/3	1,400 - 1,600
Average (23)	$377,570	$237.09	3/3	1,616
West Oakland / North Oakland near Emeryville (Impact Fee Zone 2)				
Range	$300,000 - 925,000	$205.20 - 637.05	3/2 - 4/3	1,452 - 1,997
Most	$400,000 - 600,000	$260 - 460	3/3	1,400 - 1,600
Average (8)	$610,625	$390.40	3/3	1,606
Lower Hills (Impact Fee Zone 1)				
Range	$525,000 - 1,325,000	$315.48 - 364.92	3/3 - 4/4	1,573 - 4,200
Average (3)	$865,667	$338.05	3.3/3.3	2,607
South Hills (Impact Fee Zone 1)				
Range	$378,500 - 2,000,000	$103 - 441	3/3 - 5/4	1,795 - 6,021
Most	$600,000 - 700,000	$200 - 300	3/3 - 4/4	2,000 - 3,000
Average (12)	$802,583	$255.45	3.9/4.3	3,240
North Hills / Rockridge (Impact Fee Zone 1)				
Range	$810,000 - 2,425,000	$235 - 591	3/2 - 5/4	1,725 - 5,531
Most	$1.25 - 1.4 mil.	$350 - 450	3/3 - 4/4	3,000 - 4,200
Average (19)	$1,369,526	$427.66	3.6/3.6	3,360

Note: Sales data are for newer single-family detached homes built in Oakland from 2005 through 2015 that were sold in 2014 and 2015. The summaries for impact fee zones are approximate based on property locations by zip code. See Figure B-2 for map, see text for clarification of zone boundaries used in this report.

Source: Alameda County Assessor data as available from DataQuick; Hausrath Economics Group; Vernazza Wolfe Associates, Inc.

Figure B-2
Impact Fee Zones for Residential Projects



APPENDIX C

BACKGROUND ON SOURCES AND ASSUMPTIONS FOR THE ECONOMIC FEASIBILITY ANALYSIS OF RESIDENTIAL DEVELOPMENT

- **Development Prototypes**
  - Development characteristics of prototypes were identified based on actual project plans and data/information submitted to the City of Oakland for numerous pipeline projects of different types and in different locations throughout Oakland. The characteristics include:
    - density
    - construction type
    - building height
    - parking amounts and location
    - unit mix and sizes
- **Hard Construction Costs**
  - Nibbi Brothers General Contractors provided construction cost estimates specifically for the different building prototypes. Costs include building construction, parking construction, site development, and landscape/hardscape.
  - Hausrath Economics Group (HEG) reviewed the cost estimates with several developers, including for-profit and non-profit developers.
  - Nibbi also provided input for the duration of construction for each prototype, and on construction cost increases anticipated over the next several years.
- **Government Permits and Fees**
  - Amounts for existing permits and fees were estimated for the specific development prototypes as follows
    - City of Oakland staff developed fee estimates for:
      - planning permits
      - building permits
      - General Plan surcharge
      - fire permit fees
      - bedroom tax
      - jobs/housing impact fee (for office and warehouse)
    - City staff and HEG developed fee estimates for:

  - school impact fees
  - City fee for public art
  - EBMUD fees (water system capacity and wastewater treatment capacity charges)

- **Other Soft Costs**
  - Estimated by HEG based on a number of sources including developer interviews and other pro forma analyses. Other soft costs include:
    - architecture and engineering
    - property tax
    - legal, title, insurance costs
    - project management and overhead
    - entitlement process
    - contingency
- **Construction Financing Costs**
  - Estimated by HEG based on the following assumptions:
    - borrow 65% of project costs
    - interest rate = 5.5%
    - loan fee = 1% loan amount
    - period of loan: varies depending on development prototype, and typically around 50% borrowed over construction and absorption periods.
- **Land**
  - Estimated by HEG based on a number of sources including developers, real estate brokers, recent appraisals, and County Assessor. Note that the pro forma analyses were also run to determine the land residuals, without including land as a cost.
- **Revenue (Rents and Prices)**
  - HEG conducted in-depth market research on current (mid-2015) rents and prices for recently built (since 2005) housing of different types and in different parts of Oakland. Sources included property managers and agents, recent listings, internet sources (Zillow, project websites, real estate company websites, Craigslist), real estate company reports, Alameda County Assessors data (DataQuick reports), and developer interviews.
  - Tables showing the more detailed assumptions for residential rents and prices by prototype as included in the earlier Appendix B.
  - HEG also worked with The Concord Group to identify rents for the lower-/mid-rise and mid-rise, multi-family housing prototypes (H-3 and H-4). From

their database, The Concord Group verified the rents identified by HEG and collaborated with HEG to consider trends in rents over time.

- **Operating Expenses for Rental Housing**
  - Estimated by HEG at 30 percent of gross rental revenue after adjusting for vacancy. This assumption is based on other HEG analyses and communications with developers, real estate agents, and property managers.
- **Measures of Return**
  - As set up, development costs do not include a development fee or return for development/investment. The measures of return are to cover both of those aspects.
  - *Yield on Cost* for rental prototypes identifies net operating income (NOI) as a percent of total costs (without development fee). The target yields reflect input from developers and brokers for projects of each type. Note that the yields are slightly higher than those calculated with development fees included as a cost.
  - *Return on Cost (ROC)* compares the market value of the new development (net of expenses) to development costs to identify the net value or return on cost.
    - For rental housing, the market value is based on the capitalized value at stabilized occupancy. (See later item referring to cap rates.)
    - For for-sale housing, the value is based on sales price.

  The target Return on Cost (ROC) for project feasibility depends on the development prototype, as shown on the pro forma analyses.
    - Higher returns (ROCs) are required for larger projects developed and absorbed over longer time periods because of the larger risk involved and the longer time period over which capital is tied up. Lower returns are required for smaller projects developed and absorbed over shorter time periods.

  The target returns were developed to be equivalent to internal rates of return (IRR) for each prototype. Based on input from several developers and experience from other analyses, IRRs in the range of 12% to 15% are used as the thresholds for feasible projects.
- **Cap Rates**
  - Estimated by HEG based on numerous sources including developers, real estate brokers, real estate company reports, Urban Land Institute (ULI) and other publications, and recent economic feasibility studies done for impact fees in other cities (San Francisco, Berkeley, San Jose).

- Residential development pro forma analyses included calculations for two cap rates: 5.5% and 5%. Typically, HEG uses the 5% cap rate in the analyses and summaries of feasibility.

APPENDIX D

IMPACT FEE SURVEY TABLES

OAKLAND AND SELECTED CITIES

Table D-1
Multi-Family Residential Rental Development
Development Impact Fees and Comparable Charges for Oakland, Berkeley, Emeryville, and San Jose
as of September 25, 2015, with New Target Impact Fees for Oakland (shaded)

	Fee Per Unit			
FEE CATEGORY	**Oakland (zone 1)**	**Berkeley**	**Emeryville**	**San Jose**
Development Impact Fees				
Transportation[/a/]	**$750**	**$0**	**$1,555**	**$0**
Other Capital Facilities				
Capital Facilities[/b/]	1,250	2,230	-	-
Sewer[/c/d/e/]	-	3,536	1,244	204
Sewer Treatment (EBMUD)[/f/]	1,860	1,860	1,860	-
Water (EBMUD)[/g/]	9,530	9,530	9,530	-
Fire	-	-	-	-
Police	-	-	-	-
Park and/or Park In-Lieu[/h/]	-	-	3,602	$6,800 - $30,700
Library	-	-	-	-
Childcare	-	-	-	-
Subtotal Capital Facilities Fees	***$12,640***	***$17,156***	***$16,236***	***$7,004 - $30,904***
Subtotal DIF (Transp. + Cap. Fac.)	*$13,390*	*$17,156*	*$17,791*	*$7,004 - $30,904*
Affordable Housing Impact Fee[/i/j/k/]	**$22,000**	**$20,000**	**$20,000**	**$17,000**
Non-Fees Similarly Applied				
Construction Taxes[/l/]				$9,394
Public Art In-Lieu[/m/]	$710	-	$710	$0
School Impact Fees	$3,200	$0	$2,970	$3,360
TOTAL PER UNIT	**$39,300**	**$37,156**	**$41,471**	**$36,758 - $60,658**

(continued on next page)

NOTES:

The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/ In Emeryville, a lower fee applies in the Transit Hub Overlay Zone. San Jose traffic impact fees only apply in North San Jose and Evergreen East/Hills. The fees are not estimated here.

/b/ In Berkeley, applicable only to Downtown Streets and Open Space Improvement Plan Area; primarily transportation and open space/street medians.

/c/ Covers impacts to local sewer lines owned by the City of Berkeley. The sewer connection fee is $3,536 per Equivalent Single-Family Dwelling Unit (last amended May 18, 2004, "Establish Sewer Connection Fees for Fiscal Years 2005-2009").

/d/ Covers impacts to local sewer lines owned by the City of Emeryville. The sewer connection fee is assessed per Single-Family Dwelling Equivalent. Applies to all multi-family dwellings except units that contain two rooms or less or one bedroom or less. For this table, all units are assumed to have more than one bedroom and more than two rooms total.

/e/ The San Jose sewer connection fee for residential multifamily development is $1,991 per acre plus $194 per unit over 7 dwelling units per acre. The fee amount was calculated using the characteristics of a stacked flat prototype of 157 units at a density of 65 units per acre.

/f/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. The fee for a single-family residence is $1,860 per unit and for multi-family residences of 2-4 units, the fee is $1,860 times the number of units. Larger multi-family residences are treated as non-residential uses. This analysis assumes the single-family unit charge for all residential units.

/g/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For multi-family premises the capacity charge is assessed per unit.

/h/ The City of San Jose park fees vary across 15 zones. The fees for multifamily housing of 5 or more units range from $6,800 per unit up to $30,700 per unit.

/i/ In Berkeley, applies to projects of 5 units or more. The fee was originally adopted in 2012 at $28,000 per unit (or $28 per sq. ft. assuming 1,000 sq. ft. units). The fee option was reduced to $20,000 per unit in February 2013 to offer an incentive for payment of the fee. Developers had been opting to provide 10 percent of the units as affordable to very low income tenants instead of paying the fee to the Housing Trust Fund. (City of Berkeley Municipal Code Section 22.20.065) In July 2015, the City Council considered an updated *Affordable Housing Nexus Study* (draft March 25, 2015) and is reviewing a range of options for a revised Affordable Housing Mitigation Fee Program.

/j/ The current $20,000 fee was adopted in July 2014. No development projects have proceeded since the adoption. On October 20, 2015, the City of Emeryville voted to increase the Affordable Housing Impact Fee on rental residential projects to $28,000 in conjunction with a number of changes to regulations and development bonuses for multi-unit residential uses.

/k/ Implemented by the City of San Jose in November 2014. Applies citywide to market rate rental projects of 3 or more units, except in Downtown Highrise Incentive Area where projects that obtain certificates of occupancy prior to June 30, 2021 are exempt. There are also Pipeline Exemptions for projects that have pulled permits prior to June 30, 2016 and receive certificates of occupancy prior to January 31, 2020.

/l/ The City of San Jose collects the following "development taxes" (excise taxes) to fund specific City operations set forth in the Municipal Code: Commercial, Residential, Mobile Home Park Construction Tax (percent of building valuation), Building and Structure Construction Tax (percent of building valuation), Residential Construction Tax (per unit), and Construction Tax (per unit) Construction taxes based on building valuations calculated using RSMeans Square Foot Costs, 36th Annual Edition, 2015 with San Jose, CA location factors applied.

/m/ Cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. In Emeryville and Oakland, the in-lieu fee for housing is 0.5% of building cost for residential development. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee. In San Jose, the public art program is associated with municipal projects and redevelopment projects only, per municipal code.

Source: Hausrath Economics Group

Table D-2
Assumptions For Unit Mix and Rents
For Lower/Mid-Rise and Mid-Rise Multi-Family Housing Development Prototypes

Development Prototype	Percent	BR/BA	Avg. SF	Avg. Price/Rent (mid-2015)		Avg. Price/Rent per SF	
PROTOTYPE H-3							
Lower/Mid-Rise Multi-Family Development							
Rental Apartments							
West Oakland/North Oakland/East Oakland (in future)	15%	Studio	400	$1,500	per mo.	$3.75	per mo.
	45%	1 BR / 1 BA	700	$2,350	per mo.	$3.36	per mo.
	32%	2 BR / 2 BA	900	$2,900	per mo.	$3.22	per mo.
	8%	3 BR / 2 BA	1,200	$4,000	per mo.	$3.33	per mo.
	100%	*weighted avg.*	759	$2,531	per mo.	$3.33	per mo.
Rounded			**760**	**$2,530**		**$3.33**	**per mo.**
PROTOTYPE H-4							
Mid-Rise Multi-Family Development							
Rental Apartments							
Downtown/Jack London/ Broadway Valdez / North Oakland	17%	Studio	550	$2,350	per mo.	$4.27	per mo.
	50%	1 BR / 1 BA	740	$2,750	per mo.	$3.72	per mo.
	30%	2 BR / 2 BA	1,080	$3,900	per mo.	$3.61	per mo.
	3%	2+ BR / 2 BA	1,200	$4,400	per mo.	$3.67	per mo.
	100%	*weighted avg.*	824	$3,077	per mo.	$3.74	per mo.
Rounded			**825**	**$3,080**		**$3.73**	**per mo.**

Source: Hausrath Economics Group

Figure D-1
Rent Comparisons for Mid-Rise Housing Prototype H-4 (as of October 2015)
(Source: The Concord Group)

Prototype H-4

Type	Mix	Unit Size	Dt. Oak. & Jack London		North/West/East Oak.		Emeryville		Central Berkeley		West Berkeley	
			Avg. Price	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF
Studio	17%	550	$2,444	$4.44	$2,054	$3.73	$2,262	$4.11	$3,224	$5.86	$2,704	$4.92
1 BR / 1 BA	50%	740	$2,834	$3.83	$2,444	$3.30	$2,652	$3.58	$3,744	$5.06	$3,172	$4.29
2 BR / 2 BA	30%	1,080	$3,770	$3.49	$3,224	$2.99	$3,536	$3.27	$4,680	$4.33	$4,056	$3.76
2+ BR / 2 BA	3%	1,200	$4,108	$3.42	$3,484	$2.90	$3,874	$3.23	$5,018	$4.18	$4,368	$3.64
Total/Weighted Average:	***100%***	***824***	***$3,087***	**$3.75**	***$2,643***	**$3.21**	***$2,888***	**$3.51**	***$3,975***	**$4.83**	***$3,394***	**$4.12**

Prototype H-4 (Taller Buildings)

Type	Mix	Unit Size	Dt. Oak. & Jack London		North/West/East Oak.		Emeryville		Central Berkeley		West Berkeley	
			Avg. Price	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF	*Avg. Price*	PSF
Studio	17%	550	$2,491	$4.53	$2,094	$3.81	$2,306	$4.19	$3,286	$5.97	$2,756	$5.01
1 BR / 1 BA	50%	740	$2,889	$3.90	$2,491	$3.37	$2,703	$3.65	$3,816	$5.16	$3,233	$4.37
2 BR / 2 BA	30%	1,080	$3,843	$3.56	$3,286	$3.04	$3,604	$3.34	$4,770	$4.42	$4,134	$3.83
2+ BR / 2 BA	3%	1,200	$4,187	$3.49	$3,551	$2.96	$3,949	$3.29	$5,115	$4.26	$4,452	$3.71
Total/Weighted Average:	***100%***	***824***	***$3,146***	**$3.82**	***$2,694***	**$3.27**	***$2,943***	**$3.57**	***$4,051***	**$4.92**	***$3,459***	**$4.20**

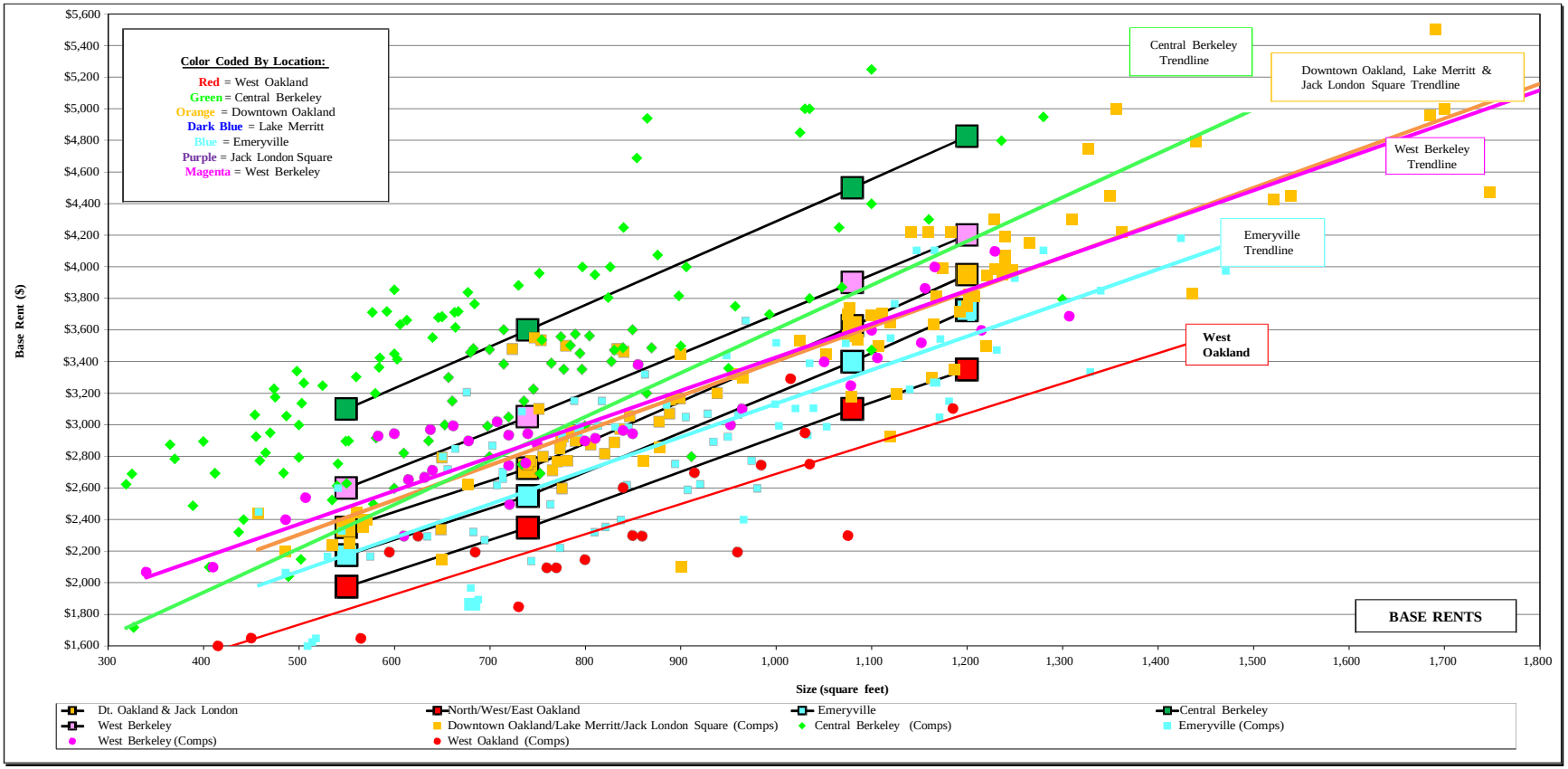


Figure D-2
Rent Comparisons for Mid-Rise Housing Prototype H-3 (as of October 2015)
(Source: The Concord Group)

Prototype H-3

Type	Mix	Unit Size	Dt. Oak. & Jack London Avg. Price	Dt. Oak. & Jack London PSF	North/West/East Oak. Avg. Price	North/West/East Oak. PSF	Emeryville Avg. Price	Emeryville PSF	Central Berkeley Avg. Price	Central Berkeley PSF	West Berkeley Avg. Price	West Berkeley PSF
Studio	15%	400	$2,080	$5.20	$1,768	$4.42	$1,924	$4.81	$2,730	$6.83	$2,366	$5.92
1 BR / 1 BA	45%	700	$2,730	$3.90	$2,340	$3.34	$2,600	$3.71	$3,536	$5.05	$3,016	$4.31
2 BR / 2 BA	32%	900	$3,172	$3.52	$2,808	$3.12	$3,016	$3.35	$4,108	$4.56	$3,536	$3.93
3 BR / 2 BA	8%	1,200	$4,134	$3.45	$3,588	$2.99	$3,900	$3.25	$5,044	$4.20	$4,472	$3.73
Total/Weighted Average:	***100%***	***760***	***$2,886***	**$3.80**	***$2,504***	**$3.29**	***$2,736***	**$3.60**	***$3,719***	**$4.89**	***$3,201***	**$4.21**

Prototype H-3 (Taller Buildings)

Type	Mix	Unit Size	Dt. Oak. & Jack London Avg. Price	Dt. Oak. & Jack London PSF	North/West/East Oak. Avg. Price	North/West/East Oak. PSF	Emeryville Avg. Price	Emeryville PSF	Central Berkeley Avg. Price	Central Berkeley PSF	West Berkeley Avg. Price	West Berkeley PSF
Studio	15%	400	$2,120	$5.30	$1,802	$4.51	$1,961	$4.90	$2,783	$6.96	$2,412	$6.03
1 BR / 1 BA	45%	700	$2,783	$3.98	$2,385	$3.41	$2,650	$3.79	$3,604	$5.15	$3,074	$4.39
2 BR / 2 BA	32%	900	$3,233	$3.59	$2,862	$3.18	$3,074	$3.42	$4,187	$4.65	$3,604	$4.00
3 BR / 2 BA	8%	1,200	$4,214	$3.51	$3,657	$3.05	$3,975	$3.31	$5,141	$4.28	$4,558	$3.80
Total/Weighted Average:	***100%***	***760***	***$2,942***	**$3.87**	***$2,552***	**$3.36**	***$2,788***	**$3.67**	***$3,790***	**$4.99**	***$3,263***	**$4.29**

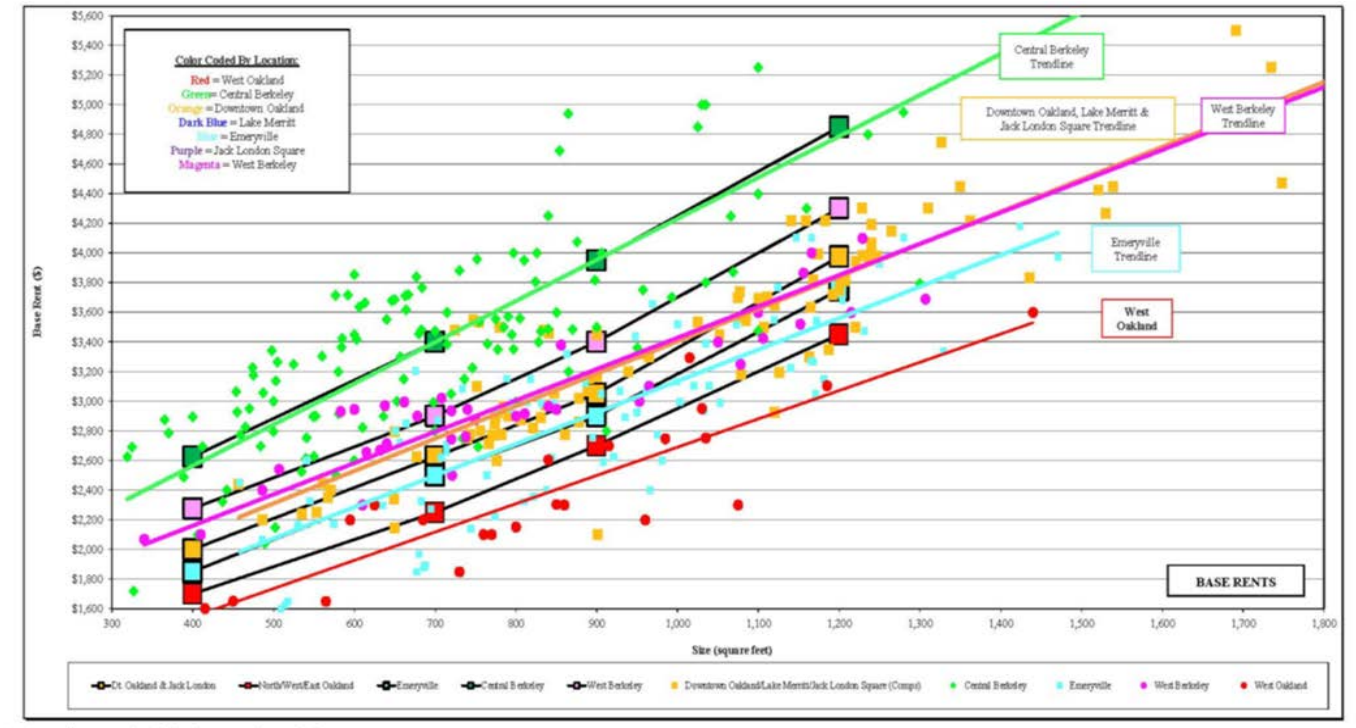


Table D-3
Office Development
Development Impact Fees and Comparable Charges for Oakland, Berkeley, Emeryville, and San Jose as of September 25, 2015, with New Target Impact Fees for Oakland (shaded)

	Fee Per Building Square Foot			
FEE CATEGORY	**Oakland**	**Berkeley**	**Emeryville**	**San Jose**
Development Impact Fees				
Transportation[a]	**$2.00**	**-**	**$3.74**	**-**
Other Capital Facilities				
Capital Facilities[b]	2.00	1.68	-	-
Sewer[c/d/e]	-	0.66	0.23	0.10
Sewer Treatment (EBMUD)[f]	0.35	0.35	0.35	-
Water (EBMUD)[g]	0.77	0.77	0.77	-
Fire	-	-	-	-
Police	-	-	-	-
Park and/or Park In-Lieu	-	-	3.66	-
Library	-	-	-	-
Childcare	-	1.25	-	-
Subtotal Capital Facilities Fees	***$3.12***	***$4.71***	***$5.01***	***$0.10***
Subtotal DIF (Transp. + Cap. Fac.)	*$5.12*	*$4.71*	*$8.75*	*$0.10*
Jobs/Housing Impact (Linkage) Fee	**$5.44**	**$4.50**	**$4.00**	**-**
Non-Fees Similarly Applied				
Construction Taxes[h]				$9.74
Public Art In-Lieu[i]	$1.91	$0.00	$1.91	$0.00
School Impact Fees	$0.51	$0.00	$0.47	$0.54
TOTAL PER SQUARE FOOT	**$12.98**	**$9.21**	**$15.13**	**$10.38**

(continued on next page)

NOTES:
The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/ In Emeryville, a lower fee applies in the Transit Hub Overlay Zone. San Jose traffic impact fees only apply in North San Jose and Evergreen East/Hills. The fees are not estimated here.

/b/ In Berkeley, applicable only to area covered by the Downtown Streets and Open Space Improvement Plan; primarily transportation and open space/street medians.

/c/ Covers impacts to local sewer lines owned by the City of Berkeley. The sewer connection fee is $3,536 per Equivalent Single-Family Dwelling Unit (last amended May 18, 2004, "Establish Sewer Connection Fees for Fiscal Years 2005-2009").

/d/ Covers impacts to local sewer lines owned by the City of Emeryville. The sewer connection fee is assessed per Single-Family Dwelling Equivalent. Applies to all multi-family dwellings except units that contain two rooms or less or one bedroom or less. For this table, all units are assumed to have more than one bedroom and more than two rooms total.

/e/ The San Jose sewer connection fee for non-residential development is $1,991 per acre for the first 10 acres plus $861 per acre for each acre over 10 acres plus $194 for each "living unit equivalent" over 7 units per acre. For office, a living unit equivalent is 2,000 square feet of building space. The fee amounts were calculated using the characteristics of a mid-rise (210,000 sq. ft.), lower/mid-rise (140,000 sq. ft.), and high-rise (450,000 sq. ft.) office prototypes.

/f/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. The fee for a single-family residence is $1,860 per unit and for multi-family residences of 2-4 units, the fee is $1,860 times the number of units. Larger multi-family residences are treated as non-residential uses. This analysis assumes the single-family unit charge for all residential units.

/g/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For multi-family premises the capacity charge is assessed per unit.

/h/ The City of San Jose collects the following "development taxes" (excise taxes) to fund specific City operations set forth in the Municipal Code: Commercial, Residential, Mobile Home Park Construction Tax (percent of building valuation), Building and Structure Construction Tax (percent of building valuation), Residential Construction Tax (per unit), and Construction Tax (per unit) Construction taxes based on building valuations calculated using RSMeans Square Foot Costs, 36th Annual Edition, 2015 with San Jose, CA location factors applied.

/i/ Cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. In Emeryville and Oakland, the in-lieu fee for housing is 0.5% of building cost for residential development. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee. In San Jose, the public art program is associated with municipal projects and redevelopment projects only, per municipal code.

Source: Hausrath Economics Group

Table D-4
Office Development
Development Impact Fees and Comparable Charges, Selected Jurisdictions
as of September 25, 2015 with New Target Impact Fees for Oakland (shaded)

	Per Building Square Foot										
FEE CATEGORY	**Oakland**	**Alameda**	**Berkeley**	**Emeryville**	**Fremont**	**Hayward**	**Richmond**	**San Francisco**	**San Jose**	**San Leandro**	**Walnut Creek**
Development Impact Fees											
Transportation	**2.00**	**3.73**	**-**	**3.74**	**5.00**	**-**	**3.65**	**18.04**	**-**	**3.71**	**4.44**
Other Capital Facilities											
Capital Facilities	2.00	0.50	1.68	-	0.92	-	-	4.13	-	-	-
Sewer[/a/]	-	0.19	0.66	0.23	2.64	1.44	1.96	0.32	0.10	0.77	1.77
Sewer Treatment (EBMUD)[/b/]	0.35	0.35	0.35	0.35	-	-	-	-	-	-	-
Storm Drainage	-	-	-	-	-	-	0.63	-	Per acre fee	-	-
Water (EBMUD where shown)[/c/]	0.77	0.77	0.77	0.77	-	-	-	-	-	-	-
Fire	-	-	-	-	0.31	-	0.22	-	-	-	-
Police	-	-	-	-	-	-	0.26	-	-	-	-
Combined Public Safety	-	0.78	-	-	-	-	-	-	-	-	-
Park and/or Park In-Lieu	-	-	-	3.66	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	0.35	-	-	-	
Childcare	-	-	1.25	-	-	-	-	1.21	-	-	-
Mitigation Admin. Fee (3%)							0.21				
Subtotal Capital Facilities Fees	***$3.12***	***$2.59***	***$4.71***	***$5.01***	***$3.86***	***$1.44***	***$3.63***	***$5.66***	***$0.10***	***$0.77***	***$1.77***
Subtotal DIF (Transp. + Cap. Fac.)	*$5.12*	*$6.32*	*$4.71*	*$8.75*	*$8.86*	*$1.44*	*$7.27*	*$23.70*	*$0.10*	*$4.48*	*$6.21*
Housing Fees											
Affordable Housing Impact Fee	-	-	-	-	-	-	-	-	-	-	-
Inclusionary Housing In-Lieu Fee	-	-	-	-	-	-	-	-	-	-	-
Comm'l Dev. Impact (Linkage) Fee	5.44	4.52	4.50	4.00	-	-	-	24.03	-	-	5.00
Subtotal Housing Fees	**$5.44**	**$4.52**	**$4.50**	**$4.00**	**$0.00**	**$0.00**	**$0.00**	**$24.03**	**$0.00**	**$0.00**	**$5.00**
Non-Fees Similarly Applied											
Construction Taxes	-	-	-	-	-	-	-	-	9.74	-	-
Subtotal Non-Fees	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$9.74	$0.00	$0.00
Public Art In-Lieu[/d/]	$1.91	$1.91	-	$1.91	$0.51	-	-	$1.91	-	-	$1.91
School Impact Fees	$0.51	$0.51	$0.00	$0.47	$0.94	$0.47	$0.54	$0.39	$0.54	$0.54	$0.53
TOTAL PER SQUARE FOOT	**$12.98**	**$13.26**	**$9.21**	**$15.13**	**$10.31**	**$1.91**	**$7.81**	**$50.02**	**$10.38**	**$5.02**	**$13.65**

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NOTES:

The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/The San Jose sewer connection fee for non-residential development is $1,991 per acre for the first 10 acres plus $861 per acre for each acre over 10 acres plus $194 for each "living unit equivalent" over 7 units per acre. For office, a living unit equivalent is 2,000 square feet of building space. The fee amounts were calculated using the characteristics of a mid-rise (210,000 sq. ft.), lower/mid-rise (140,000 sq. ft.), and high-rise (450,000 sq. ft.) office prototypes.

/b/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Alameda, Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. For the purposes of this table, the non-residential fee is estimated by converting the fee per ESFDU to a fee per square foot for non-residential uses based on square feet per EDU factors by use prepared by BKF for the City of Oakland Development Impact Fee Study, (Memorandum to Robert Spencer, May 1, 2015, Table 7).

/c/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For non-residential uses, the charge is based on meter size. The amounts shown here are based on the Oakland prototypes and assume similar buildings developed in the other cities served by EBMUD.

/d/ Except in Fremont, cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee.

Source: Hausrath Economics Group

Table D-5
Retail Development
Development Impact Fees and Comparable Charges, Selected Jurisdictions
as of September 25, 2015 with New Target Impact Fees for Oakland (shaded)

Per Building Square Foot

FEE CATEGORY	Oakland	Alameda	Berkeley	Emeryville	Fremont	Hayward	Richmond	San Francisco	San Jose	San Leandro	Walnut Creek
Development Impact Fees											
Transportation	**0.75**	**3.79**	**-**	**4.68**	**6.84**	**-**	**4.13**	**18.04**	**-**	**4.15**	**5.36**
Other Capital Facilities											
Capital Facilities	0.50	0.28	1.68	-	0.55	-	-	4.13	-	-	-
Sewer[/a/]	-	0.24	0.83	0.29	2.64	1.80	2.79	0.39	0.05	0.96	1.56
Sewer Treatment (EBMUD)[/b/]	0.43	0.43	0.43	0.43	-	-	-	-	-	-	-
Storm Drainage	-	-	-	-	-	-	0.84	-	Per acre fee	-	-
Water (EBMUD where shown)[/c/]	1.07	1.07	1.07	1.07	-	-	-	-	-	-	-
Fire	-	-	-	-	0.18	-	0.22	-	-	-	-
Police	-	-	-	-	-	-	0.26	-	-	-	-
Combined Public Safety	-	0.43	-	-	-	-	-	-	-	-	-
Park and/or Park In-Lieu	-	-	-	2.01	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	0.21	-	-	-	-
Childcare	-	-	1.25	-	-	-	-	-	-	-	-
Mitigation Admin. Fee (3%)							0.25				
Subtotal Capital Facilities Fees	***$2.00***	***$2.44***	***$5.26***	***$3.81***	***$3.37***	***$1.80***	***$4.57***	***$4.52***	***$0.05***	***$0.96***	***$1.56***
Subtotal DIF (Transp. + Cap. Fac.)	*$2.75*	*$6.23*	*$5.26*	*$8.49*	*$10.21*	*$1.80*	*$8.70*	*$22.56*	*$0.05*	*$5.11*	*$6.92*
Housing Fees											
Affordable Housing Impact Fee	-	-	-	-	-	-	-	-	-	-	-
Inclusionary Housing In-Lieu Fee	-	-	-	-	-	-	-	-	-	-	-
Comm'l Dev. Impact (Linkage) Fee	-	2.30	4.50	4.00	-	-	-	22.42	-	-	5.00
Subtotal Housing Fees	**$0.00**	**$2.30**	**$4.50**	**$4.00**	**$0.00**	**$0.00**	**$0.00**	**$22.42**	**$0.00**	**$0.00**	**$5.00**
Non-Fees Similarly Applied											
Construction Taxes		-	-	-	-	-	-	-	7.08	-	-
Subtotal Non-Fees	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$7.08	$0.00	$0.00
Public Art In-Lieu[/d/]	$1.52	$1.52	-	$1.52	$0.51	-	-	$1.52	-	-	$1.52
School Impact Fees	$0.51	$0.51	$0.00	$0.47	$0.94	$0.47	$0.54	$0.24	$0.54	$0.54	$0.53
TOTAL PER SQUARE FOOT	**$4.78**	**$10.56**	**$9.76**	**$14.48**	**$11.66**	**$2.27**	**$9.24**	**$46.75**	**$7.67**	**$5.65**	**$13.97**

(continued on next page)

NOTES:

The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/ The San Jose sewer connection fee for non-residential development is $1,991 per acre for the first 10 acres plus $861 per acre for each acre over 10 acres plus $194 for each "living unit equivalent" over 7 units per acre. At 2,000 square feet of building space for the office living unit equivalent, the first 0.32 acres of development density is not subject to the $194 per-living-unit-equivalent component of the fee. For this estimate, we assume retail development does not exceed a floor-area-ratio of 0.32 : 1. Therefore, the fee is based only on $1,991 per acre of development.

/b/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Alameda, Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. For the purposes of this table, the non-residential fee is estimated by converting the fee per ESFDU to a fee per square foot for non-residential uses based on square feet per EDU factors by use prepared by BKF for the City of Oakland Development Impact Fee Study, (Memorandum to Robert Spencer, May 1, 2015, Table 7).

/c/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For non-residential uses, the charge is based on meter size. The amounts shown here are based on the Oakland prototypes and assume similar buildings developed in the other cities served by EBMUD.

/d/ Except in Fremont, cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee.

Source: Hausrath Economics Group

Table D-6
Hotel/Motel Development
Development Impact Fees and Comparable Charges, Selected Jurisdictions
as of September 25, 2015 with New Target Impact Fees for Oakland (shaded)

Per Building Square Foot

FEE CATEGORY	Oakland	Alameda	Berkeley	Emeryville	Fremont	Hayward	Richmond	San Francisco	San Jose	San Leandro	Walnut Creek
Development Impact Fees											
Transportation	**0.65**	**3.73**	**-**	**2.11**	**5.12**	**-**	**4.13**	**18.04**	**-**	**2.26**	**-**
Other Capital Facilities											
Capital Facilities	0.60	0.50	1.68	-	0.44	-	-	4.13	-	-	-
Sewer[/a/]	-	1.18	4.13	1.45	2.64	9.00	2.79	1.97	1.13	4.80	11.57
Sewer Treatment (EBMUD)[/b/]	2.17	2.17	2.17	2.17	-	-	-	-	-	-	-
Storm Drainage	-	-	-	-	-	-	0.84	-	Per acre fee	-	-
Water (EBMUD where shown)[/c/]	11.08	11.08	11.08	11.08	-	-	-	-	-	-	-
Fire	-	-	-	-	0.15	-	0.22	-	-	-	-
Police	-	-	-	-	-	-	0.26	-	-	-	-
Combined Public Safety	-	0.78	-	-	-	-	-	-	-	-	-
Park and/or Park In-Lieu	-	-	-	1.01	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	0.21	-	-	-	-
Childcare	-	-	1.50	-	-	-	-	1.21	-	-	-
Mitigation Admin. Fee (3%)							0.25				
Subtotal Capital Facilities Fees	***$13.85***	***$15.72***	***$20.56***	***$15.72***	***$3.22***	***$9.00***	***$4.57***	***$7.31***	***$1.13***	***$4.80***	***$11.57***
Subtotal DIF (Transp. + Cap. Fac.)	*$14.50*	*$19.45*	*$20.56*	*$17.82*	*$8.34*	*$9.00*	*$8.70*	*$25.35*	*$1.13*	*$7.07*	*$11.57*
Housing Fees											
Affordable Housing Impact Fee	-	-	-	-	-	-	-	-	-	-	-
Inclusionary Housing In-Lieu Fee	-	-	-	-	-	-	-	-	-	-	-
Comm'l Dev. Impact (Linkage) Fee	-	2.22	4.50	4.00	-	-	-	17.99	-	-	5.00
Subtotal Housing Fees	**$0.00**	**$2.22**	**$4.50**	**$4.00**	**$0.00**	**$0.00**	**$0.00**	**$17.99**	**$0.00**	**$0.00**	**$5.00**
Non-Fees Similarly Applied											
Construction Taxes	-	-	-	-	-	-	-	-	10.79	-	-
Subtotal Non-Fees	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$10.79	$0.00	$0.00
Public Art In-Lieu[/d/]	1.91	$1.91	-	$1.91	$0.51	-	-	$1.91	-	-	$1.91
School Impact Fees	$0.51	$0.51	$0.00	$0.47	$0.94	$0.47	$0.54	$0.12	$0.54	$0.54	$0.53
TOTAL PER SQUARE FOOT	**$16.92**	**$22.18**	**$25.06**	**$22.29**	**$9.79**	**$9.47**	**$9.24**	**$43.46**	**$12.46**	**$7.61**	**$17.10**

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NOTES:

The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/ The San Jose sewer connection fee for non-residential development is $1,991 per acre for the first 10 acres plus $861 per acre for each acre over 10 acres plus $194 for each "living unit equivalent" over 7 units per acre. For hotel and motel, a living unit equivalent is one guest room. The fee amount per square foot was calculated assuming a hotel of 250 rooms.

/b/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Alameda, Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. For the purposes of this table, the non-residential fee is estimated by converting the fee per ESFDU to a fee per square foot for non-residential uses based on square feet per EDU factors by use prepared by BKF for the City of Oakland Development Impact Fee Study, (Memorandum to Robert Spencer, May 1, 2015, Table 7).

/c/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For non-residential uses, the charge is based on meter size. The amounts shown here are based on the Oakland prototypes and assume similar buildings developed in the other cities served by EBMUD.

/d/ Except in Fremont, cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee.

Source: Hausrath Economics Group

Table D-7
Warehouse Development
Development Impact Fees and Comparable Charges, Selected Jurisdictions as of September 25, 2015 with New Target Impact Fees for Oakland (shaded)

	Per Building Square Foot										
FEE CATEGORY	**Oakland**	**Alameda**	**Berkeley**	**Emeryville**	**Fremont**	**Hayward**	**Richmond**	**San Francisco**	**San Jose**	**San Leandro**	**Walnut Creek**
Development Impact Fees											
Transportation	**0.35**	**3.14**	**-**	**-**	**1.51**	**-**	**1.33**	**-**	**-**	**1.19**	**-**
Other Capital Facilities											
Capital Facilities	1.00	0.19	-	-	0.39	-	-	-	-	-	-
Sewer[/a/]	-	0.47	1.65	0.58	1.02	3.60	0.97	0.79	0.05	1.92	0.82
Sewer Treatment (EBMUD)[/b/]	0.87	0.87	0.87	0.87	-	-	-	-	-	-	-
Storm Drainage	-	-	-	-	-	-	0.67	-	Per acre fee	-	-
Water (EBMUD where shown)[/c/]	0.69	0.69	0.69	0.69	-	-	-	-	-	-	-
Fire	-	-	-	-	0.13	-	0.16	-	-	-	-
Police	-	-	-	-	-	-	0.10	-	-	-	-
Combined Public Safety	-	0.29	-	-	-	-	-	-	-	-	-
Park and/or Park In-Lieu	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	0.05	-	-	-	-
Childcare	-	-	0.62	-	-	-	-	-	-	-	-
Mitigation Admin. Fee (3%)							0.10				
Subtotal Capital Facilities Fees	***$2.56***	***$2.51***	***$3.83***	***$2.14***	***$1.54***	***$3.60***	***$2.03***	***$0.79***	***$0.05***	***$1.92***	***$0.82***
Subtotal DIF (Transp. + Cap. Fac.)	*$2.91*	*$5.65*	*$3.83*	*$2.14*	*$3.05*	*$3.60*	*$3.36*	*$0.79*	*$0.05*	*$3.11*	*$0.82*
Housing Fees											
Affordable Housing Impact Fee	-	-	-	-	-	-	-	-	-	-	-
Inclusionary Housing In-Lieu Fee	-	-	-	-	-	-	-	-	-	-	-
Comm'l Dev. Impact (Linkage) Fee	5.44	0.78	2.25	-	-	-	-	-	-	-	5.00
Subtotal Housing Fees	**$5.44**	**$0.78**	**$2.25**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$5.00**
Non-Fees Similarly Applied											
Construction Taxes	-	-	-	-	-	-	-	-	5.11	-	-
Subtotal Non-Fees	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$5.11**	**$0.00**	**$0.00**
Public Art In-Lieu[/d/]	1.12	$1.12	-	$1.12	$0.51	-	-	$1.12	-	-	$1.12
School Impact Fees	$0.51	$0.51	-	-	$0.94	$0.47	$0.54	$0.30	$0.54	$0.54	$0.53
TOTAL PER SQUARE FOOT	**$9.98**	**$8.06**	**$6.08**	**$3.26**	**$4.50**	**$4.07**	**$3.90**	**$1.09**	**$5.70**	**$3.65**	**$7.47**

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NOTES:

The new impact fees in Oakland are added to the existing impact fees to provide an indication of how total impact fees for Oakland compare with impact fees in nearby cities. Oakland's new impact fees are included at the target amounts after they are phased in. At that time, existing impact fees in Oakland and other cities would be somewhat higher than the current amounts shown, often increasing with inflation.

/a/ The San Jose sewer connection fee for non-residential development is $1,991 per acre for the first 10 acres plus $861 per acre for each acre over 10 acres plus $194 for each "living unit equivalent" over 7 units per acre. At 2,000 square feet of building space for the office living unit equivalent, the first 0.32 acres of development density is not subject to the $194 per-living-unit-equivalent component of the fee. For this estimate, we assume warehouse development does not exceed a floor-area-ratio of 0.32 : 1. Therefore, the fee is based only on $1,991 per acre of development.

/b/ East Bay Municipal Utility District (EBMUD) provides wastewater treatment services for several East Bay cities, including Alameda, Berkeley, Emeryville, and Oakland. EBMUD charges a one-time wastewater capacity fee for each new customer. For the purposes of this table, the non-residential fee is estimated by converting the fee per ESFDU to a fee per square foot for non-residential uses based on square feet per EDU factors by use prepared by BKF for the City of Oakland Development Impact Fee Study, (Memorandum to Robert Spencer, May 1, 2015, Table 7).

/c/ EBMUD assesses a System Capacity Charge for new water system connections in its service area to cover the cost of system-wide facilities buy-in, regional facilities buy-in, and future water supply. For non-residential uses, the charge is based on meter size. The amounts shown here are based on the Oakland prototypes and assume similar buildings developed in the other cities served by EBMUD.

/d/ Except in Fremont, cities assessing a public art in-lieu fee assess the fee as a percentage of building value or cost, generally 1%. The amounts shown here are based on building cost estimates for Oakland prototypes and assume development of similar buildings in the other cities imposing the public art in-lieu fee.

Source: Hausrath Economics Group

Table D-8
Industrial / Manufacturing Development
Development Impact Fees and Comparable Charges, Selected Jurisdictions
as of September 25, 2015 with New Target Impact Fees for Oakland (shaded)

	Per Building Square Foot										
FEE CATEGORY	**Oakland**	**Alameda**	**Berkeley**	**Emeryville**	**Fremont**	**Hayward**	**Richmond**	**San Francisco**	**San Jose**	**San Leandro**	**Walnut Creek**
Development Impact Fees											
Transportation	**0.55**	**3.14**	**-**	**1.83**	**2.52**	**-**	**1.33**	**-**	**-**	**1.19**	**4.44**
Other Capital Facilities											
Capital Facilities	1.00	0.19	-	-	0.56	-	-	-	-	-	-
Sewer[/a/]	-	0.47	1.65	0.58	2.64	3.60	0.97	0.79	0.05	1.92	-
Sewer Treatment (EBMUD)[/b/]	0.87	0.87	0.87	0.87	-	-	-	-	-	-	-
Storm Drainage	-	-	-	-	-	-	0.67	-	Per acre fee	-	-
Water (EBMUD where shown)[/c/]	0.70	0.70	0.70	0.70	-	-	-	-	-	-	-
Fire	-	-	-	-	0.19	-	0.16	-	-	-	-
Police	-	-	-	-	-	-	0.10	-	-	-	-
Combined Public Safety	-	0.29	-	-	-	-	-	-	-	-	-
Park and/or Park In-Lieu	-	-	-	1.01	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	0.15	-	-	-	
Childcare	-	-	0.75	-	-	-	-	-	-	-	-
Mitigation Admin. Fee (3%)							0.10				
Subtotal Capital Facilities Fees	***$2.57***	***$2.52***	***$3.97***	***$3.16***	***$3.38***	***$3.60***	***$2.14***	***$0.79***	***$0.05***	***$1.92***	***$0.00***
Subtotal DIF (Transp. + Cap. Fac.)	*$3.12*	*$5.66*	*$3.97*	*$4.99*	*$5.90*	*$3.60*	*$3.47*	*$0.79*	*$0.05*	*$3.11*	*$4.44*
Housing Fees											
Affordable Housing Impact Fee	-	-	-	-	-	-	-	-	-	-	-
Inclusionary Housing In-Lieu Fee	-	-	-	-	-	-	-	-	-	-	-
Comm'l Dev. Impact (Linkage) Fee	-	0.78	2.25	4.00	-	-	-	-	-	-	5.00
Subtotal Housing Fees	**$0.00**	**$0.78**	**$2.25**	**$4.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$5.00**
Non-Fees Similarly Applied											
Construction Taxes	-	-	-	-	-	-	-	-	5.11		-
Subtotal Non-Fees	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$5.11**	**$0.00**	**$0.00**
Public Art In-Lieu[/d/]	$1.26	$1.26	-	$1.26	$0.51	-	-	$1.26	-		$1.26
School Impact Fees	$0.51	$0.51	-	$0.47	$0.94	$0.47	$0.54	$0.30	$0.54	$0.54	$0.53
TOTAL PER SQUARE FOOT	**$4.89**	**$8.21**	**$6.22**	**$10.72**	**$7.35**	**$4.07**	**$4.01**	**$2.35**	**$5.70**	**$3.65**	**$11.23**

(continued on next page)

NOTES:

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Source: Hausrath Economics Group